



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

Mohokare Local Municipality

Annual Financial Statements for the year ended 30 June 2016

General Information

Mayoral committee

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

Grading of local authority

Grade 2

Chief Finance Officer (CFO) PM Dyonase

Accounting Officer CT Panyani

Registered office Civic Centre
Hoofd Street
Zastron
9950

Postal address PO Box 20
Zastron
9950

Bankers ABSA Bank

Auditors External - Auditor General of South Africa
Internal - Thobeca Macala

Attorneys Modise & Modise Attorneys
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Mohokare Local Municipality

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Abbreviations

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

Mohokare Local Municipality

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Accounting Officer's Responsibilities and Approval

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

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

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

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

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

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

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 4.

The annual financial statements set out on pages 4 to 82, which have been prepared on the going concern basis, were approved by the Accounting Officer on 31 August 2016 and were signed on its behalf by:



CT Panyani
Municipal Manager

Mohokare Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Statement of Financial Position as at 30 June 2016

Figures in Rand	Note(s)	2016	2015
Assets			
Current Assets			
Inventories	10	763 127	765 008
Receivables from exchange transactions	11	16 291 610	5 708 857
Receivables from non-exchange transactions	12	7 728 522	3 188 409
VAT receivable	13	15 145 854	13 211 818
Cash and cash equivalents	14	9 328 876	945 123
		49 257 989	23 819 215
Non-Current Assets			
Biological assets that form part of an agricultural activity	4	268 180	256 500
Investment property	5	22 176 665	22 176 665
Property, plant and equipment	6	505 354 615	471 285 678
Other financial assets	7	351 628	345 155
		528 151 088	494 063 998
Non-Current Assets			
Current Assets		528 151 088	494 063 998
Total Assets		49 257 989	23 819 215
		577 409 077	517 883 213
Liabilities			
Current Liabilities			
Other financial liabilities	18	175 254	155 168
Finance lease obligation	16	200 844	262 571
Consumer Deposits	8	814 120	521 730
Payables from exchange transactions	20	91 540 444	68 440 374
Employee benefit obligation	9	507 200	-
Unspent conditional grants and receipts	17	5 243 911	7 083 784
		98 481 773	76 463 627
Non-Current Liabilities			
Other financial liabilities	18	27 050 815	20 208 670
Finance lease obligation	16	-	199 947
Employee benefit obligation	9	5 361 300	5 566 100
Provisions	19	9 174 586	8 432 983
		41 586 701	34 407 700
Non-Current Liabilities			
Current Liabilities		41 586 701	34 407 700
Total Liabilities		98 481 773	76 463 627
		140 068 474	110 871 327
Assets		577 409 077	517 883 213
Liabilities		(140 068 474)	(110 871 327)
Net Assets		437 340 603	407 011 886
Accumulated surplus	15	437 340 603	407 011 886

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Annual Financial Statements for the year ended 30 June 2016

Statement of Financial Performance

Figures in Rand	Note(s)	2016	2015
Revenue			
Revenue from exchange transactions			
Service charges	21	57 360 324	47 996 203
Rental of facilities and equipment	22	1 071 800	1 064 164
Licences and permits		2 168	3 545
Other income	23	636 834	1 340 275
Interest received - investment	24	813 085	935 012
Dividends received	24	9 955	7 067
Total revenue from exchange transactions		59 894 166	51 346 266
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	25	6 994 250	6 515 490
Transfer revenue			
Government grants & subsidies	27	141 376 458	107 076 501
Public contributions and donations	28	4 009 457	1 357 959
Fines, Penalties and Forfeits		11 503 500	1 638 850
Total revenue from non-exchange transactions		163 883 665	116 588 800
Total revenue		59 894 166	51 346 266
		163 883 665	116 588 800
		223 777 831	167 935 066
Expenditure			
Employee related costs	29	(58 693 305)	(55 991 776)
Remuneration of councillors	30	(3 412 176)	(3 236 314)
Administration		(270 903)	(167 010)
Depreciation and amortisation	31	(28 444 777)	(25 616 415)
Impairment loss/ Reversal of impairments	32	(136 115)	-
Finance costs	33	(9 115 398)	(4 855 891)
Lease rentals on operating lease		(1 167 040)	(1 011 392)
Debt Impairment	34	(26 585 838)	(21 104 380)
Repairs and maintenance		(3 329 518)	(2 161 467)
Bulk purchases	35	(26 298 627)	(23 607 805)
Contracted services	36	(2 640 595)	(3 659 924)
Transfers and Subsidies	26	-	(11 636)
Decommissioning Costs		(394 514)	(536 155)
General Expenses	37	(21 834 359)	(21 822 069)
Total expenditure		(182 323 165)	(163 782 234)
Total revenue		223 777 831	167 935 066
Total expenditure		(182 323 165)	(163 782 234)
Operating surplus		41 454 666	4 152 832
Loss on disposal of assets and liabilities		(1 381 886)	(355 416)
Fair value adjustments		19 193	65 770
Actuarial gains/losses	9	380 000	-
Gain on biological assets and agricultural produce		23 720	55 263
		(958 973)	(234 383)
Operating surplus/deficit		(958 973)	(234 383)
Surplus before taxation		40 495 693	3 918 449
Taxation		-	-
Surplus for the year		40 495 693	3 918 449

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Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Balance at 01 July 2014	403 093 437	403 093 437
Changes in net assets		
Surplus for the year	3 918 449	3 918 449
Total changes	3 918 449	3 918 449
Opening balance as previously reported	405 399 553	405 399 553
Adjustments		
Change in accounting policy	(8 554 643)	(8 554 643)
Balance at 01 July 2015 as restated*	396 844 910	396 844 910
Changes in net assets		
Surplus for the year	40 495 693	40 495 693
Total changes	40 495 693	40 495 693
Balance at 30 June 2016	437 340 603	437 340 603

Note(s)

Mohokare Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Cash Flow Statement

Figures in Rand	Note(s)	2016	2015
Cash flows from operating activities			
Receipts			
Sale of goods and services		204 881 056	113 081 489
Interest income		129 246	129 246
Dividends received		9 955	7 067
		205 020 257	113 217 802
Payments			
Cash paid to suppliers and employees		(128 261 449)	(67 763 562)
Finance costs		(639 425)	(188 949)
		(128 900 874)	(67 952 511)
Total receipts		205 020 257	113 217 802
Total payments		(128 900 874)	(67 952 511)
Net cash flows from operating activities	38	76 119 383	45 265 291
Cash flows from investing activities			
Purchase of property, plant and equipment	6	(67 416 758)	(42 287 203)
Purchase of biological assets that form part of an agricultural activity	4	(50 140)	-
Proceeds from sale of biological assets that form part of an agricultural activity	4	23 720	55 263
Net cash flows from investing activities		(67 443 178)	(42 231 940)
Cash flows from financing activities			
Finance lease payments		(292 452)	(340 210)
Net increase/(decrease) in cash and cash equivalents		8 383 753	2 693 141
Cash and cash equivalents at the beginning of the year		945 123	(1 748 018)
Cash and cash equivalents at the end of the year	14	9 328 876	945 123

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Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

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

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Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Position						
Assets						
Current Assets						
Inventories	28 510 296	-	28 510 296	763 127	(27 747 169)	
Receivables from exchange transactions	8 248 707	-	8 248 707	16 291 610	8 042 903	
Receivables from non-exchange transactions	-	-	-	7 728 522	7 728 522	
VAT receivable	-	-	-	15 145 854	15 145 854	
Consumer debtors	3 423 772	-	3 423 772	-	(3 423 772)	
Cash and cash equivalents	200 000	-	200 000	9 328 876	9 128 876	
	40 382 775	-	40 382 775	49 257 989	8 875 214	
Non-Current Assets						
Biological assets that form part of an agricultural activity	300 000	-	300 000	268 180	(31 820)	
Investment property	17 746 665	-	17 746 665	22 176 665	4 430 000	
Property, plant and equipment	475 253 835	-	475 253 835	505 354 615	30 100 780	
Other financial assets	320 000	-	320 000	351 628	31 628	
	493 620 500	-	493 620 500	528 151 088	34 530 588	
Non-Current Assets	40 382 775	-	40 382 775	49 257 989	8 875 214	
Current Assets	493 620 500	-	493 620 500	528 151 088	34 530 588	
Total Assets	534 003 275	-	534 003 275	577 409 077	43 405 802	
Liabilities						
Current Liabilities						
Other financial liabilities	150 000	-	150 000	175 254	25 254	
Finance lease obligation	170 000	-	170 000	200 844	30 844	
Consumer Deposits	650 000	-	650 000	814 120	164 120	
Payables from exchange transactions	56 030 161	-	56 030 161	91 540 443	35 510 282	
Employee benefit obligation	-	-	-	507 200	507 200	
Unspent conditional grants and receipts	6 000 000	-	6 000 000	5 243 911	(756 089)	
Bank overdraft	5 000 000	-	5 000 000	-	(5 000 000)	
	68 000 161	-	68 000 161	98 481 772	30 481 611	
Non-Current Liabilities						
Other financial liabilities	17 685 232	-	17 685 232	27 050 815	9 365 583	
Employee benefit obligation	-	-	-	5 361 300	5 361 300	
Provisions	20 000 000	-	20 000 000	9 174 586	(10 825 414)	
	37 685 232	-	37 685 232	41 586 701	3 901 469	
68 000 161	-	68 000 161	98 481 772	30 481 611		
37 685 232	-	37 685 232	41 586 701	3 901 469		
	-	-	-	-	-	
Total Liabilities	105 685 393	-	105 685 393	140 068 473	34 383 080	
Assets	534 003 275	-	534 003 275	577 409 077	43 405 802	
Liabilities	(105 685 393)	-	(105 685 393)	(140 068 473)	(34 383 080)	

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Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Net Assets	428 317 882	-	428 317 882	437 340 604	9 022 722	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	428 317 882	-	428 317 882	437 340 604	9 022 722	

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Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and budget s31 of the MFMA)	Final adjustments	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
2016											
Financial Performance											
Property rates	11 627 153	(4 394 959)	7 232 194	-		7 232 194	6 994 250		(237 944)	97 %	60 %
Service charges	61 129 539	-	61 129 539	-		61 129 539	57 360 324		(3 769 215)	94 %	94 %
Investment revenue	5 775 772	77 705	5 853 477	-		5 853 477	823 040		(5 030 437)	14 %	14 %
Transfers recognised - operational	61 967 859	-	61 967 859	-		61 967 859	58 762 491		(3 205 368)	95 %	95 %
Other own revenue	12 848 936	362 236	13 211 172	-		13 211 172	17 267 502		4 056 330	131 %	134 %
Total revenue (excluding capital transfers and contributions)	153 349 259	(3 955 018)	149 394 241	-		149 394 241	141 207 607		(8 186 634)	95 %	92 %
Employee costs	(57 045 453)	(2 026 232)	(59 071 685)	-	-	(59 071 685)	(58 693 305)	-	378 380	99 %	103 %
Remuneration of councillors	(3 608 834)	(8 593)	(3 617 427)	-	-	(3 617 427)	(3 412 176)	-	205 251	94 %	95 %
Debt impairment	(14 347 804)	-	(14 347 804)			(14 347 804)	(26 585 838)	14 096 973	(12 238 034)	185 %	185 %
Depreciation and asset impairment	(28 427 184)	-	(28 427 184)			(28 427 184)	(28 444 777)	17 593	(17 593)	100 %	100 %
Finance charges	(2 702 779)	579 080	(2 123 699)	-	-	(2 123 699)	(9 115 398)	6 991 699	(6 991 699)	429 %	337 %
Materials and bulk purchases	(20 563 200)	-	(20 563 200)	-	-	(20 563 200)	(26 298 627)	5 735 427	(5 735 427)	128 %	128 %
Transfers and grants	(7 365 361)	-	(7 365 361)	-	-	(7 365 361)	-	-	7 365 361	- %	- %
Other expenditure	(34 355 391)	(7 818 741)	(42 174 132)	-	-	(42 174 132)	(31 154 930)	-	11 019 202	74 %	91 %
Total expenditure	(168 416 006)	(9 274 486)	(177 690 492)	-	-	(177 690 492)	(183 705 051)	26 841 692	(6 014 559)	103 %	109 %

