



Mohokare
Local Municipality: FS
163

Annual Report:
2011/12

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Glossary of terms

ABET	Adult Based Education and Training
ABSA	Amalgamated Banks of South Africa
AIDS	Acquired Immune Deficiency Syndrome
CBO	Community Based Organization
CPF	Community Policing Forum
DBSA	Development Bank of South Africa
DEAT	Department of Tourism, Environment and Economic Affairs
DFA	Development Facilitation Act No 67 of 1995
DLA	Department of Land Affairs
CGTA	Cooperative Governance and Traditional Affairs
DM	District Municipality DE
	Department of Energy
DoA	Department of Agriculture
DoE	Department of Education
DoH	Department of Health
DoSD	Department of Social Development
PRT	Department of Police Roads & Transport
DSAC	Department of Sport, Arts and Culture
DWA	Department of Water Affairs
ECA	Environmental Conservation Act
EMS	Emergency Medical Services
FSDC	Free State Development Corporation
FSPGDS	Free State Provincial Growth & Development Strategy
EIA	Environmental Impact Assessment
ES	Equitable Share (grant)
FBO	Faith Based Organizations
GRAP	Generally Recognised Accounting Principles
GIS	Geographical Information System
GVA	Gross Value Added
HDI	Human Development Index
HIV	Human Immune Deficiency Virus
HoD	Head of department
HR	Human Resource
IDC	Independent Development Corporation
IDP	Integrated Development Plan
IDT	Independent Development Trust
ISRDS	Integrated Sustainable Rural Development Strategy
IT	Information Technology
ITP	Integrated Transportation Plan
IWMP	Integrated Waste Management Plan
KPA	Key Performance Area
LED	Local Economic Development
MM	Municipal Manager
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant
MSIG	Municipal Systems & Institutional Grant
NDC	National Development Corporation
NEMA	National Environmental Management Act
NER	National Electrification Regulator
NGO	Non - Governmental Organizations
NSDP	National Spatial Development Perspective
NSS	National Sanitation Strategy XDM
	Xhariep District Municipality
PMS	Performance Management System
PPP	Public Private Partnership
RDP	Reconstruction and Development Programme
REDs	Regional Electricity Distributors
RTP	Responsible Tourism Planning
SADC	Southern African Development Community
SALGA	South African Local Government Association
SANDF	South African National Defense Force
SAPS	South African Police Service

SCM	Supply Chain Management
SDBIP	Service Delivery Implementation Budget Plan
SGB	School Governing Body
SLA	Service Level Agreement
SMME	Small, Medium and Micro Enterprises
SMME	Small Medium and Micron Enterprises
SOE	State Owned Enterprises
SoR	State of Environment Report
STDs	Sexual Transmitted Diseases
TB	Tuberculosis
TLC	Transitional Local Council
VAT	Value Added Tax
VIP	Ventilated Improved Pit (dry sanitation facility)
WSDP	Water Services Development Plan



Councillor MA Shasha

Foreword by the Mayor
Foreword by the Municipal Manager
& Executive Summary

Chapter 1:

A. Mayor's Foreword

Mohokare Local Municipality is constituted by a highly agrarian area as identified by documents such as the IDP and Growth and development documents of the Xhariep District.

However the area is characterized by a high number of indigent households, estimated to be at 80% by 2008; this implies that income and debt payments expected from communities will continue to be a huge challenge that impacts negatively on the financial revenue of the municipality.

Strides have to be made to strengthen the local economic development and agricultural sector to benefit all sectors of our community.

Despite all these challenges we continue to provide services that are of acceptable standards to our communities:

- Access to water continues to be at 100% provision to all households,
- With the implementation phases of the regional bulk water project, we will be able to totally eradicate buckets in all our area.
- We continue to apply for electricity projects from the department of Energy and funds are allocated as per the department funding criteria.
- We continue to facilitate the provision of sustainable human settlements to our communities although we have marked that the allocations made by the Cooperative Governance and Traditional Affairs department does not equate to the backlogs on the ground (municipal level)
- Refuse removal is one of the important areas that need attention; challenges still persist due to lack of service delivery machinery & equipment.

Our relationship with the Communities of Mohokare Local Municipality, sister Municipalities within the Xhariep District and the Xhariep District Municipality, sharing knowledge and experiences, continue to improve and bear fruit, which benefits all our communities.

This report is a reflection of municipal activities for the said financial year (2011/2012) compiled by this municipality.

Regards

A handwritten signature in black ink, appearing to be 'M. Shasha', with a large, stylized loop at the top.

Cllr. M. Shasha
Mayor

B. Municipal Manager's Foreword

Government sees it as a priority that annual reports are the key reporting instruments for Municipalities to report against the performance targets and budgets outlined in their integrated development plans, Annual reports are therefore required to contain information on service delivery, in addition to financial statements and the audit report.



It is meant to be a backward-looking document, focusing on performance in the financial year that has just ended. It reports on how the budget for that financial year was implemented.

This report will be tabled and interrogated at Council level and at community level by utilizing the means of public participation processes that the Municipality is guided by legislation. Prior to the Council tabling for final adoption, this document will go through the Council Oversight Committee to ensure detailed scrutiny and credibility of data and information provided.

Some of the challenges that are raised in the 2011 National Planning Commission's diagnostic report are also somewhat applicable to Mohokare Local Municipality as outlined below;

Challenges	<u>DiagnosticReport</u>	<u>MohokareLM</u>
	Too few South Africans work	Almost 90% of households are indigent
	The Quality of school education for most black people is sub standard	Poor qualifications within the municipal workforce
	Poorly located and inadequate infrastructure limits social inclusion and faster economic growth	Infrastructure still laid out in terms of the old "apartheid planning" system
	Spatial challenges continue to marginalise the poor	Old black Townships still developing away from economically active areas (CBDs), insufficient land for economic development initiatives
	The performance of the public service is uneven	Differently provided services, e.g. "Township" versus "Towns", Road infrastructure trafficable in "towns" but not likely in "townships".
	Corruption undermines state legitimacy and service delivery	Mohokare is not immune to this challenge, referring from previous cases.

This means that Mohokare Local Municipality is bound to be affected by the dynamics of South Africa as a country, and we must continue to seek solutions that are practical and financially sustainable.

Kind regards

A handwritten signature in black ink, consisting of a large, stylized 'T' followed by a series of loops and a wavy line.

T. C. Panyani
Municipal Manager

1.1. Executive Summary

1.1.1. Municipal Vision, Mission & Values

Vision

A performance-driven municipality that utilizes its resources efficiently to respond to community needs

Mission

To be a community-driven municipality that ensures sustainable quality service delivery applying principles of good governance

With the following values

Batho Pele Principles
Good governance
Community Based Planning
Integrity
Social Cohesion
Accountability
Customer / Client Centered Approach

Mohokare will;

- Strive to meet challenging but achievable company objectives and financial goals, with well-planned and clearly communicated strategies
- Encourage a winning spirit and a positive working environment through the development of supportive, appreciative, and rewarding working relationships
- Recognize diversity by treating individuals with respect and dignity
- Promote team building

1.1.2. Municipal Manager's Overview

In giving an overview of this annual report it is worth noting the following milestones achieved;

Securing universal access to waterborne sanitation for all households through the Regional Bulk Water Scheme; where which this project will ensure that all the households in Mohokare outstanding of water borne access to sanitation are connected to the network system, promoting decency in the services that we provide.

Universal access to water by all households in Mohokare.

We are gradually making strides to achieving the Blue Drop and Green Drop status for Mohokare, even in the face of infrastructural developmental challenges that have financial implications and based on the revenue collection might prove difficult yet not impossible to implement.

Acquisition of land for residential purposes; The current shortage of land in Mohokare does not equal the demand for sites and human settlements and the procurement of the Mooifontein farm in Zastron is seen as an achievement to ensure that we continue to allocate land specifically for residential purposes.

We have managed to resuscitate relations between labour and the employer, hence the regular sitting of the employer / employee structure.

Timeously submission of the Annual Financial Statements and the Draft Annual Performance Report; Improvement on these compliance matters is evident, seeing that these documents will be submitted on time.

The filling of all critical section 56 positions except that of Director: Community Services.

In light of the milestones achieved it is very important that I also note challenges that the municipality must overcome in order to function properly, but not limited to the following;

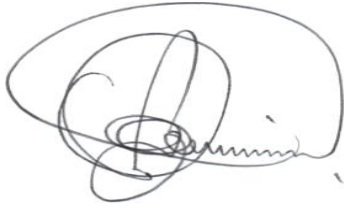
Poor revenue base for the Municipality

This annual performance report gives a clear picture of service delivery within Mohokare,

AND in closing;

Learning is the Journey to success, therefore let us all be part of local government to ensure improvement of our people's lives.

Kind regards

A handwritten signature in black ink, consisting of several overlapping loops and a trailing flourish.

T. C. Panyani
Municipal Manager

1.1.3. Municipal Functions, Population and Environmental Overview

In terms of the powers and functions for municipalities as promulgated by the Constitution of the Republic of South Africa, municipalities are dictated by this document to guide their functioning, below is the powers and functions that relate Mohokare Local Municipality;

<u>Function</u>	<u>Authorizations</u>
Air pollution	Yes
Building regulations	Yes
Child care facilities	Yes
Electricity reticulation	Yes
Fire Fighting	Yes, including DM function
Local tourism	Yes
Municipal airport	Yes
Municipal Planning	Yes
Municipal Health Services	No
Municipal public transport	Yes
Pontoons and ferries	Yes
Storm water	Yes
Trading regulations	Yes
Water (Potable)	Yes
Sanitation	Yes
Amusement facilities /Beaches	Yes
Billboards and the display of advertisements in public places	Yes
Cemeteries, funeral parlors and crematoria	Yes, including DM function
Cleansing	Yes
Control of public nuisance	Yes
Control of undertakings that sell liquor to the public	Yes
Facilities for the accommodation, care and burial of animals	Yes
Fencing and fences	Yes
Licensing of dogs	Yes
Licensing and control of undertakings that sell food to the public	Yes
Local amenities	Yes
Local sport facilities	Yes
Markets	Yes
Municipal abattoirs	Yes, including DM function
Municipal parks and recreation	Yes
Municipal roads	Yes, including DM function
Noise pollution	Yes
Pounds	Yes
Public places	Yes
Refuse removal, refuse dumps and solid waste disposal	Yes, including DM function
Street trading	Yes
Street lighting	Yes
Traffic and parking	Yes
Municipal public works	Yes

Population and Environmental Overview

The current realities range from socio-economic aspects to engineering infrastructure and within each category of analysis the critical issues and challenges are identified.