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Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and budget s31 of the MFMA)	Final adjustments	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Total revenue (excluding capital transfers and contributions)	153 349 259	(3 955 018)	149 394 241		-	-	149 394 241	141 207 607	-	(8 186 634)	95 %
Total expenditure	(168 416 006)	(9 274 486)	(177 690 492)		-	-	(177 690 492)	(183 705 051)	26 841 692	(6 014 559)	103 %
Surplus/(Deficit)	(15 066 747)	(13 229 504)	(28 296 251)		-	(28 296 251)	(42 497 444)		(14 201 193)	150 %	282 %
Transfers recognised - capital	86 254 000	(10 000 000)	76 254 000		-	76 254 000	82 993 137		6 739 137	109 %	96 %
Surplus/(Deficit) Capital transfers and contributions	(15 066 747)	(13 229 504)	(28 296 251)		-	(28 296 251)	(42 497 444)		(14 201 193)	150 %	282 %
86 254 000	(10 000 000)	76 254 000		-	-	76 254 000	82 993 137		6 739 137	109 %	96 %
Surplus (Deficit) after capital transfers and contributions	71 187 253	(23 229 504)	47 957 749		-	47 957 749	40 495 693		(7 462 056)	84 %	57 %
Surplus (Deficit) after capital transfers and contributions	71 187 253	(23 229 504)	47 957 749		-	47 957 749	40 495 693		(7 462 056)	84 %	57 %
Surplus/(Deficit) for the year	71 187 253	(23 229 504)	47 957 749		-	47 957 749	40 495 693		(7 462 056)	84 %	57 %

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Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and budget s31 of the MFMA)	Final adjustments	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
Capital expenditure and funds sources											
Total capital expenditure	(87 508 100)	10 648 100	(76 860 000)	-	(76 860 000)	(67 829 048)	9 030 952	88 %	78 %		
Sources of capital funds											
Transfers recognised - capital	85 365 000	(10 000 000)	75 365 000	-	75 365 000	82 993 137	7 628 137	110 %	97 %		
Internally generated funds	2 143 100	(648 100)	1 495 000	-	1 495 000	472 548	(1 022 452)	32 %	22 %		
Total sources of capital funds	87 508 100	(10 648 100)	76 860 000	-	76 860 000	83 465 685	6 605 685	109 %	95 %		

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Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and budget s31 of the MFMA)	Final adjustments	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
Cash flows											
Net cash from (used) operating	99 483 758	(16 454 148)	83 029 610	-		83 029 610	76 119 383		(6 910 227)	92 %	77 %
Net cash from (used) investing	(87 508 100)	10 648 100	(76 860 000)	-		(76 860 000)	(67 443 178)		9 416 822	88 %	77 %
Net cash from (used) financing	(272 108)	-	(272 108)	-		(272 108)	(292 452)		(20 344)	107 %	107 %
Net increase/(decrease) in cash and cash equivalents	11 703 550	(5 806 048)	5 897 502	-		5 897 502	8 383 753		2 486 251	142 %	72 %
Cash and cash equivalents at the beginning of the year	(11 572 066)	11 930 708	358 642	-		358 642	945 123		586 481	264 %	(8)%
Net increase / (decrease) in cash and cash equivalents	11 703 550	(5 806 048)	5 897 502	-	-	5 897 502	8 383 753	-	(2 486 251)	142 %	72 %
Cash and cash equivalents at the beginning of the year	(11 572 066)	11 930 708	358 642	-	-	358 642	945 123	-	(586 481)	264 %	(8)%
Cash and cash equivalents at year end	131 484	6 124 660	6 256 144	-		6 256 144	9 328 876		(3 072 732)	149 %	7 095 %

Mohokare Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1. Presentation of Annual Financial Statements

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

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

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

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

These accounting policies are consistent with the previous period.

1.1 Presentation currency

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

1.2 Going concern assumption

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

1.3 Significant judgements and sources of estimation uncertainty

In the application of the municipality's accounting policies, which are described below, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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

Financial assets and liabilities

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

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

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Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Impairment testing

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

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

Provisions

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

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

If the related asset is measured using the cost model:

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

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

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

The Municipality has an obligation to rehabilitate its landfill sites in terms of its license stipulations. Provision is made for this obligation based on the net present value of cost. The cost factors as determined have been applied and projected at an inflation rate of 6% (2014: 6%) and discounted to the present value at the average long-term treasury bond rate which were adjusted for specific risk factors as stated below.

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

	Matlakeng	Rouxville	Smithfield
Long term treasury bond rate	8,14 %	9,28 %	9,28 %
Adjusted for:			
Landfill site not fenced off	(0,10)%	(0,10)%	(0,10)%
No weight bridge/ track kept of vehicles entering the site	0,35 %	0,35 %	0,35 %
No control over waste types	0,50 %	0,50 %	0,50 %
No traces of medical waste identified	(0,45)%	(0,45)%	(0,45)%
Surrounded by farms	0,25 %	0,25 %	0,25 %
	8,69 %	9,83 %	9,83 %

Mohokare Local Municipality

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Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Water inventory

The estimation of the water stock in the reservoirs is based on the measurement of water via manual level meters, where the level indicates the depth of the water in the reservoir, which is then converted into volumes based on the total capacity of the relevant reservoir.

Defined Benefit Plan Liabilities

As described in the Accounting Policy on Employee Benefits, the municipality obtains actuarial valuations of its defined benefit plan liabilities. The defined benefit obligations of the municipality that were identified are Post-retirement Health Benefit Obligations and Long-service Awards. The estimated liabilities are recorded in accordance with the requirements of GRAP 25. Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in Note 9 to the Annual Financial Statements.

Budget information

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

Revenue Recognition

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

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

Useful lives of Property, Plant and Equipment and Intangible assets

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

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

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

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

Mohokare Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1.4 Biological assets that form part of an agricultural activity

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

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

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

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

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

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

1.5 Investment property

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

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

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

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

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

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

- Property intended for sale in the ordinary course of operations or in the process of construction or development for such sale;
- Property being constructed or developed on behalf of third parties;
- Owner-occupied property, including (among other things) property held for future use as owner-occupied property, property held for future development and subsequent use as owner-occupied property, property occupied by employees such as housing for personnel (whether or not the employees pay rent at market rates) and owner-occupied property awaiting disposal;
- t
- 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.

Accounting Policies

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, its deemed cost is the carrying amount of the asset(s) given up.

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

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

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

Mohokare Local Municipality

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Accounting Policies

1.6 Property, plant and equipment (continued)

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

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

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

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

Subsequent Measurement

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

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

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

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

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

Depreciation

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

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

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

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

Mohokare Local Municipality

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Accounting Policies

1.6 Property, plant and equipment (continued)

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

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

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

Incomplete Construction Work

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

Finance Leases

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

Land

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

Infrastructure Assets

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

Derecognition of property, plant and equipment

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

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

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

Site restoration and dismantling cost

Mohokare Local Municipality

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Accounting Policies

1.6 Property, plant and equipment (continued)

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

If the related asset is measured using the cost model:

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

1.7 Intangible assets

Initial Recognition

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

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

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

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

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

Subsequent Measurement, Amortisation and Impairment

Mohokare Local Municipality

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Accounting Policies

1.7 Intangible assets (continued)

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

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

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

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

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

Derecognition

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the net disposals proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.8 Heritage assets

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

Initial Recognition

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

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

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

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

Subsequent Measurement

Mohokare Local Municipality

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Accounting Policies

1.8 Heritage assets (continued)

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

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

Derecognition of Heritage assets

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

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

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

1.9 Financial instruments

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

Initial Recognition

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

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

Fair value model and assumptions

The fair values of financial instruments are determined as follows:

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

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

Amortised Cost

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

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

Consideration 2 - Adjustments for industry risk - None

Consideration 3 - Adjustment for entity risk - None

Financial Assets - Classification

Accounting Policies

1.9 Financial instruments (continued)

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

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

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

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

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

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

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

Type of Financial Asset:	Classification in terms of GRAP 104
Short term investment deposits	Financial Asset at amortised cost
Bank balances and cash	Financial Asset at amortised cost
Non-current investments	Financial Asset at fair value
Consumer debtors	Financial Asset at amortised cost
Other debtors	Financial Asset at amortised cost
Investments in fixed deposits	Financial Asset at amortised cost

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

Financial liabilities - Classification

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

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

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

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

Type of Financial Liability:	Classification in terms of GRAP 104
Long-term Liabilities (excluding Centlec Payable)	Financial Liability at amortised cost
Long-term Liabilities (Centlec Payable)	Financial Liability at cost
Other creditors	Financial Liability at fair value
Bank overdraft	Financial Asset at amortised cost
Short term loans	Financial Asset at amortised cost
Current portion of long term liabilities	Financial Asset at amortised cost

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Accounting Policies

1.9 Financial instruments (continued)

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

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

Initial and subsequent measurement

Financial assets

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

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

Financial liabilities

Financial liabilities measured at fair value:

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

Financial liabilities measured at amortised cost:

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

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

Prepayments are carried at cost less any accumulated impairment losses.

Impairment of financial assets

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

Financial assets carried at amortised cost

Accounting Policies

1.9 Financial instruments (continued)

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

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

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

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

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

Impairment of Financial Assets measured at cost

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

Derecognition of Financial Assets

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

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

Derecognition of Financial Liabilities

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

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

1.10 Leases

Lease Classification

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

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

Mohokare Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1.10 Leases (continued)

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

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

Determining whether an arrangement contains a lease

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

1.11 Inventories

Mohokare Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1.11 Inventories (continued)

Initial Recognition

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

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

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

Subsequent Measurement

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

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

Water inventory

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

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

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

Unsold properties

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

Redundant and slow-moving inventories

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

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

1.12 Impairment of cash-generating assets

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

Impairment of Cash generating assets

Accounting Policies

1.12 Impairment of cash-generating assets (continued)

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

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

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

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

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

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

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

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

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

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

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

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

Accounting Policies

1.13 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

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

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

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

1.14 Employee benefits

Short-term employee benefits

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

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

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

Post employment benefits

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

Accounting Policies

1.14 Employee benefits (continued)

Defined contribution plans

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

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

Accounting Policies

1.14 Employee benefits (continued)

Defined benefit plans

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

Post-retirement Health Care Benefits:

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

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

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

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

Long-service Allowance

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

Provincially-administered Defined Benefit Plans

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

Defined benefit pension plans

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

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

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

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

Mohokare Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1.15 Provisions and contingencies

Provisions

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

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

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

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

Contingent liabilities

Contingent liabilities represent a possible obligation that arises from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. A contingent liability can also arise as a result of a present obligation that arises from past events but which is not recognised as a liability either because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets

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

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

1.16 Commitments

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

Mohokare Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1.16 Commitments (continued)

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

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

1.17 Revenue from exchange transactions

General

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

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

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

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

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

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

Accounting Policies

1.17 Revenue from exchange transactions (continued)

Rendering of services

Service Charges

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

Service charges relating to electricity and water are based on consumption. Meters are normally read on a monthly basis and are recognised as revenue when invoiced. Where meters are not read monthly, provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

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

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

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

Pre-paid Electricity

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

Finance income

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

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

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

Tariff Charges

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant authorised tariff. This includes the issuing of licences and permits.