To analyse current realities various sources of information and data were used, such as:

Census 2001 with 2003, 2006 and 2007 Community Survey projections by Stats SA and the Municipal Demarcation Board.

Extrapolated data from the previous IDP documents

The Xhariep District Potential Analysis report

XDM latest data and information.

Any other appropriate and relevant reports specific to the Mohokare Local Municipality within the public domain.

In the 2010/2011 financial year, the Municipality in partnership with the Independent Development Trust (IDT), were in the process of completing the ward profiles for all 6 wards in the area. Since the report can only be incorporated into this document once it has been tabled and adopted by council, in the interim, we use the statistics provided by stats SA and other sources.

Demographic Realities and Socio Economic dynamics

The community survey conducted in 2007, estimates the population of Mohokare to be at ±41 867 with 10 216 households.

Table A: Population distribution by gender and age

Age	0 – 6	7 – 13	14 - 18	19 – 25	26 – 35	36 - 45	46 - 60	61 – 80	81 - 120
Male									
Black	3228	3182	2354	2492	3005	2175	1848	742	120
Coloured	57	135	33	78	211	136	26	3	30
Indian or Asian	-	-	-	-	-	-	-	-	-
White	111	98	31	37	148	151	44	341	-
<u>Total Male</u>	<u>20816</u>								
Female									
Black	3016	2801	2073	2610	2768	2212	2298	1390	244
Coloured	137	61	61	29	180	89	-	61	-
Indian or Asian	-	-	-	-	-	-	-	-	-
White	57	142	57	108	70	85	141	271	92
<u>Total Female</u>	<u>20972</u>								
Percentage of both female& male age groups	15,78	15,33	11,01	12,79	15,24	11,58	10,41	6,71	1,16

This section will focus on the measurement of households' living conditions at municipal level. It is hoped that this will make it possible to gauge municipal performance in terms of service delivery.

Table B: Percentage distribution of households by type of main dwelling;

	Census 2001	CS 2007
House or brick structure on a separate stand or yard	74,9	67,3
Traditional dwelling/hut/structure made of traditional materials	4,2	0,2
Flat in block of flats	1,0	1,0
Town/cluster/semi-detached house (simplex: duplex: triplex)	0,5	-
House/flat/room in back yard	0,7	1,1
Informal dwelling / shack		
In backyard	2,9	7,7
Not in backyard e.g. in an informal/squatter settlement	14,7	21,5
Room/flatlet not in backyard but on shared property	0,8	0,3
Caravan or tent	0,3	-
Private ship/boat	-	-
Worker's hostel (bed/room)	-	0,9
Other	-	0,0
Total	100,0	100,0

Table C: % distribution of households by type of water source;

	Census 2001	CS 2007
Piped water		
Inside dwelling	16,5	20,0
Inside yard	63,0	68,8
From access point outside the yard	18,4	4,7
Borehole	0,6	3,5
Spring	0,2	0,7
Dam/pool	0,5	0,5
River/Stream	0,1	0,2
Water vendor	0,0	0,3
Rainwater tank	0,2	1,2
Other	0,4	-
Total	100,0	100,0

Table D: % distribution of households by tenure status;

	Census 2001	CS 2007
Owned and fully paid off	44,7	47,3
Owned but not yet paid off	8,3	2,4
Rented	13,2	18,4
Occupied rent free	33,8	31,6
Other	-	0,3
Total	100,0	100,0

Table E: % distribution by type of toilet facilities;

	Census 2001	CS 2007
Flush toilet (connected to sewerage system)	53,7	57,1
Flush toilet (with septic tank)	3,5	3,3
Dry toilet facility	-	0,5

Chemical toilet	0,3	0,7
Pit latrine with ventilation (VIP)	5,5	4,2
Pit latrine without ventilation	7,5	-
Bucket latrine	17,8	11,7
None	17,8	11,7
Total	100,0	100,0

Table F: % distribution of households by type of energy/fuel used for lighting;

	Census 2001	CS 2007
Electricity	72,6	80,3
Gas	0,2	0,3
Paraffin	7,1	4,7
Candles	18,9	13,9
Solar	0,8	0,5
Other	0,3	0,3
Total	100,0	100,0

Table G: % distribution of households by type of refuse disposal;

	Census 2001	CS 2007
Removed by local authority		
At least once a week	60,1	67,0
Less often	2,1	12,3
Communal refuse dump	3,8	0,8
Own refuse dump	29,6	14,8
No rubbish disposal	4,4	4,3
Other	-	0,8
Total	100,0	100,0

Table H: % distribution of households by type of energy/fuel used for heating;

	Census 2001	CS 2007
Electricity	19,2	28,5
Gas	1,4	1,0
Paraffin	31,7	43,9
Wood	35,9	21,4
Coal	6,7	3,0
Animal dung	3,7	1,3
Solar	0,2	-
Other	1,2	0,8
Total	100,0	100,0

Table I: %distribution of households by type of energy/fuel used for cooking;

	Census 2001	CS 2007
Electricity	23,9	49,8
Gas	4,4	4,2
Paraffin	43,3	36,6
Wood	24,0	8,1
Coal	0,6	-

Animal dung	3,3	1,0
Solar	0,4	0,3
Other	0,2	-
Total	100,0	100,0

Level of education

It should be noted that the Municipality engages in the process of awarding certain amount of money to learners who achieve best at their respective high schools. However this activity did not take place during the year under review, this is due to the financial constraints.

Group of education level	Numbers
Grade 0 - Grade 7/standard 5	15999
Grade 8/standard 6/form 1 - Grade 12/Std 10 (with university exemption)	11947
Certificate with grade 12	136
Diploma with grade 12	405
Bachelor's degree	176
B Tech	-
Post graduate diploma	193
Honour's degree	214
Higher degree (masters/PhD)	95
No schooling	4629

Source: Stats SA, CS 2007

Health

Mohokare has 2 hospitals, each in Zastron and Smithfield. Up to now all clinics have operated only from 7:00 to 15:00 making it less accessible for people employed during the day. However there are mobile clinics that are available for areas that are far from the clinics located in Matlakeng, Mofultsepe and Roleleathunya, farm areas also are serviced through the mobile clinic facility. There is a shortage of staff at clinics, which hampers the extension of operating hours. Doctors are also not available full time at clinics.

More people are infected with HIV/Aids and this put a lot of strain on the existing health resources and facilities. There are no HIV and AIDS care centers in Mohokare, other than NGOs assisting in this regard, e.g. the Home-based care givers and the Tshepanang HIV and AIDS group in Smithfield.

Emergency services: Ambulances are under the control of the Free State Provincial Government, Department of Health. The perception of the community is that emergency services are under capacitated in terms of human resources and equipment, And a service delivery challenge with regards to EMS is that some internal Municipal roads are not trafficable, this hampers the effectiveness of this critical service.

The following table gives an overview of the current situation with regard to health facilities.
Health Facilities in Mohokare

TOWN / AREA	HOSPITALS	CLINICS
Zastron	1	0
Matlakeng	0	1
Rouxville	0	0
Roleleathunya	0	1
Smithfield	1	0
Mofulatsepe	0	1

Source: Department of Health

1.1.4. Service Delivery Overview

Mohokare Local Municipality is charged with providing acceptable service standards in relation to the provision access to Quality drinking water, bulk water, sanitation, roads & storm water, provision of electricity, facilitate in the provision of sustainable human settlements.

The following table gives a brief picture of the level of service provision within the Municipality;

Basic Service	% provision	
	MTEF period	
	2010/11	2011/12
Household access to water	100%	100
Access to sanitation	91%	90.4
Access to electricity	97%	97
Access to refuse removal	99%	100

Source: Mohokare 10/11 annual report

It is notable that Mohokare local municipality provides 100% of households with access to drinking / portable water, however the shortfalls within the sanitation provision are also worrying and the municipality has begun with the first phase of ensuring that buckets in are finally eradicated through the regional bulk water scheme, which will oversee the completion of the bucket system in Mohokare.

Electricity projects are ongoing and are implemented as per funding criteria of the department of Energy.

In terms of refuse removal, the greatest need is the equipment / machinery, with an increase in equipment, more progress can be witnessed.

1.1.5. Financial Health Overview

Mohokare is a highly grant dependent municipality with a high number of indigent households, as a result the municipality cannot generate sufficient income to fund its operations adequately.

Endeavors are being made through the assistance of other government departments and government entities to assist the municipality in turning around its financial viability and improving its cash flow management.

The development of a credit control policy and employment of a municipal debt collector are seen as important successes to note.

Financial Overview – 2011/12				
		Ending 30 th June 2012		
Details	Actual 2010/11 (R'000)	Original Budget (R'000)	Adjustment budget (R'000)	Actual (R'000)
<u>Income</u>				
Grants	68 189	48 549	72 711 000	75 357 043
Taxes, Levies and Tariffs	31 488	10 374	13 913 248	43 078 457
Other	2 072	2 056	1 578 250	1 821 571
Sub Total	101 749	60 979	88 202 499	120 257 072
Less Expenditure	95 360	72 614	67 763 370	137 297 604
<u>Net Total</u>	<u>6 389</u>	<u>-11 635</u>	<u>20 439 128</u>	<u>-17 040 532</u>

Operating Ratios		
Detail	2010/11 %	2011/12 %
Employee Cost	3218.0%	25.8%
Repairs and Maintenance	107.0%	1.3%
Finance Charges and Depreciation	30.0%	17.0%

Total Capital Expenditure		
Detail	Jun-11	Jun-12
Original budget	56 986 000	29 350 000
Adjustment Budget	38 616 000	24 116 947
Actual	13 509 364	21 328 584

1.1.6. Organisational Development Overview

One of the most critical and key instruments towards a positive output in organizational development is the integrated performance management system, however Mohokare has had a long outstanding challenge of the absence of such a system (PMS); but 2 officials responsible for PMS were appointed in the 2011/2012 financial year.

The only document that was developed in 2004 and never reviewed is a performance management framework, which its requirements have not been implemented.

For compliance matters, the annual performance agreements are only signed by the Municipal Manager and section 56/57 managers; this has not been cascaded to all other staff below the fixed contract term posts of managers.

In terms of the organizational structure there are four managers that account directly to the Municipal Manager, namely, Technical Manager, Chief Financial Officer, Corporate Services and Community Services; all these positions are filled with the exception of the Director: Community Services.