Income from Agency Services

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

Sale of Goods (including Houses)

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

- The municipality has transferred to the buyer the significant risks and rewards of ownership of the goods.
- The municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- The amount of revenue can be measured reliably.
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rentals

Mohokare Local Municipality

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Accounting Policies

1.17 Revenue from exchange transactions (continued)

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

Dividends

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

1.18 Revenue from non-exchange transactions

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

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

Rates and Taxes

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

Traffic Fines

Revenue from the issuing of fines is recognised when it is probable that the economic benefits or service potential will flow to the entity and the amount of the revenue can be measured reliably.

Fines consist of spot fines and summonses. There is uncertainty regarding the probability of the flow of economic benefits or service potential in respect of spot fines as these fines are usually not given directly to an offender. Further legal processes have to be undertaken before the spot fine is enforceable. In respect of summonses the public prosecutor can decide whether to waive the fine, reduce it or prosecute for non-payment by the offender.

Public contributions

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

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

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

Government Grants and receipts

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

Conditional Grants and receipts

Accounting Policies

1.18 Revenue from non-exchange transactions (continued)

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

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

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

Revenue from Recovery of Unauthorised, Irregular, Fruitless and Wasteful Expenditure

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain. Such revenue is based on legislated procedures.

1.19 Borrowing costs

The municipality capitalises borrowing costs incurred that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset only when the commencement date for capitalisation is on or after 1 July 2008, while all other borrowing costs incurred (including borrowing cost incurred on qualifying assets where the commencement date for capitalisation is prior to 1 July 2008) are recognised as an expense in the Statement of Financial Performance for the financial year ending 30 June 2014 in accordance with the requirements of GRAP 5. To the extent that an entity borrows funds generally and uses them for the purpose of obtaining a qualifying asset, the entity shall determine the amount of borrowing costs eligible for capitalisation by applying a capitalisation rate to the expenditure on that asset. The capitalisation rate shall be the weighted average of the borrowing costs applicable to the borrowings of the entity that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs that an entity capitalises during a period shall not exceed the amount of borrowing costs it incurred during that period.

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

1.20 Comparative figures

Prior year comparatives

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

Budget Information

The annual budget figures have been prepared in accordance with the GRAP standard and are consistent with the accounting policies adopted by the Council for the preparation of these financial statements. The amounts are scheduled as a separate additional financial statement, called the Statement of Comparison of Budget and Actual amounts. Explanatory comment is provided in the notes to the annual financial statements giving firstly reasons for overall growth or decline in the budget and secondly motivations for over- or underspending on line items. The annual budget figures included in the financial statements are for the Municipality and do not include budget information relating to subsidiaries or associates. These figures are those approved by the Council at the beginning and during the year following a period of consultation with the public as part of the Integrated development plan. The budget is approved on an accrual basis by nature classification. The approved budget covers the period from 1 July 2015 to 30 June 2018.

Mohokare Local Municipality

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Accounting Policies

1.21 Unauthorised expenditure

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

1.22 Fruitless and wasteful expenditure

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

1.23 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No 56 of 2003), the Municipal Systems Act (Act No 32 of 2000), the Public Office Bearers Act (Act No 20 of 1998) or is in contravention of the Municipality's or Municipal Entities' supply chain management policies. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as an expense in the Statement of Financial Performance in the period it occurred and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance. Council will implement investigations on the irregular expenses. If a liable person has been identified and the expenditure is not condoned by the Council, it is treated as an asset until it is recovered or written off as irrecoverable.

1.24 Related parties

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

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

1.25 Events after reporting date

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

1.26 Accumulated Surplus

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

Mohokare Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1.27 Non-current Assets held for sale

Initial Recognition

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

Subsequent Measurement

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

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

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

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

1.28 Grants-in-aid

The municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the municipality does not:

- receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- expect to be repaid in future; or
- expect a financial return, as would be expected from an investment.

These transfers are recognised in the Statement of Financial Performance as expenses in the period that the events giving rise to the transfer occurred.

1.29 Value added tax

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

1.30 Treatment of administration and other overhead expenses

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

Mohokare Local Municipality

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2. Changes in accounting policy, estimates and errors

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

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

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

Notes to the Annual Financial Statements

3. New standards and interpretations

3.1 Standards and interpretations issued, but not yet effective

3.2 Standards and interpretations not yet effective or relevant

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

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

GRAP 18: Segment Reporting

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the municipality. The major classifications of activities identified in budget documentation will usually reflect the segments for which an entity reports information to management.

Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of an entity that provides specific outputs or achieves particular operating objectives that are in line with the municipality's overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by an entity within a particular region.

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

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

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

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

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

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

GRAP 20: Related Parties

Notes to the Annual Financial Statements

3. New standards and interpretations (continued)

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

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

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

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

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

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

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

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

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

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

The standard elaborates on the definitions and identification of:

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

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

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

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

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

Mohokare Local Municipality

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4. Biological assets that form part of an agricultural activity

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

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

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

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

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

Non - Financial information

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

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

Quantities of each biological asset	Cattle 2016	Horses 2016	Cattle 2015	Horses 2015
Opening balance	59	9	46	9
Acquisitions during the year	21	2	22	1
Losses during the year	(12)	(5)	(3)	(1)
Decrease due to consumption	-	-	(6)	-
	68	6	59	9

Biological Assets carried at fair value

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

The following assumptions were used:

- Open market prices

Mohokare Local Municipality

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5. Investment property

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

Reconciliation of investment property - 2016

	Opening balance	Total
Investment property	22 176 665	22 176 665

Reconciliation of investment property - 2015

	Opening balance	Total
Investment property	22 176 665	22 176 665

Fair value of investment properties 22 176 665 22 176 665

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

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

There are no contractual obligations on Investment Property.

Refer to Appendix B for more detail on Investment Property.

Investment Property carried at Fair value

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

Impairment of Investment Property

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

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6. Property, plant and equipment

	2016			2015		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Buildings	38 662 855	(22 188 096)	16 474 759	38 665 615	(21 878 765)	16 786 850
Infrastructure	776 535 315	(346 135 708)	430 399 607	717 001 111	(323 596 991)	393 404 120
Community	128 732 518	(77 087 334)	51 645 184	127 354 933	(75 112 965)	52 241 968
Other property, plant and equipment	14 029 642	(7 389 081)	6 640 561	15 307 346	(6 925 075)	8 382 271
Assets under Finance lease	2 136 119	(1 941 615)	194 504	2 136 120	(1 665 651)	470 469
Total	960 096 449	(454 741 834)	505 354 615	900 465 125	(429 179 447)	471 285 678

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6. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	Disposals	Transfers received	Transfers	Depreciation	Impairment loss	Total
Buildings	16 786 850	-	(2 760)	-	-	(309 331)	-	16 474 759
Infrastructure	393 404 120	49 899 450	(735 843)	61 130 296	(49 899 450)	(23 398 966)	-	430 399 607
Community	52 241 968	2 789 218	-	1 377 585	(2 789 218)	(1 974 369)	-	51 645 184
Other property, plant and equipment	8 382 271	472 548	(643 282)	-	-	(1 434 861)	(136 115)	6 640 561
Assets under Finance lease	470 469	-	-	-	-	(275 965)	-	194 504
	471 285 678	53 161 216	(1 381 885)	62 507 881	(52 688 668)	(27 393 492)	(136 115)	505 354 615

Mohokare Local Municipality

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6. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2015

	Opening balance	Additions	Disposals	Transfers received	Transfers	Other changes, movements	Depreciation	Impairment loss	Total
Buildings	16 940 589	159 312	-	-	-	-	(313 051)	-	16 786 850
Infrastructure	373 659 220	5 652 856	-	39 574 676	(5 652 856)	3 310 048	(23 139 824)	-	393 404 120
Community	53 966 921	52 395	-	942 518	-	-	(2 719 866)	-	52 241 968
Other property, plant and equipment	8 488 059	1 558 298	(224 605)	-	-	-	(1 385 182)	(54 299)	8 382 271
Assets under Finance lease	763 053	-	-	-	-	-	(292 584)	-	470 469
	453 817 842	7 422 861	(224 605)	40 517 194	(5 652 856)	3 310 048	(27 850 507)	(54 299)	471 285 678

Pledged as security

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

Other information

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

Land and Buildings	157 314	801 142
Community Assets	4 110 522	10 181 213
Movable Assets	986 741	1 291 611
	5 254 577	12 273 966

Impairment of property, plant and equipment

Other Assets: Movable	136 115	54 299
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The amount of R 136 115 (2015: R54 299) disclosed for impairment losses on Property, Plant and Equipment is in respect of the condition assessments on Movable Assets during the 2015/16 financial period.

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

Mohokare Local Municipality

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6. Property, plant and equipment (continued)

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

7. Other financial assets

Designated at fair value

Local Authority Stock	351 628	345 155
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Unlisted Investments comprise of the following:

Local Authority Stock are shares held in OVK Operations Limited. 13 193 ordinary shares valued at R13.57 (2015: R13.35) per share and 13 731 holding shares valued at R12.57 (2015: R12.31) per share.

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

351 628	345 155
-	-
-	-

Non-current assets

Designated at fair value	351 628	345 155
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Non-current assets	351 628	345 155
Current assets	-	-

8. Consumer Deposits

Electricity, Water and Other	814 120	521 730
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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.

No interest is paid on Consumer Deposits held.

9. Employee benefit obligations

Post-retirement Health Care Benefit Liability	1 923 400	1 971 200
Long Service Awards Liability	3 945 100	3 594 900
	5 868 500	5 566 100

Long Service Awards Liability

Balance at the beginning of the year	3 594 900	3 912 200
Contributions to provision	506 500	-
Increase due to discounting	318 500	-
Expenditure incurred	(234 300)	-
Actuarial (gains) / Losses	(240 500)	(317 300)
Balance at the end of the year	3 945 100	3 594 900
Transfer current portion to current liabilities	(507 200)	-
	3 437 900	3 594 900

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.

Mohokare Local Municipality

Annual Financial Statements for the year ended 30 June 2016

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9. Employee benefit obligations (continued)

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

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

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

Post-retirement Health Care Benefits Liability

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

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

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

10. Inventories

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

Inventories recognised as an expense during the year

391 223

374 465

The cost of water production for the year amounted to R4,52 per kilolitre (2014: R4,33 per kilolitre) in Zastron, R9,62 per kilolitre (2014: R5,45 per kilolitre) in Rouxville and R5,11 per kilolitre (2014: R4,10 per kilolitre) in Smithfield.