1.1.7. 2011 – 2012 Auditor General Report

REPORT OF THE AUDITOR-GENERAL TO THE FREE STATE PROVINCIAL LEGISLATURE AND THE COUNCIL ON THE MOHOKARE LOCAL MUNICIPALITY

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I was engaged to audit the financial statements of the Mohokare Local Municipality set out on pages 22 to 32, which comprise statement of financial position as at 30 June 2012, the statements of financial performance, changes in net assets and cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Accounting Officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA), and Division of Revenue Act of South Africa 2011 (Act No.6 of 2011) (DoRA) and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor-General's responsibility

3. My responsibility is to express an opinion on the financial statements based on conducting the audit in accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), the *General Notice* issued in terms thereof and International Standards on Auditing. Because of the matters described in the Basis for disclaimer of opinion paragraphs, however, I was unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of opinion Receivables from exchange transactions

4. I was unable to obtain sufficient appropriate audit evidence for receivables from exchange transactions of R862 467 (2011: R5 886 949) as disclosed in note 4 to the financial statements as supporting documentation for certain indigent consumers could not be submitted to determine whether the applicant qualifies for indigence and to determine the occurrence, accuracy and completeness of the subsidies credited to receivables for indigent consumers amounting to R229 532 (2011: R1 612 628), sufficient appropriate audit evidence as to the existence of receivables amounting to R1 751 220 for the prior year was not submitted. Furthermore a difference of R2 231 098 was noted in the prior year between the debtors system for bad debts written off for which council approval was obtained and the amount disclosed in note 4 to the financial statements. Due to the lack of information I was unable to perform alternative audit procedures to provide me with the required audit assurance with regard to receivables from exchange transactions and bad debts written off.
Consequently I was unable to determine whether any adjustment relating to receivables from exchange transactions was necessary.

Sundry debtors

5. I was unable to obtain sufficient appropriate audit evidence for sundry debtors of R1 158 062 (2011: R1156 845) as disclosed in the financial statements due to the lack of sufficient appropriate audit evidence for debit transactions with an estimated value of R497 436 processed against sundry debtors accounts. Due to a lack of information I was unable to perform alternative audit procedures. Consequently I was unable to determine the existence, rights and obligations, completeness, valuation and allocation of sundry debtors.

Accumulated surplus/(deficit)

6. I was unable to obtain sufficient appropriate audit evidence for the prior year balance of the accumulated surplus of R303 217 865 as disclosed in note 19 to the financial statements due to the lack of sufficient appropriate audit evidence for the corrections made against the accumulated surplus account as disclosed in note 36.1 to the financial statements. Furthermore, the VAT debtor in the prior year is overstated by R4 662 950 and also should have been adjusted against the accumulated surplus/deficit as disclosed in note 36.1 to the financial statements. Consequently I was unable to determine the existence, rights and obligations, completeness, valuation and allocation of accumulated surplus for the prior year as well as for the other accounts affected by the adjustments.

Property, plant and equipment

7. The valuation of property, plant and equipment of R289 711 938 (2011: R289 510 415) as per note 8 to the financial statements could not be confirmed as additions from 1 July 2009 to 30 June 2011 of R67 503 523 were not valued in line with the requirements of the South African Standards of Generally Recognised Accounting Practice, GRAP 17, Property plant and equipment, read in conjunction with Directive 7. Furthermore, additions for the year as disclosed in note 8 to the financial statements could not be confirmed totalling R763 344. The entity's records did not permit the performance of reasonable alternative audit procedures. Consequently, I was unable to determine the valuation and completeness of additions for

property, plant and equipment.

Payables

8. I was unable to obtain sufficient appropriate audit evidence for trade and other payables of R16 796 657 (2011: R19 637 226) as disclosed in note 15 to the financial statements due to the lack of sufficient appropriate audit evidence for transactions and journals processed against the trade payables account amounting to R5 116 443. Consequently I was unable to determine the existence, rights and obligations, completeness, valuation and allocation of trade and other payables.

Long- term liabilities

9. I was unable to obtain sufficient appropriate audit evidence for long-term liabilities as per note 17 to the financial statements of R13 711 093 (2011: R10 373 709). No loan agreement could be obtained for loans of R11 649 057 (2011: R6 198 905) from the electricity service provider. I was unable to confirm the rights and ownership, existence and valuation of these loans by alternative procedures. The disclosure of and calculation of the current portion of long-term liabilities could also not be confirmed due to the limitations identified above. Consequently I was unable to determine whether any adjustment to the financial statements was necessary.

Revenue

10. I was unable to obtain sufficient appropriate audit evidence from the municipality and its electricity service provider for transactions with an estimated amount of R19 106 280 included in the amounts of service charges of R35 847 242 (2011: R28 275 180), government grants and subsidies for the prior year of R68 189 764, rental of facilities and equipment of R663 136 (2011: R656 777), fines of R157 143 (2011: R156 055) and other income of R567 172 (2011: R974 842) included in the total revenue of R120 257 072 (2011: 325) as disclosed in notes 20 to 26 of the financial statements. Furthermore, alternative procedures confirmed that the total revenue might be overstated by R2 277 798, but the amount of the overstatement could not be accurately determined due to a lack of reconciliations, supporting documentation and registers. I was unable to confirm revenue by alternative means. I was unable to obtain all the information and explanations deemed necessary to determine the occurrence, completeness, accuracy, cut off and classification of revenue of R37 234 693 (2011: R98 096 563). Consequently I was unable to determine whether any adjustment relating to revenue in the financial statements was necessary.

Expenditure

11. I was unable to obtain sufficient appropriate audit evidence from the municipality and its electricity service provider for transactions with an estimated amount of R8 376 236 included in the amounts related to bulk purchases, general expenditure, repairs and maintenance, grants and subsidies paid and contracted services amounting to R42 962 462 as disclosed in notes 27 to 35 of the financial statements. The municipality's records did not permit the application of alternative audit procedures. Consequently I was unable to determine the occurrence, completeness, accuracy, cut off and classification of expenditure of R42 962 462.
12. For the prior financial year the municipality could not provide sufficient appropriate audit evidence to support the occurrence of expenditure of R6 307 132 which includes duplicate payments of R1 270 286,

duplicate recordings of R1 108 814 and expenditure of R357 575 recorded in the incorrect period. Furthermore sufficient appropriate audit evidence was not available by the electricity service provider to support the occurrence, completeness, accuracy, cut-off and classification of electricity bulk purchases of R16 136 859 for the prior financial year. The municipality's records did not permit the application of alternative procedures. Consequently I was unable to determine whether any adjustment relating to expenditure in the prior financial year was necessary.

Capital commitments

13. I was unable to obtain sufficient appropriate audit evidence to confirm the completeness of capital commitments stated at R2 333 908 (2011: R2 346 453) for commitments approved and contracted and R42 739 744 (2011: R12 407 994) for commitments approved and not yet contracted, as disclosed in note 45 to the financial statements. I was unable to confirm the completeness by alternative means. Consequently I was unable to determine whether any adjustment to capital commitment was necessary.

Irregular expenditure

14. An estimated irregular expenditure of R21 997 094 (2011: R25 093 393) was identified during the audit that was incurred due to the supply chain management (SCM) policy and SCM regulations not adhered to. This irregular expenditure was subsequently disclosed in note 43.3 to the financial statements as required in terms of section 125(2)(d) of the MFMA. Furthermore, sufficient appropriate audit evidence that management has properly identified, investigated and recorded all irregular expenditure transactions during the current and prior year could not be obtained. Due to the limitations placed on the scope of the work performed relating to expenditure and the procurement of property, plant and equipment, there were no satisfactory alternative audit procedures that I could perform to confirm the completeness, occurrence and accuracy of irregular expenditure of R130 701 014 (2011: R108 703 920), as disclosed in note 43.3 to the financial statements.

Fruitless and wasteful expenditure

15. I could not obtain sufficient appropriate audit evidence that the municipality has properly identified, investigated and recorded all fruitless and wasteful expenditure transactions during the current and prior year of R2 363 181 (2011: R2 086 252) as disclosed in note 43.2 to the financial statements. I was unable to perform alternative audit procedures. Consequently I could not determine the completeness, occurrence and accuracy of fruitless and wasteful expenditure of R2 363 181 (2011: R2 086 252) as disclosed in note 43.2 to the financial statements.

Presentation and disclosure

16. Contrary to the requirements of Section 15(2)(d) of the MFMA, the distribution loss from water service was not disclosed in the financial statements while the electricity distribution losses amounted to R112 040 287 as disclosed in note 44.9 to the financial statements. I was unable to perform alternative audit procedures to confirm the distribution losses. Consequently I could not determine the completeness, occurrence and accuracy of distribution losses.

Cash flow statement

17. I was unable to obtain sufficient appropriate audit evidence to determine whether the cash flow statement and the related notes were fairly stated. Taking into account the misstatements and scope limitations identified in the financial statements, as set out in this report, I was unable to practically quantify the misstatements in the cash flow statement and notes thereto. Consequently, I was unable to determine the accuracy, completeness and disclosure of the cash flow statement and related notes.

Disclaimer of opinion

18. Because of the significance of the matters described in the Basis for disclaimer of opinion paragraphs, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, I do not express an opinion on these financial statements.

Emphasis of matter

19. I draw attention to the matters below. My opinion is not modified in respect of these matters.

Going concern

20. The statement of financial performance and the cash flow statement to the annual financial statements indicate that the Mohokare Local Municipality incurred a net loss of R17 040 532 and a net cash outflow of R2 073 970 during the year ended 30 June 2012. These conditions, along with other matters as set forth in note 46 to the financial statements, indicate the existence of an uncertainty that may cast doubt on the municipality's ability to operate as a going concern.

Restatement of corresponding figures

21. As disclosed in note 36 to the financial statements, the corresponding figures for 30 June 2011 have been restated as a result of errors discovered during 2011-12 in the financial statements of the Mohokare Local Municipality at, and for the year ended 30 June 2011.

Additional matters

22. I draw attention to the matters below. My opinion is not modified in respect of these matters.

Unaudited supplementary information

23. The supplementary information set out on pages 26 to 32 does not form part of the financial statements and is presented as additional information. I have not audited these schedules and, accordingly, I do not express an opinion thereon.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

24. In accordance with the PAA and the *General Notice* issued in terms thereof, I report the following findings relevant to performance against predetermined objectives, compliance with laws and regulations and internal control, but not for the purpose of expressing an opinion.

Predetermined objectives

25. I performed procedures to obtain evidence about the usefulness and reliability of the information in the annual performance report as set out on pages 27 to 32 of the annual report.
26. The reported performance against predetermined objectives was evaluated against the overall criteria of usefulness and reliability. The usefulness of information in the annual performance report relates to whether it is presented in accordance with the National Treasury's annual reporting principles and whether the reported performance is consistent with the planned objectives. The usefulness of information further relates to whether indicators and targets are measurable (i.e. well defined, verifiable, specific, measurable and time bound) and relevant as required by the *National Treasury Framework for managing programme performance information*.