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

11. Receivables from exchange transactions

Gross Balances

Electricity	2 807 710	1 799 670
Water	43 920 076	36 365 588
Sewerage	26 867 179	23 941 811
Refuse	19 932 883	17 758 726
Housing Rental	1 758 280	1 707 828
Other	55 834	8 761
Sundry Debtors	8 026 049	325 610
	103 368 011	81 907 994

Mohokare Local Municipality

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11. Receivables from exchange transactions (continued)

Less: Allowance for impairment

Electricity	(350 507)	(364 010)
Water	(40 628 719)	(34 702 544)
Sewerage	(25 221 294)	(22 420 777)
Refuse	(18 849 247)	(17 259 741)
Housing Rental	(1 624 961)	(1 443 304)
Other	(51 422)	(8 761)
	(86 726 150)	(76 199 137)

Other Sundry Debtors	8 026 049	325 610
Consumer debtors - Electricity	2 457 203	1 435 660
Consumer debtors - Water	2 941 135	1 663 044
Consumer debtors - Sewerage	1 645 885	1 521 034
Consumer debtors - Refuse (Filtered)	1 083 636	498 985
Consumer debtors - Housing Rental	133 289	264 524
Consumer debtors - Other	4 413	-
	16 291 610	5 708 857

Electricity

Current: 0 - 30 Days	1 985 410	611 667
31 - 60 Days	182 556	61 653
61 - 90 Days	31 053	116 877
90 + Days	258 184	645 463
	2 457 203	1 435 660

Water

Current: 0 - 30 Days	841 341	154 885
31 - 60 Days	375 104	108 179
61 - 90 Days	227 120	108 689
90 + Days	1 847 792	1 291 291
	3 291 357	1 663 044

Sewerage

Current: 0 - 30 Days	242 596	193 698
31 - 60 Days	148 025	119 795
61 - 90 Days	101 681	97 936
90 + Days	1 153 583	1 109 605
	1 645 885	1 521 034

Refuse

Current: 0 - 30 Days	129 975	67 614
31 - 60 Days	81 782	3 902
61 - 90 Days	57 134	31 632
90 + Days	814 745	359 837
	1 083 636	462 985

Housing Rental

Current: 0 - 30 Days	13 619	30 071
31 - 60 Days	11 933	23 566
61 - 90 Days	10 583	22 863
90 + Days	97 154	188 024
	133 289	264 524

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11. Receivables from exchange transactions (continued)		
Other		
Current: 0 - 30 Days	820	-
31 - 60 Days	704	-
61 - 90 Days	704	-
90 + Days	2 185	-
	4 413	-
Sundry Debtors		
Current: 0 - 30 Days	7 945 076	-
31 - 60 Days	7 982	-
61 - 90 Days	7 183	-
90 + Days	65 808	325 610
	8 026 049	325 610
Summary of Consumer Debtors by Customer Classification		
Household		
Current: 0 - 30 Days	3 072 353	3 024 050
31 - 60 Days	2 453 925	2 118 509
61 - 90 Days	2 839 661	2 103 632
90 + Days	78 346 788	68 287 241
Less: Allowance for impairment	(81 163 711)	(73 065 491)
	5 549 016	2 467 941
Industrial/ Commercial		
Current: 0 - 30 Days	2 033 806	1 418 966
31 - 60 Days	251 098	158 423
61 - 90 Days	336 927	204 758
90 + Days	4 317 063	2 560 465
Less: Allowance for impairment	(4 467 254)	(3 133 646)
	2 471 640	1 208 966
National and Provincial Government		
Current: 0 - 30 Days	414 389	531 345
31 - 60 Days	233 737	61 030
61 - 90 Days	69 303	66 913
90 + Days	976 296	1 047 052
Less: Allowance for impairment	(1 096 049)	-
	597 676	1 706 340
Total		
Current: 0 - 30 Days	5 520 547	4 974 361
31 - 60 Days	2 938 760	2 337 961
61 - 90 Days	3 245 891	2 375 304
90 + Days	83 640 147	71 894 758
Less: Allowance for impairment	(86 726 150)	(76 199 137)
	8 619 195	5 383 247
Reconciliation of allowance for impairment		
Balance at beginning of the year	(76 199 137)	(72 297 085)
Contributions to allowance	(17 745 516)	(21 950 120)
Debt impairment written off against allowance	7 218 503	18 048 068
	(86 726 150)	(76 199 137)

Mohokare Local Municipality

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	2016	2015
12. Receivables from non-exchange transactions		
Gross Balances		
Traffic Fines	10 950 820	1 631 642
Consumer debtors - Rates	12 948 224	9 974 783
Levies	6 871 639	6 942 153
	30 770 683	18 548 578
Provision for Impairment		
Traffic Fines	(3 688 756)	(244 458)
Consumer debtors - Rates	(12 538 599)	(8 495 969)
Levies	(6 814 806)	(6 864 200)
	(23 042 161)	(15 604 627)
Net Balances		
Fines	7 262 064	1 631 642
Consumer debtors - Rates	409 625	1 478 814
Levies	56 833	77 953
	7 728 522	3 188 409

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

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

Mohokare Local Municipality

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12. Receivables from non-exchange transactions (continued)

Receivables from non-exchange transactions past due but not impaired

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

2016	Gross Balances	Less: Provision for impairment	Total
Assessment Rates			
Current: 0 - 30 Days	366 439	(184 357)	182 082
Past due: 31 - 60 days	41 661	(36 423)	5 238
Past due: 61 - 90 days	48 149	(45 648)	2 501
Past due: 90+ days	12 491 975	(12 272 171)	219 804
	12 948 224	(12 538 599)	409 625

2016	Gross Balances	Provision for impairment	Total
Traffic Fines			
Current: 0 - 30 Days	4 170 820	(1 421 837)	2 748 983
Past due: 31 - 60 days	3 802 500	(1 205 766)	2 596 734
Past due: 61 - 90 days	1 768 500	(570 042)	1 198 458
Past due: 90 + days	1 209 000	(491 111)	717 889
	10 950 820	(3 688 756)	7 262 064

2016	Gross Balances	Less: Provision for impairment	Total
Levies			
Current: 0 - 30 Days	27 689	(25 506)	2 183
31 - 60 Days	27 384	(25 380)	2 004
61 - 90 Days	27 187	(25 251)	1 936
90 + Days	6 789 379	(6 738 669)	50 710
	6 871 639	(6 814 806)	56 833

2015	Gross Balances	Less: Provision for impairment	Total
Assessment Rates			
Current: 0 - 30 Days	91 805	(67 108)	24 697
31 - 60 Days	69 166	(53 567)	15 599
61 - 90 Days	81 868	(56 004)	25 864
90 + Days	9 731 943	(8 319 300)	1 412 643
	9 974 782	(8 495 979)	1 478 803

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

Summary of Assessment Rates Debtors by Customer Classification

Mohokare Local Municipality

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12. Receivables from non-exchange transactions (continued)

As at 30 June 2016	Household	Industrial/ Commercial	National and Provincial Government	Other	Total
Current					
0 - 30 Days	252 651	108 893	27 503	5 081	394 128
Past Due					
31 - 60 Days	48 425	11 578	6 260	2 782	69 045
61 - 90 Days	48 975	17 326	6 260	2 774	75 335
+ 90 Days	9 598 383	7 500 763	886 344	1 295 865	19 281 355
Subtotal	9 948 434	7 638 560	926 367	1 306 502	19 819 863
Less: Provision for Impairment	(9 645 117)	(7 500 865)	(908 785)	(1 298 638)	(19 353 405)
	303 317	137 695	17 582	7 864	466 458
As at 30 June 2015	Household	Industrial/ Commercial	National and Provincial Government	Other	Total
Current					
0 - 30 Days	66 645	45 690	4 404	85	116 824
Past Due					
31 - 60 Days	43 801	44 696	4 404	41	92 942
61 - 90 Days	44 871	44 050	16 493	41	105 455
90 + Days	10 779 955	5 217 906	559 317	44 537	16 601 715
Subtotal	10 935 272	5 352 342	584 618	44 704	16 916 936
Less: Provision for Impairment	(10 411 688)	(4 905 976)	-	(42 505)	(15 360 169)
	523 584	446 366	584 618	2 199	1 556 767

Reconciliation of Provision for Impairment

Assessment Rate and Levies Debtors

Balance at the beginning of the year	15 604 627	13 751 538
Impairment losses recognised	9 779 005	2 497 422
Amounts written off as uncollectable	(2 341 471)	(644 333)
	23 042 161	15 604 627

13. VAT receivable

VAT Payable	(1 854 427)	(2 577 958)
VAT Receivable	17 000 281	15 789 776
	15 145 854	13 211 818

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

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

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

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

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13. VAT receivable (continued)

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

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

14. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand		1 180		1 180
Bank balances		9 125 725		774 991
Short-term deposits		201 971		168 952
		9 328 876		945 123

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

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2016	30 June 2015	30 June 2014	30 June 2016	30 June 2015	30 June 2014
ABSA BANK - Cheque Account - Zastron Branch 405 265 4487	5 373 892	358 642	(2 174 706)	8 326 511	564 289	(2 076 232)
ABSA BANK - Savings Account - Zastron Branch 2810 000 018	199 741	901	(137)	201 441	901	(137)
STANDARD BANK - Cheque Account - Zastron Branch 041 952 776	113 656	139 097	81 007	113 656	139 097	81 007
FIRST NATIONAL BANK - Cheque Account - Zastron Branch 5359 3549 308	90 238	70 824	83 202	90 117	70 703	83 081
ABSA BANK - 32 Days Notice - 101 4355 924	103 916	99 988	96 954	103 916	9 998	96 954
ABSA BANK 32 Days Notice - 6074 357 138	299	293	288	299	293	288
ABSA BANK - Call Account - 9074 133 593	18	1 124	1 298	918	1 124	1 298
ABSA BANK - Call Account - 9086 343 532	32 225	2 263	1 075	32 225	2 263	1 075
FIRST NATIONAL BANK - Call Deposit Account - 7235 900 4546	64 612	65 283	63 468	64 612	65 283	63 468
Total	5 978 597	738 415	(1 847 551)	8 933 695	853 951	(1 749 198)

An amount of R 5 243 911 (2015: R7 503 181) is attributable of Unspent Conditional Grants.

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

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

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

Mohokare Local Municipality

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15. Accumulated surplus

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

Accumulated surplus (deficit)	437 340 604	407 011 883
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16. Finance lease obligation

Minimum lease payments due

- within one year	214 883	291 445
- in second to fifth year inclusive	-	206 117
	214 883	497 562
less: future finance charges	(7 121)	(35 044)
Present value of minimum lease payments	207 762	462 518

Present value of minimum lease payments due

- within one year	214 883	291 445
- in second to fifth year inclusive	-	206 117
Less: future finance charges	(7 121)	(35 044)
	207 762	462 518

Non-current liabilities	-	199 947
Current liabilities	200 844	262 571
	200 844	462 518

Finance Leases relates to vehicles purchased on lease terms of 5 years as well as cellphone devices for which the lease came to an end in the current financial year. The last repayment in respect of the cellphone devices was made in December 2015.

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

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

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

- Office equipment
- Vehicles

	Average period outstanding	Average effective interest rate	Average monthly installment
ABSA Vehicle Financing (5 vehicles)			
2016	36 months	10,09 %	26 926
2015	36 months	9,25 %	23 250
			19,34 %
			50 176

17. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

National: MWIG	5 726 654	-
National: MIG	(587 283)	6 979 244
COGTA Grant	358 043	358 043
National: RBIG	(253 503)	(253 503)
	5 243 911	7 083 784

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17. Unspent conditional grants and receipts (continued)

Movement during the year

Balance at the beginning of the year	7 083 784	6 072 722
Additions during the year	141 376 458	114 570 730
Income recognition during the year	(143 216 331)	(113 559 668)
	5 243 911	7 083 784

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

18. Other financial liabilities

At amortised cost

Government Loans	874 936	1 106 929
Government loans relate to a loan from the Development Bank of South Africa (DBSA). The loan are repayable in quarterly installments with the last payment to take place on 31 March 2020. The loan was negotiated at a fixed interest rate of 12,36%.		
Centlec Payable	25 478 588	18 384 364
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)	872 545	872 545
Centlec capital loans are repaid over a period of 20 years and at a 0% interest rate. Other loans are secured over assets used to produce electricity.		
	27 226 069	20 363 838

Total other financial liabilities

27 226 069 20 363 838

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.

Non-current liabilities

At amortised cost	27 050 815	20 208 670
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Current liabilities

At amortised cost	175 254	155 168
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19. Provisions

Reconciliation of provisions - 2016

	Opening Balance	Additions	Total
Environmental rehabilitation	8 432 983	741 603	<u>9 174 586</u>

Reconciliation of provisions - 2015

	Opening Balance	Additions	Total
Environmental rehabilitation	7 752 378	680 605	<u>8 432 983</u>

Environmental rehabilitation provision

In terms of the licencing of the landfill refuse site, the municipality will incur rehabilitation costs of R24.7 million to restore the sites at the end of its useful life, estimated to be in 2021 for the Matlakeng site, 2031 for the Rouxville and Smithfield sites and 2015 for the Zastron site. Provision has been made for the net present value of this cost, using the the average cost of borrowing interest rate. The provision was arrived at taking the following main factors into account: location, macro- and micro-environment, soil conditions, topography and market conditions. The effective date of the valuation as performed by EMS Advisory is 30 June 2016.

20. Payables from exchange transactions

Trade payables	38 680 564	30 675 799
Payments received in advance	4 710 162	3 913 772
Staff Salaries and Third Parties	41 337 458	27 278 551
Accrued leave pay	2 676 935	2 685 328
Accrued bonus	1 279 238	1 175 025
Water treatment grant paid to Mohokare in error	2 711 899	2 711 899
Unknown Deposits	144 188	-
	91 540 444	68 440 374

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

The average credit period on purchases should be 30 days from the receipt of the invoice, as determined by the MFMA, except when the liability is disputed. No interest is charged for the first 30 days from the date of the receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the municipality deals with.

The municipality did default on payment of its Creditors. The Municipality have negotiated terms of payment with certain of its long outstanding trade creditors.

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

21. Service charges

Sale of electricity	24 787 686	22 364 274
Sale of water	17 802 936	12 403 075
Sewerage and sanitation charges	8 801 825	8 012 459
Refuse removal	5 841 114	5 204 577
Connection Fees	126 763	11 818
	57 360 324	47 996 203

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.

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22. Rental of facilities and equipment

Premises

Operating Lease Rental Investment Property	776 311	804 718
Rental Revenue from Buildings	269 573	244 527
Rental Revenue from Halls	25 645	14 955
	1 071 529	1 064 200

Facilities and equipment

Rental of facilities	271	(36)
Premises	1 071 529	1 064 200
Garages and parking	-	-
Facilities and equipment	271	(36)
	1 071 800	1 064 164

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

23. Other income

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

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

24. Investment revenue

Dividend revenue

Unlisted financial assets - Local	9 955	7 067
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Interest revenue

Bank	94 569	80 756
Interest charged on trade and other receivables	288 361	805 766
Investments	430 155	48 490
	813 085	935 012
Dividend Revenue	9 955	7 067
Interest Revenue	813 085	935 012
Total Investment Revenue	823 040	942 079

Mohokare Local Municipality

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25. Property rates

Rates received

Residential	3 932 180	3 920 788
Commercial	770 923	603 232
State	269 826	102 827
Small holdings and farms	4 183 773	3 812 821
Rates Rebates	(2 162 452)	(1 924 178)
	6 994 250	6 515 490

Valuations

Residential	414 198 500	329 142 000
Commercial	96 588 000	78 639 000
State	34 762 000	145 831 000
Small holdings and farms	4 207 707 600	2 381 282 000
	4 753 256 100	2 934 894 000

Property rates are levied on the value of land and improvements which valuation is performed every four years. The last valuation came into effect on 1 July 2015.

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

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

Residential Properties: 0.6273c/R (2014/15: R0.7380c/R)
 Commercial Properties: 0.8498c/R (2014/15: R0.9089c/R)
 State Properties: 0.2966c/R (2014/15: R0.3489c/R)
 Agricultural Properties: 0.0010c/R (2014/15: R0/1594c/R)

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

26. Grants and subsidies paid

Other subsidies

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

Mohokare Local Municipality

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

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Equitable Share

Equitable Share	54 870 000	52 966 000
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In terms of the Constitution, this grant is used to subsidise the provision of basic services to community members. In terms of the allocation made by DPLG the funds are also utilised to enable the municipality to execute its functions as the local authority. R7,184 million was withheld in the financial period ended 30 June 2016 in respect of conditional grant roll-overs applied for in previous financial years that was disallowed. An amount of R47,686 million was paid to Mohokare during the financial period ended 30 June 2016.

Municipal Water Infrastructure Grant (Conditional)

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

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

Municipal Infrastructure Grant (Conditional)

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

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27. Government grants and subsidies (continued)

The Municipal Infrastructure Grant (MIG) was allocated for the construction of roads basic sewerage and water infrastructure as part of the upgrading of poor households, micro enterprises and social institutions; to provide for new, rehabilitation and upgrading of municipal infrastructure.

COGTA Grant (Water pumps) Conditional

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

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

Regional Bulk Infrastructure Grant (Conditional)

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

This grant was used for the operation and maintenance of sewerage and water schemes transferred from RBIG to the municipality and the refurbishment of water infrastructure.

FMG Grant (Conditional)

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

The Financial Management grant is paid by National Treasury to Municipalities to help implement the financial management reforms required by the Municipal Finance Management Act (MFMA), 2003. No funds have been withheld.

Expanded Public Works (EPWP) Grant (Conditional)

Current-year receipts	1 000 000	1 033 000
Conditions met - transferred to revenue	(1 000 000)	(1 033 000)
	-	-

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

MSIG Grant (Conditional)

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

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

LG SETA Training Grant (Unconditional)

Current-year receipts	162 491	13 411
Conditions met - transferred to revenue	(162 491)	(13 411)
	-	-

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<hr/>		
27. Government grants and subsidies (continued)		
This grant was utilised for the training and schooling of staff. No funds have been withheld.		
28. Public contributions and donations		
Unconditional Contributions	4 009 457	1 357 959

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

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30. Remuneration of councillors		
Executive Major	444 153	409 384
Chief Whip	166 338	166 528
Councillors	1 627 137	1 499 304
Medical Aid Contributions	150 673	155 661
Pension Contributions	205 117	187 280
Motor vehicle allowance	407 703	407 703
Cell phone and other allowances	229 548	229 548
Housing allowance	151 115	151 115
Skills Development Levy	30 392	29 791
	3 412 176	3 236 314

In-kind benefits

The Councillor occupying the positions of Mayor/Speaker of the municipality serve in a full-time capacity. They are provided with office accomodation and secreterial 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.

31. Depreciation and amortisation

Buildings	309 330	341 002
Infrastructure	24 844 769	22 218 695
Community Assets	1 579 855	1 447 716
Movable Assets	1 434 861	1 316 416
Assets under finance leases	275 962	292 586
	28 444 777	25 616 415

32. Impairment of assets

Impairments

Property, plant and equipment	136 115	54 299
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		
	136 115	54 299

33. Finance costs

DBSA Loan	608 647	138 445
Trade and other payables	7 647 115	3 887 453
Finance leases	30 778	50 503
Finance costs incurred by CENTLEC	87 255	98 885
Interest on Landfill Provision	741 603	680 605
	9 115 398	4 855 891

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34. Impairment Losses

Impairment Losses recognised on Fixed Assets:

Property, Plant and Equipment	136 115	54 299
Impairment Losses on Financial Assets:		
Receivables from Exchange Transactions (exclusive of VAT)	18 746 156	18 752 723
Movement in provision for bad debt (Centlec)	13 788	(54 012)
Receivables from Non-exchange Transactions	3 993 236	2 252 963
Traffic Fines	3 696 543	98 407
	26 585 838	21 104 380

35. Bulk purchases

Electricity	26 298 627	23 607 805
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36. Contracted services

Contracted services	2 640 595	3 659 924
Professional Services		
Valuation Roll	136 842	1 719 298
Preparation of Fixed Asset Register	405 589	445 798
Assistance on Revenue for the 13/14 audit	-	206 570
VAT	-	530 964
Irregular expenditure Audit	875 001	-
Assistance on Financial System	580 116	-
Other	643 047	517 923
Security Services	-	239 371
	2 640 595	3 659 924

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37. General expenses		
Advertising	142 734	91 175
Administration and management fees	270 903	167 010
Auditors remuneration	4 641 897	2 990 857
Bank charges	195 414	337 195
Cleaning	189 002	73 936
Computer expenses	667 439	1 020 776
Consulting and professional fees	730 230	607 101
Consumables	391 223	374 465
Entertainment	25 876	66 867
Insurance	263 824	341 485
Lease rentals on operating lease	1 167 040	1 011 392
Magazines, books and periodicals	7 895	236
Medical expenses	3 098	5 422
Motor vehicle expenses	31 059	13 757
Fuel and oil	1 827 679	1 774 631
Postage and courier	291 771	285 076
Printing and stationery	617 353	580 583
Protective clothing	271 506	55 921
Subscriptions and membership fees	1 238 461	593 377
Telephone and fax	1 730 706	2 205 544
Training	215 851	302 555
Travel - local	1 635 804	1 671 481
Electricity	3 527 219	4 011 411
Wellness	24 692	-
Cattle Feed	96 539	42 246
Traffic Operational Plan	-	4 300
Electricity Network Charges	597 144	759 185
Pauper burials	-	7 500
Special Programs	57 707	245 454
Chemicals	2 324 036	3 359 533
Other expenses	88 200	-
	23 272 302	23 000 471

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

Mohokare Local Municipality

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38. Cash generated from operations		
Surplus	40 495 693	3 918 449
Adjustments for:		
Depreciation and amortisation	28 444 777	25 616 415
Decommissioning Costs	394 514	536 155
Impairment Losses on Property, Plant and Equipment	136 115	54 299
Gain on sale of assets and liabilities	1 358 166	355 416
Movement in Biological Assets	(23 720)	(65 513)
Fair value adjustments	(19 193)	(65 770)
Finance Costs - Trade and other payables	7 647 115	4 411 105
Finance Cost - incurred by CENTLEC	87 255	-
Debt impairment	26 585 838	24 301 488
Movements in operating lease assets and accruals	(113 831)	(113 831)
Movements in retirement benefit assets and liabilities	302 400	-
Movements in provisions	741 603	-
donations on payables non-cash revenue	(4 009 457)	(1 357 959)
Water infrastructure Grant - Watermeters received in kind	-	(3 310 048)
Sale of electricity by Centlec - non-cash	(25 976 924)	(26 400 117)
Expenditure incurred by Centlec - non-cash	31 050 482	34 156 543
Interest charged on trade and other receivables	(288 361)	(805 766)
Changes in working capital:		
Inventories	1 881	25 715
Receivables from exchange transactions	10 582 753	(1 050 667)
Consumer debtors	(26 585 838)	(23 395 795)
Other receivables from non-exchange transactions	4 540 113	(3 071 384)
Payables from exchange transactions	(23 100 070)	19 995 420
VAT	1 934 036	(9 069 652)
Unspent conditional grants and receipts	1 934 036	691 227
	-	(90 439)
	76 119 383	45 265 291