The reliability of the information in respect of the selected programmes is assessed to determine whether it adequately reflects the facts (i.e. whether it is valid, accurate and complete).

27. The material findings are as follows:

Usefulness of information

28. Section 41(c) of the Municipal Systems Act, 2000 (Act No. 32 of 2000) (MSA), requires that the integrated development plan (IDP) should form the basis for the annual performance report, therefore requiring the consistency of objectives, indicators and targets between planning and reporting documents. A total of 44% (>20%) of the reported objectives, 67% (>20%) of the reported indicators and 73% (>20%) of the reported targets are not
29. consistent with the objectives, indicators and targets as per the approved IDP. This is due to the lack of review procedures in place to ensure that the IDP and annual performance report is aligned
30. The National Treasury *Framework for managing programme performance information (FMPPI)* requires that performance targets be specific in clearly identifying the nature and required level of performance. A total of 28% (>20%) of the targets were not specific in clearly identifying the nature and the required level of performance. This was due to the fact that management was aware of the requirements of the *FMPPI* but did not receive the necessary training to enable application of the principles.
31. The National Treasury *Framework for managing programme performance information* requires that performance targets be measurable. The required performance could not be measured for a total of 28% (>20%) of the targets. This was due to the fact that management was aware of the requirements of the *FMPPI* but did not receive the necessary training to enable application of the principles.
32. The National Treasury *Framework for managing programme performance information (FMPPI)* requires that indicators should have clear unambiguous data definitions so that data is collected consistently and is easy to understand and use. A total of 24% (>20%) of the indicators were not well defined in that clear, unambiguous data definitions were not available to allow for data to be collected consistently. This was due to the fact that management was aware of the requirements of the *FMPPI* but did not receive the necessary training to enable application of the principles.

33. The National Treasury *Framework for managing programme performance information (FMPPI)* requires that it must be possible to validate the processes and systems that produce the indicator. A total of 24% (>20%) of the indicators were not verifiable in that valid processes and systems that produce the information on actual performance did not exist. This was due to the fact that management was aware of the requirements of the *FMPPI* but did not receive the necessary training to enable application of the principles.

Reliability of information

34. The National Treasury *Framework for managing programme performance information (FMPPI)* requires that processes and systems which produce the indicator should be verifiable. A total of 33% (>20%) of the actual reported performance relevant to the selected programmes was not valid and accurate when compared to the source information and evidence provided. This was due to the municipality not implementing a proper performance management system.
35. The National Treasury *Framework for managing programme performance information (FMPPI)* requires that the indicator be accurate enough for its intended use and respond to changes in the level of performance. I was unable to obtain all the information and explanations I considered necessary to satisfy myself as to the accuracy of the actual reported performance relevant to 33% (>20%) of selected objectives. This was due to the municipality not implementing a proper performance management system.

Additional matter

36. I draw attention to the following matter below. This matter does not have an impact on the predetermined objectives audit findings reported above.

Achievement of planned targets

37. Of the total number of 55 targets planned for the year, 22 targets were not achieved during the year under review. This represents 40% (>20%) of total planned targets that were not achieved during the year under review.

Compliance with laws and regulations

38. I performed procedures to obtain evidence that the municipality has complied with applicable laws and regulations regarding financial matters, financial management and other related matters. My findings on material non-compliance with specific matters in key applicable laws and regulations as set out in the *General Notice* issued in terms of the PAA are as follows:

Strategic planning and performance management

39. The council did not adopt in good time, a process set out in writing to guide the planning, drafting, adoption and review of its IDP, as required by section 28(1) of the MSA.

40. The municipality did not establish a performance management system, as required by section 38(a) of the MSA.

Annual financial statements, performance and annual report

41. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122 of the MFMA. Material misstatements of non-current assets, current assets, liabilities, revenue, expenditure and disclosure items identified by the auditors in the submitted financial statements were subsequently corrected.

Internal audit

42. The municipality did not establish a functioning internal audit unit as required by section 165(1) of the MFMA.
43. The internal audit did not audit the results of performance measurements, as required by section 45(1)(a) of the MSA and Municipal Planning and Performance Management Regulation 14(1)(a).
44. The internal audit unit did not assess the functionality of the performance management system, whether the performance management system complied with the requirements of the MSA and the extent to which the performance measurements were reliable in measuring the performance of the municipality on key and general performance indicators], as required by Municipal Planning and Performance Management Regulation 14(1)(b) [(i) / (ii) / (iii)].
45. The internal audit unit did not audit the performance measurements on a continuous basis and/or submitted quarterly reports on their audits to the municipal manager and the performance audit committee, as required by Municipal Planning and Performance Management Regulation 14(1)(c).

Procurement and contract management

46. Goods and services with a transaction value of between R10 000 and R200 000 were procured without obtaining written price quotations from at least three different prospective providers, as required by municipal SCM regulation 17(a) and (c). (Ex.136)
47. Goods and services with a transaction value above R200 000 were procured without inviting competitive bids, as per the requirements of SCM regulation 19(a) and 36(1). (Ex.159)

Human resource management and compensation

48. The acting senior managers directly accountable to the municipal manager did not have performance agreements, as required by section 57(2)(a) of the MSA. (Ex.36)

Revenue management

- 49. An adequate management, accounting and information system was not in place which recognised revenue when it was earned and accounted for debtors, as required by section 64(2)(e) of the MFMA.
- 50. Interest was not charged on all accounts in arrears as, required by section 64(2)(g) of the MFMA.