39. Financial instruments disclosure

Categories of financial instruments

2016

Financial assets

	At fair value	At amortised cost	Total
Receivables from Exchange transactions - Electricity	-	2 457 203	2 457 203
Receivables from Exchange transactions - Refuse	-	1 083 636	1 083 636
Receivables from Exchange transactions - Sewerage	-	1 645 885	1 645 885
Receivables from Exchange transactions - Water	-	3 291 357	3 291 357
Receivables from Exchange transactions - Sundry Debtors	-	8 026 049	8 026 049
Receivables from Exchange transactions - Other Receivables	-	4 413	4 413
Receivables from non-exchange transactions	-	7 630 545	7 630 545
Cash and Cash equivalents - Call Deposits	-	201 971	201 971
Cash and Cash equivalents - Bank Balances	-	9 125 725	9 125 725
Cash and Cash equivalents - Cash Floats and Advances	-	1 180	1 180
Non-Current Investments - Investment in OVK Shares	351 628	-	351 628
	351 628	33 467 964	33 819 592

Financial liabilities

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

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. Financial instruments disclosure (continued)

Centlec Payable	-	25 478 588	25 478 588
Other Loans	872 545	-	872 545
Trade and other payables from exchange transactions	38 680 564	-	38 680 564
Payments received in advance	4 710 162	-	4 710 162
Sundry Deposits	2 711 899	-	2 711 899
Consumer Deposits	814 120	-	814 120
	48 664 226	25 478 588	74 142 814

2015

Financial assets

	At fair value	At amortised cost	Total
Receivables from Exchange transactions - Electricity	-	1 435 660	1 435 660
Receivables from Exchange transactions - Refuse	-	498 986	498 986
Receivables from Exchange transactions - Sewerage	-	1 521 034	1 521 034
Receivables from Exchange transactions - Water	-	1 663 044	1 663 044
Receivables from Exchange transactions - Sundry Debtors	-	1 957 252	1 957 252
Receivables from Exchange transactions - Other receivables	-	264 522	264 522
Receivables from Non-exchange transactions	-	1 556 767	1 556 767
Cash and Cash equivalents - Bank balances	-	774 991	774 991
Cash and Cash equivalents - Call Deposit	-	168 952	168 952
Cash and Cash equivalents - Cash floats and advances	-	1 180	1 180
Non-current Investments - Investment in OVK Shares	345 155	-	345 155
	345 155	9 842 388	10 187 543

Financial liabilities

	At amortised cost	At cost	Total
Finance Lease Liability	462 518	-	462 518
Government Loans	1 106 929	-	1 106 929
Loans from shareholders	-	18 384 364	18 384 364
Other Loans	872 545	-	872 545
Trade and other payables from exchange transactions	32 466 188	-	32 466 188
Payments received in advance	3 913 772	-	3 913 772
Sundry Deposits	2 711 899	-	2 711 899
Consumer Deposits	521 730	-	521 730
	42 055 581	18 384 364	60 439 945

Financial Assets pledged as security

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

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

Mohokare Local Municipality

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40. Commitments

Authorised capital expenditure

Already contracted for but not provided for

• Property, plant and equipment	70 828 880	111 670 118
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Not yet contracted for and authorised by accounting officer

• Property, plant and equipment	23 244 703	3 200 000
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Total capital commitments

Already contracted for but not provided for	70 828 880	111 670 118
Not yet contracted for and authorised by accounting officer	23 244 703	3 200 000
	94 073 583	114 870 118

41. Contingencies

Unfair dismissal claims has been issued against the Municipality. The claims are being handled by NP Voyi Attorneys and Malherbe Saayman, Smith Attorneys. The possible losses regarding these cases has not been quantified. The maximum exposure of the municipality is estimated at R200 000.

A dispute regarding the construction of a pipeline next to the servitude has been brought against the Municipality. The possible losses regarding this matter could amount to R45 000. The claims are being handled by D Marais.

During August 2012 it came to the attention of the Municipality that graves were used outside the boundary lines of a Municipal Cemetery in Zastron. The area where the graves were used are inside an area where a possibility exist that water could be contaminated by the decaying bodies. The usage of this area as a cemetery has since been stopped and studies were performed to determine the extent of contamination done to water. The Municipality are awaiting results of these studies to determine the procedures to be implemented going forward.

A notice of motion has been issued against the Municipality in respect of the R19 708 982 owed to SALA Pension Fund. The claims are being handled by Mr. D Marais. The matter relates to long outstanding contributions (members' portion as well as council contributions) and interest charged on these amounts. The full amount is included in Note 12 under staff salaries and third parties. At 30 June 2015 the estimated outflow of funds relating to legal fees are R nil.

A notice of motion has been issued against the Municipality in respect of the R7 535 749 owed to SAMWU Provident Fund. The claims are being handled by Mr. D Marais. The matter relates to long outstanding contributions (members' portion as well as council contributions) and interest charged on these amounts. The full amount is included in Note 12 under staff salaries and third parties. At 30 June 2015 the estimated outflow of funds relating to legal fees are R nil.

A notice of motion has been issued against the Municipality by ISA and Partners Engineers. This notice of motion has been issued against the municipality after the contract of the engineer was terminated due to the fact that they did not adhere to the terms of their appointment. The notice was issued in respect of invoices the engineer claims to be outstanding with corresponding interest levied on these invoices. This matter is currently under investigation by the Municipality.

Contingent assets

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

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42. Related parties

Relationships

Accounting Officer - CT Panyani	Uhlosi Trading, Uhlosi Guest House, PC Training ad Business College & Platinum Campus
Director Corporate Services - LV Nqoko-Rametse	Info Com Biz Center & Sabbath Business Consultancy
Director Technical Services - MN Tsoamotse	Moedi Trading & Reahlomela Construction
Councillor - L Lekhula	Lekhula Constructions
Councillor - ET Backward	Matlakeng Charcoal Project
Councillor - IS Riddle	EBRI Properties

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

Councillor's Consumer Accounts

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

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

The services rendered to related parties are charged at approved tariffs that were advertised to the public.

The amounts outstanding are unsecured and will be settled in cash. Consumer Deposits were received from Councillors, the Municipal Manager and Section 56 personnel.

The municipality did not buy goods from any companies which can be considered to be related parties.

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

43. Prior period errors

When calculating the provision for landfill sites, the portion relating to VAT was incorrectly included in the total provision. The VAT has been removed from the provision leading to the movement in the provision as stated below as well as a change in the interest unwinding in the 14/15 financial year.

Expenditure incurred on capital projects funded by Conditional grants has been identified. These expenditure has been capitalised to Work in Progress, the respective Creditor was recognised along with the grant revenue received and the unspent grant liability decreased.

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

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

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

The subsistence and travelling error relates to claims paid to employees after 1 July 2014 which in actual fact related to the 2013/14 financial year. This correction is to adjust the subsistence and travelling expenditure to be reflective of the year under review.

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

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

Mohokare Local Municipality

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43. Prior period errors (continued)

Statement of financial position

Property, plant and equipment	-	(1 444 332)
Provision for landfill site rehabilitation	-	2 755 622
Unspent conditional grants and receipts	-	1 292 498
Post-Retirement Medical Aid benefits	-	1 971 200
Long Service Awards provision	-	3 594 900
Trade Payables	-	(1 790 390)
Centlec Payable	-	2 102 950

Statement of Financial Performance

Interest on landfill site provision	-	196 015
Subsistence and Travelling	-	(123 820)

44. Comparative figures

Certain comparative figures have been reclassified.

45. Risk management

Financial risk management

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

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

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

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

Further quantitative disclosures are included throughout these Annual Financial Statements.

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45. Risk management (continued)

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 and net-settled derivative 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 2016

Other financial liabilities (Borrowings)
Payables from exchange transactions
Centlec Payable

	Less than 1 year	Between one and two years	Between two to five years	Over five years
Other financial liabilities (Borrowings)	175 254	197 941	501 741	-
Payables from exchange transactions	38 680 564	-	-	-
Centlec Payable	25 478 588	-	-	-
	64 334 406	197 941	501 741	-

30 June 2015

Other financial liabilities (Borrowings)
Payables from exchange transactions
Centlec Payable

	Less than one year	Between one and two years	Between two and five years	Over five years
Other financial liabilities (Borrowings)	155 168	175 254	776 507	-
Payables from exchange transactions	39 091 859	-	-	-
Centlec Payable	18 384 364	-	-	-
	57 631 391	175 254	776 507	-

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45. Risk management (continued)

Credit risk

Credit Risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality. The municipality has a sound credit control and debt collection policy, as a means of mitigating the risk of financial loss from defaults. The municipality uses its own trading records to assess its major customers. The municipality's exposure of its counterparties are monitored regularly.

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

Investments/Bank, Cash and Cash 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

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45. Risk management (continued)

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

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

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

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

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

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

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

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

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

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.

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45. Risk management (continued)

Interest rate risk

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

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

Potential concentrations of interest rate risk consist mainly of consumer debtors, other debtors, bank and cash balances.

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

Consumer debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas. On-going credit evaluations are performed on the financial condition of these debtors. Consumer debtors are presented net of a provision for impairment.

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

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

Foreign exchange risk

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

Price risk

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

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46. Going concern

Management considered the following matters relating to the Going Concern:

- (i) On 28 May 2016 the Council adopted the 2016/17 to 2018/19 Budget. This three-year Medium Term Revenue and Expenditure Framework (MTREF) to support the ongoing delivery of municipal services to residents reflected that the Budget was cash-backed over the three-year period.
- (ii) The municipality's Budget is subjected to a very rigorous independent assessment process to assess its cash-backing status before it is ultimately approved by Council.
- (iii) Strict daily cash management processes are embedded in the municipality's operations to manage and monitor all actual cash inflows and cash outflows in terms of the cash-flow forecast supporting the Budget. The cash management processes is complemented by monthly reporting, highlighting the actual cash position, including the associated risks and remedial actions to be instituted.
- (iv) As the municipality has the power to levy fees, tariffs and charges, this will result in an ongoing inflow of revenue to support the ongoing delivery of municipal services. Certain key financial ratios, such as liquidity, cost coverage, debtors' collection rates and creditors' payment terms will be closely monitored and the necessary corrective actions instituted.
- (v) The municipality's cash management was under pressure during the 2015/16 financial period due to an amount of R7,1 million being withheld from the Equitable share receivable. The funds were withheld due to Municipal Infrastructure Grants (Conditional) that were not utilised in the past. Irrespective of the pressure that this has placed on the Municipality, they still managed to have a positive bank balance at the end of 2015/16.

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

47. Events after the reporting date

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

48. Unauthorised expenditure

Opening Balance	118 999 476	115 413 992
Unauthorise expenditure current year	26 841 692	3 585 484
	145 841 168	118 999 476

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

49. Fruitless and wasteful expenditure

Opening Balance	12 668 841	6 829 242
Fruitless and wasteful expenditure current year	7 525 209	4 049 486
Identified in the current year relating to prior years	-	1 790 113
Less: Amounts Condoned	(13 564 374)	-
	6 629 676	12 668 841

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

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50. Irregular expenditure

Opening balance	118 915 022	130 196 434
Add: Irregular Expenditure - current year	9 196	15 985 572
Add: Irregular Expenditure identified in current year relating to prior year	-	35 877 080
Less: Amounts condoned	(108 783 568)	(63 144 064)
	10 140 650	118 915 022

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

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

Details of irregular expenditure – current year

	Disciplinary steps taken/criminal proceedings	
Equipment Hiring and procurement of printer cartridges - three quotations not obtained	These expenses relate to Irregular expenses identified for the 2015/16 financial period. These expenses will be investigated by Management to determine whether it should in fact be included in Irregular expenditure.	9 196

51. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

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

Audit fees

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

PAYE and UIF

Opening balance	1 620 307	1 920 252
Current year payroll deductions	6 658 417	6 233 093
Amount paid - current year	(7 393 606)	(6 334 902)
Penalties and interest	654 046	828 684
Offset to VAT receivable	-	(1 026 820)
	1 539 164	1 620 307

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

Pension and Medical Aid Deductions

Opening balance	20 552 604	9 528 675
Current year subscription / fee	14 810 594	13 390 353
Amount paid - current year	6 367 422	(4 673 341)
Amount paid - previous years	(5 280 889)	(300 000)
Interest accrual	6 388 804	2 606 917
	42 838 535	20 552 604

VAT

VAT receivable	15 145 854	13 211 818
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VAT output payables and VAT input receivables are shown in note .

All VAT returns have been submitted throughout the year.

Councillors' arrear consumer accounts

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

30 June 2016

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

30 June 2015

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

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)	Loss (R)
2016	20 516 583	-15 318 910	5 197 673	6 255 536
2015	21 493 123	-16 488 258	5 004 865	5 255 108
				11 510 644

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

Mohokare Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand

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

Water Losses	Units (Kl)	Value per unit	Value of loss (R)
2016	869 624	8,0282	6 981 491
2015	507 483	4,5468	2 307 418

The significant increase in water losses for the 2015/16 financial year are due to the drought. This matter had an impact on the value of water per unit as calculated above as at certain times, some of the plants did not treat any water for several months, however, the overhead costs of said plant remained the same, leading to the sharp increase in the cost per kilo litre of water treated. This variable is expected to normalise in the 2016/17 financial year. As the Municipality experienced a severe impact due to the drought in all three towns, treated water was transported to JoJo Tanks in the municipal area to provide residents with water. This water was treated and the costs theron was incurred, however, due to the fact that the water was transported to the respective JoJo tanks, the water could not be billed to consumer accounts. The kilo litres of water transported during the drought period is approximately 400 000kl with a corresponding cost of R 3 211 280. This brings the water losses reported down to R3 770 211.

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/repaired as soon as they are reported.

52. Multi-employer Retirement Benefit Information

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

Certain councillors belong to the Pension Fund for Municipal Councillors.

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

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

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

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

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

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

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

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

SALA Pension Fund:

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

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

Mohokare Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand

52. Multi-employer Retirement Benefit Information (continued)

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.

Appendix A

June 2016

Schedule of external loans as at 30 June 2016

	Loan Number	Redeemable	Balance at 30 June 2015	Interest charged during the period	Redeemed written off during the period	Balance at 30 June 2016	Carrying Value of Property, Plant & Equip	Other Costs in accordance with the MFMA
			Rand	Rand	Rand	Rand	Rand	Rand
Development Bank of South Africa								
DBSA Loan	1	2016	1 106 929	117 847	349 840	874 936	-	-
			1 106 929	117 847	349 840	874 936	-	-
Bonds								
Other loans								
Centlec Capital Loans	40021201 to 40027483	2024	872 545	-	-	872 545	-	-
			872 545	-	-	872 545	-	-
Lease liability								
Finance Lease Liabilities		2017	462 518	-	261 673	200 845	-	-
			462 518	-	261 673	200 845	-	-
Annuity loans								
Government loans								
Total external loans								
Development Bank of South Africa			1 106 929	117 847	349 840	874 936	-	-
Other loans			872 545	-	-	872 545	-	-
Lease liability			462 518	-	261 673	200 845	-	-
			2 441 992	117 847	611 513	1 948 326	-	-

Appendix B

June 2016

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

Cost/Revaluation	Accumulated depreciation
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Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
19 532 694	-	(2 760)	-	-	-	19 529 934	-	-	-	-	-	-	19 529 934
49 492 792	-	-	-	-	-	49 492 792	(33 116 427)	-	-	(796 478)	-	(33 912 905)	15 579 887
8 364 406	-	-	-	-	-	8 364 406	(6 198 947)	-	-	(82 816)	-	(6 281 763)	2 082 643
20 788 009	-	-	-	-	-	20 788 009	(15 679 819)	-	-	(226 515)	-	(15 906 334)	4 881 675
98 177 901	-	(2 760)	-	-	-	98 175 141	(54 995 193)	-	-	(1 105 809)	-	(56 101 002)	42 074 139
78 650 204	4 303 820	-	-	-	-	82 954 024	(35 760 389)	-	-	(4 925 719)	-	(40 686 108)	42 267 916
11 543 847	-	-	-	-	-	11 543 847	(5 696 050)	-	-	(346 321)	-	(6 042 371)	5 501 476
28 628 002	-	(159 045)	4 038 890	-	-	32 507 847	(14 552 591)	90 519	-	(477 133)	-	(14 939 205)	17 568 642
258 470	-	-	-	-	-	258 470	(149 590)	-	-	(24 697)	-	(174 287)	84 183
147 280 987	14 938 188	(1 437 047)	-	-	-	160 782 128	(82 764 329)	769 731	-	(8 499 269)	-	(90 493 867)	70 288 261
230 923	-	-	18 421 953	-	-	18 652 876	(122 866)	-	-	(7 279)	-	(130 145)	18 522 731
117 473 824	-	-	-	-	-	117 473 824	(63 338 208)	-	-	(2 349 628)	-	(65 687 836)	51 785 988
6 620 649	-	-	-	-	-	6 620 649	(2 785 749)	-	-	(295 483)	-	(3 081 232)	3 539 417
42 849 705	-	-	-	-	-	42 849 705	(15 059 337)	-	-	(1 156 398)	-	(16 215 735)	26 633 970
7 535 593	-	-	-	-	-	7 535 593	(2 790 506)	-	-	(394 514)	-	(3 185 020)	4 350 573
1 426 687	-	-	86 659 576	-	-	88 086 263	(986 405)	-	-	(85 083)	-	(1 071 488)	87 014 775
7 658 995	-	-	-	-	-	7 658 995	(4 340 097)	-	-	(127 650)	-	(4 467 747)	3 191 248
1 093 476	-	-	-	-	-	1 093 476	(625 376)	-	-	(23 964)	-	(649 340)	444 136
107 902 737	30 657 442	-	-	-	-	138 560 179	(59 294 901)	-	-	(2 763 242)	-	(62 058 143)	76 502 036
32 758 171	-	-	-	-	-	32 758 171	(20 093 915)	-	-	(1 051 249)	-	(21 145 164)	11 613 007
40 169 397	-	-	-	-	-	40 169 397	(18 027 189)	-	-	(1 265 851)	-	(19 293 040)	20 876 357
632 081 667	49 899 450	(1 596 092)	109 120 419	-	-	789 505 444	(326 387 498)	860 250	-	(23 793 480)	-	(349 320 728)	440 184 718
56 692 217	2 789 218	-	2 331 111	-	-	61 812 546	(39 206 032)	-	-	(783 377)	-	(39 989 409)	21 823 137
56 692 217	2 789 218	-	2 331 111	-	-	61 812 546	(39 206 032)	-	-	(783 377)	-	(39 989 409)	21 823 137

Appendix B

June 2016

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

Cost/Revaluation						Accumulated depreciation							
Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand

Other assets

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

Appendix B

June 2016

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

Cost/Revaluation							Accumulated depreciation						
Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements 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	98 177 901	-	(2 760)	-	-	98 175 141	(54 995 193)	-	-	(1 105 809)	-	(56 101 002)	42 074 139
Infrastructure	632 081 667	49 899 450	(1 596 092)	109 120 419	-	789 505 444	(326 387 498)	860 250	-	(23 793 480)	-	(349 320 728)	440 184 716
Community Assets	56 692 217	2 789 218	-	2 331 111	-	61 812 546	(39 206 032)	-	-	(783 377)	-	(39 989 409)	21 823 137
Other assets	17 443 467	472 548	(1 750 253)	-	-	16 165 762	(8 590 728)	1 106 970	-	(1 846 939)	-	(9 330 697)	6 835 065
	804 395 252	53 161 216	(3 349 105)	111 451 530	-	965 658 893	(429 179 451)	1 967 220	-	(27 529 605)	-	(454 741 836)	510 917 057
Investment properties													
Improved Property	6 040 020	-	-	-	-	6 040 020	-	-	-	-	-	-	6 040 020
Unimproved Property	16 136 645	-	-	-	-	16 136 645	-	-	-	-	-	-	16 136 645
	22 176 665	-	-	-	-	22 176 665	-	-	-	-	-	-	22 176 665
Total													
Land and buildings	98 177 901	-	(2 760)	-	-	98 175 141	(54 995 193)	-	-	(1 105 809)	-	(56 101 002)	42 074 139
Infrastructure	632 081 667	49 899 450	(1 596 092)	109 120 419	-	789 505 444	(326 387 498)	860 250	-	(23 793 480)	-	(349 320 728)	440 184 716
Community Assets	56 692 217	2 789 218	-	2 331 111	-	61 812 546	(39 206 032)	-	-	(783 377)	-	(39 989 409)	21 823 137
Other assets	17 443 467	472 548	(1 750 253)	-	-	16 165 762	(8 590 728)	1 106 970	-	(1 846 939)	-	(9 330 697)	6 835 065
Investment properties	22 176 665	-	-	-	-	22 176 665	-	-	-	-	-	-	22 176 665
	826 571 917	53 161 216	(3 349 105)	111 451 530	-	987 835 558	(429 179 451)	1 967 220	-	(27 529 605)	-	(454 741 836)	533 093 722

Appendix B

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

Cost/Revaluation	Accumulated depreciation
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Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
19 532 694	-	-	-	-	-	19 532 694	-	-	-	-	-	-	19 532 694
49 440 397	52 395	-	-	-	-	49 492 792	(32 327 384)	-	-	(789 042)	-	(33 116 426)	16 376 366
8 364 406	-	-	-	-	-	8 364 406	(6 116 131)	-	-	(82 816)	-	(6 198 947)	2 165 459
20 628 697	159 312	-	-	-	-	20 788 009	(15 449 582)	-	-	(230 237)	-	(15 679 819)	5 108 190
97 966 194	211 707	-	-	-	-	98 177 901	(53 893 097)	-	-	(1 102 095)	-	(54 995 192)	43 182 709
72 997 348	5 652 856	-	4 087 228	-	-	82 737 432	(30 962 003)	-	-	(4 798 387)	-	(35 760 390)	46 977 042
11 543 847	-	-	-	-	-	11 543 847	(5 349 687)	-	-	(346 363)	-	(5 696 050)	5 847 797
28 628 002	-	-	15 485 867	-	-	44 113 869	(14 075 458)	-	-	(477 133)	-	(14 552 591)	29 561 278
258 470	-	-	-	-	-	258 470	(124 124)	-	-	(25 466)	-	(149 590)	108 880
147 280 987	-	-	-	-	-	147 280 987	(74 147 669)	-	-	(8 616 660)	-	(82 764 329)	64 516 658
230 923	-	-	10 279 650	-	-	10 510 573	(115 587)	-	-	(7 279)	-	(122 866)	10 387 707
117 473 824	-	-	-	-	-	117 473 824	(60 988 580)	-	-	(2 349 628)	-	(63 338 208)	54 135 616
6 620 649	-	-	-	-	-	6 620 649	(2 486 580)	-	-	(299 169)	-	(2 785 749)	3 834 900
42 849 705	-	-	-	-	-	42 849 705	(13 891 681)	-	-	(1 167 656)	-	(15 059 337)	27 790 368
7 535 593	-	-	-	-	-	7 535 593	(1 546 305)	-	-	(1 244 201)	-	(2 790 506)	4 745 087
1 426 687	-	-	62 162 583	-	-	63 589 270	(899 074)	-	-	(87 332)	-	(986 406)	62 602 864
7 658 995	-	-	-	-	-	7 658 995	(4 212 447)	-	-	(127 650)	-	(4 340 097)	3 318 898
1 093 476	-	-	-	-	-	1 093 476	(601 412)	-	-	(23 964)	-	(625 376)	468 100
104 744 526	-	-	3 158 211	-	-	107 902 737	(56 821 068)	-	-	(2 473 834)	-	(59 294 902)	48 607 835
32 758 171	-	-	-	-	-	32 758 171	(19 025 382)	-	-	(1 068 531)	-	(20 093 913)	12 664 258
40 169 397	-	-	-	-	-	40 169 397	(16 756 415)	-	-	(1 270 773)	-	(18 027 188)	22 142 209
623 270 600	5 652 856	-	95 173 539	-	-	724 096 995	(302 003 472)	-	-	(24 384 026)	-	(326 387 498)	397 709 497
56 692 217	-	-	3 614 835	-	-	60 307 052	(38 519 409)	-	-	(686 623)	-	(39 206 032)	21 101 020
56 692 217	-	-	3 614 835	-	-	60 307 052	(38 519 409)	-	-	(686 623)	-	(39 206 032)	21 101 020

Appendix B

June 2016

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

Cost/Revaluation						Accumulated depreciation							
Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand

Other assets

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

Appendix B

June 2016

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

Cost/Revaluation							Accumulated depreciation						
Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand

	97 966 194	211 707	-	-	-	98 177 901	(53 893 097)	-	-	(1 102 095)	-	(54 995 192)	43 182 709
Land and buildings	623 270 600	5 652 856	-	95 173 539	-	724 096 995	(302 003 472)	-	-	(24 384 026)	-	(326 387 498)	397 709 497
Infrastructure	56 692 217	-	-	3 614 835	-	60 307 052	(38 519 409)	-	-	(686 623)	-	(39 206 032)	21 101 020
Community Assets	16 349 589	1 558 298	(464 420)	-	-	17 443 467	(7 098 478)	239 816	-	(1 732 065)	-	(8 590 727)	8 852 740
Other assets	794 278 600	7 422 861	(464 420)	98 788 374	-	900 025 415	(401 514 456)	239 816	-	(27 904 809)	-	(429 179 449)	470 845 966
Total property plant and equipment													
Investment properties													
Improved Property	6 040 020	-	-	-	-	6 040 020	-	-	-	-	-	-	6 040 020
Unimproved Property	16 136 645	-	-	-	-	16 136 645	-	-	-	-	-	-	16 136 645
	22 176 665					22 176 665							22 176 665
Total													
Land and buildings	97 966 194	211 707	-	-	-	98 177 901	(53 893 097)	-	-	(1 102 095)	-	(54 995 192)	43 182 709
Infrastructure	623 270 600	5 652 856	-	95 173 539	-	724 096 995	(302 003 472)	-	-	(24 384 026)	-	(326 387 498)	397 709 497
Community Assets	56 692 217	-	-	3 614 835	-	60 307 052	(38 519 409)	-	-	(686 623)	-	(39 206 032)	21 101 020
Other assets	16 349 589	1 558 298	(464 420)	-	-	17 443 467	(7 098 478)	239 816	-	(1 732 065)	-	(8 590 727)	8 852 740
Investment properties	22 176 665	-	-	-	-	22 176 665	-	-	-	-	-	-	22 176 665
	816 455 265	7 422 861	(464 420)	98 788 374	-	922 202 080	(401 514 456)	239 816	-	(27 904 809)	-	(429 179 449)	493 022 631

Appendix C

June 2016

Segmental analysis of property, plant and equipment as at 30 June 2016

Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment deficit Rand	Closing Balance Rand	Carrying value Rand
965 607	33 742	(89 907)	-	-	-	909 442	(589 381)	73 285	-	(68 730)	-	(584 826)	324 616
31 117 309	396 293	(882 400)	-	-	-	30 631 202	(20 880 477)	540 728	-	(1 478 963)	-	(21 818 712)	8 812 490
39 661	11 549	(13 799)	-	-	-	37 411	(30 135)	11 493	-	(4 393)	-	(23 035)	14 376
s 47 472 720	11 549	(45 148)	2 331 111	-	-	49 770 232	(31 228 783)	36 887	-	(793 756)	-	(31 985 652)	17 784 580
17 808 872	13 838	(3 270)	-	-	-	17 819 440	(6 232 314)	420	-	(88 713)	-	(6 320 607)	11 498 833
307 332	-	(62 960)	-	-	-	244 372	(197 054)	49 193	-	(18 666)	-	(166 527)	77 845
68 441 901	2 789 218	(7 401)	-	-	-	71 223 718	(40 969 430)	6 545	-	(833 481)	-	(41 796 366)	29 427 352
179 059 241	2 580	(585 935)	18 421 953	-	-	196 897 839	(85 806 907)	341 115	-	(4 597 084)	-	(90 062 876)	106 834 963
177 277 901	44 722 125	(1 596 093)	4 038 890	-	-	224 442 823	(98 107 416)	860 250	-	(9 153 907)	-	(106 401 073)	118 041 750
191 766 291	876 500	(62 192)	86 659 576	-	-	279 240 175	(103 715 815)	47 304	-	(5 221 622)	-	(108 890 133)	170 350 042
90 138 417	4 303 820	-	-	-	-	94 442 237	(41 421 737)	-	-	(5 270 289)	-	(46 692 026)	47 750 211
804 395 252	53 161 214	(3 349 105)	111 451 530	-	-	965 658 891	(429 179 449)	1 967 220	-	(27 529 604)	-	(454 741 833)	510 917 058
804 395 252	53 161 214	(3 349 105)	111 451 530	-	-	965 658 891	(429 179 449)	1 967 220	-	(27 529 604)	-	(454 741 833)	510 917 058

Appendix D

June 2016

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
Municipality						
580 856	11 831 494	(11 250 638)	Executive & Council/Mayor and Council	26 007	11 250 613	(11 224 606)
72 424 095	51 761 752	20 662 343	Finance & Admin/Finance	64 691 737	53 044 049	11 647 688
-	1 978 803	(1 978 803)	Planning and Development/Economic Development/Plan	-	2 273 356	(2 273 356)
621 874	5 931 739	(5 309 865)	Comm. & Social/Libraries and archives	114 510	6 770 856	(6 656 346)
424 539	552 157	(127 618)	Housing	811 158	678 387	132 771
1 358 675	1 282 064	76 611	Public Safety/Police	2 799 594	1 522 614	1 276 980
75	1 216 553	(1 216 478)	Sport and Recreation	218	1 260 417	(1 260 199)
43 982	248 780	(204 798)	Environmental Protection/Pollution Control	-	-	-
28 940 143	14 945 404	13 994 739	Waste Water Management/Sewerage	32 897 407	14 580 596	18 316 811
1 453 801	6 084 739	(4 630 938)	Road Transport/Roads	1 033 311	5 046 035	(4 012 724)
27 064 536	16 246 846	10 817 690	Water/Water Distribution	45 276 811	17 818 881	27 457 930
20 625 055	54 009 397	(33 384 342)	Electricity /Electricity Distribution	26 093 727	55 631 355	(29 537 628)
153 537 631	166 089 728	(12 552 097)		173 744 480	169 877 159	3 867 321
Municipal Owned Entities						
Other charges						
153 537 631	166 089 728	(12 552 097)	Municipality	173 744 480	169 877 159	3 867 321
153 537 631	166 089 728	(12 552 097)	Total	173 744 480	169 877 159	3 867 321

Appendix E(1)

June 2016

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

	Current year 2015 Act. Bal. Rand	Current year 2015 Adjusted budget Rand	Variance Rand	Explanation of Significant Variances greater than 10% versus Budget Var
Revenue				
Property rates	6 994 250	7 232 194	(237 944)	(3,3)
Service charges	57 360 325	61 129 539	(3 769 214)	(6,2)
Rental of facilities and equipment	1 071 800	1 018 013	53 787	5,3
Licences and permits	2 168	2 784	(616)	(22,1) Inaccurate budgeting
Transfers recognised - operational	58 762 491	61 967 859	(3 205 368)	(5,2)
Other income - (rollup)	11 958 251	12 190 375	(232 124)	(1,9)
Interest received - investment	813 085	5 842 535	(5 029 450)	(86,1) Inaccurate budgeting
Dividends received	9 955	10 942	(987)	(9,0)
	136 972 325	149 394 241	(12 421 916)	(8,3)
Expenses				
Personnel	(58 693 304)	(59 071 685)	378 381	(0,6)
Remuneration of councillors	(3 412 175)	(3 617 427)	205 252	(5,7)
Administration	(270 903)	-	(270 903)	-
Depreciation	(28 444 777)	(28 427 184)	(17 593)	0,1
Impairments	(136 115)	-	(136 115)	-
Finance costs	(9 115 398)	(2 123 699)	(6 991 699)	329,2 Inaccurate budgeting- high interest incurred on outstanding SALA Pension Fund and SAMWU Provident Fund balances.
Bad debts written off	(26 585 838)	(14 347 804)	(12 238 034)	85,3 Inaccurate budgeting. Did not foresee such a low payment rate.
Repairs and maintenance - General	(3 329 518)	(7 230 819)	3 901 301	(54,0)
Bulk purchases	(26 298 627)	(20 563 200)	(5 735 427)	27,9 Inaccurate budgeting.
Contracted Services	(2 640 595)	(2 383 213)	(257 382)	10,8 Inaccurate budgeting
Transfers and Subsidies	-	-	-	-
Cost of housing sold	(394 514)	-	(394 514)	-
General Expenses	(22 651 182)	(39 925 461)	17 274 279	(43,3)
	(181 972 946)	(177 690 492)	(4 282 454)	2,4
Other revenue and costs				
Gain or loss on disposal of assets and liabilities	(1 381 886)	-	(1 381 886)	-
Fair value adjustments	19 193	-	19 193	-
Gains or losses on biological assets and agricultural produce	23 720	-	23 720	-
	(1 338 973)	-	(1 338 973)	-
Net surplus/ (deficit) for the year	(46 339 594)	(28 296 251)	(18 043 343)	63,8

Appendix E(2)

June 2016

Budget Analysis of Capital Expenditure as at 30 June 2010

	Addition s Rand	Revised Budget Rand	Variance Rand	Variance %	Explanation of significant variances from budget
Municipality					
Executive & Council/Mayor and Council	12	65	53	82	The Municipality experienced cash flow constraints hence only critical assets funded by internally generated funds were procured.
Finance & Admin/Finance	96	290	194	67	The Municipality experienced cash flow constraints hence only critical assets funded by internally generated funds were procured.
Sport and Recreation	2 893	3 438	545	16	Inaccurate planning and budgeting
Waste Water Management/Sewerage	12 808	12 600	(208)	(2)	
Road Transport/Roads	6 281	10 361	4 080	39	Due to complications with a contractor, there was a hold up on this project for a part of the year under review.
Water/Water Distribution	47 929	48 240	311	1	
Electricity /Electricity Distribution	721	1 865	1 144	61	Inaccurate planning and budgeting
	70 740	76 859	6 119	8	

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

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