Conditional grants received

- 51. The municipality did not submit quarterly performance reports to the transferring national officer, the relevant provincial treasury and the National Treasury, within 30 days after the end of each quarter, as required by section 12(2)(c) of the DoRA.
- 52. Projects were not implemented in line with the details contained in the IDP, as required by the Division of Revenue Grant Framework, Gazette No.34280.

Budget

- 53. Expenditure was incurred that was not budgeted for and in excess of the limits of the amounts provided for in the votes of the approved budget, in contravention of section 15 of the MFMA.

Financial misconduct

- 54. Investigations were not instituted into all allegations of financial misconduct against officials of the municipality, as required by section 171(4)(a) of the MFMA due to the fact that irregular and fruitless and wasteful expenditure was incurred but was not investigated.

Expenditure management

- 55. The accounting officer did not take reasonable steps to prevent unauthorised and irregular expenditure, as required by section 62(1)(d) of the MFMA.
- 56. Sufficient appropriate audit evidence could not be obtained that money owing by the municipality had always been paid within 30 days of receiving an invoice or statement, as required by section 65(2)(e) of the MFMA.

Asset management

- 57. The accounting officer did not take all reasonable steps to ensure that the municipality had and maintained a management, accounting and information system which accounts for the assets of the municipality as required by section 63(2)(a) of the MFMA.

Internal control

58. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with laws and regulations. The matters reported below under the fundamentals of internal control are limited to the significant deficiencies that resulted in the basis for qualified opinion, the findings on the annual performance report and the findings on compliance with laws and regulations included in this report.

Leadership

59. The leadership did not effectively evaluate whether management had implemented effective internal controls. They did not gain a comprehensive understanding of how senior management members had met their responsibilities in terms of ensuring proper record management in respect of preparing the annual financial statements.

60. The leadership did implement the necessary controls to prevent non compliance to the SCM regulations and took the necessary action to address the lack of discipline in the finance and SCM directorates; however this still resulted in non-compliance to the procurement

61. legislation which in turn gave rise to the high levels of unauthorised, fruitless and wasteful and irregular expenditure incurred in the financial statements.

62. The leadership of the municipality did not effectively develop, implement and monitor internal control procedures to ensure that quarterly financial statements are prepared and subjected to review. This oversight resulted **in** the challenges faced to submit financial statements to audit that are fully compliant to the SA Standards of GRAP and necessitated the amendment of financial statements provided for audit purposes.

63. The leadership partly implemented controls to ensure compliance with laws, regulations and internally designed policies and procedures. As a result, significant non-compliance issues were noted.

Financial and performance management

64. Effective performance systems, processes and procedures as well as the management thereof had not been adequately developed and implemented.

65. Due to oversight on the part of the accounting officer, the regular review and monitoring of compliance to laws and regulations were not sufficiently prioritised in the municipality. As a result, significant non-compliance issues were noted that could have been prevented.

66. The staff within the finance directorate of the municipality lacked the appropriate skill and competence and this necessitated the municipality to make use of consultants to supplement such constraints. Consultants assisted with the preparation of an asset register and the preparation of the financial statements.

67. Due to time pressure brought about by the fact that the process of preparing the financial statements were only started late in the financial year, when appointment of the consultants were finalised sufficient time was not available to the chief financial officer to properly review such statements for

completeness and accuracy prior to submission thereof for auditing. This resulted in many findings relating to incorrect disclosure which were subsequently corrected.

68. Staff within the finance directorate of the municipality had an insufficient understanding of the accounting framework. This contributed towards the numerous errors that were subsequently corrected in the financial statements of the municipality.

Governance

69. Management did not establish a functioning internal audit unit.

OTHER REPORTS

70. Investigations are being conducted by independent consulting firms on request of the municipality and the premier's office. The investigations were initiated based on allegations of procurement irregularities. The investigations were still on-going at the reporting date.

Auditor-General

Bloemfontein

30 November 2012



**AUDITOR-GENERAL SOUTH
AFRICA**

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1.1.7.1. Audit Action Plan

Category	Findings	Management Action Plans	Responsible Person	Expected Outcome
Receivables from exchange transactions	Application forms and other supporting documents for certain indigent consumers could not be submitted to determine whether the applicant qualifies for indigence.	A ward profile will be conducted to identify indigent consumers and all necessary application forms and other supporting documents will be completed and filed in terms of Part 2 of the municipality's indigent policy to determine whether the customers qualifies for indigent subsidy. Completed application forms and supporting documents will be retained for record keeping and to prove to the auditors in future.	Chief Financial Officer/Community Services Office	31 March 2013
	A difference of R2 231 098 was noted in the prior year between the debtors system for bad debts written off for which council approval was obtained and the amount disclosed in note 4 to the financial statements.	These relate to prior year adjustment, a project will be undertaken where all the prior year mistakes will be corrected and efforts will be made to get the relevant supporting documents in place.	Chief Financial Officer	30 June 2013
Sundry debtors	Lack of supporting documentation for sundry debtors of R 1 158 062 (2011: R 1 156 845) as disclosed in the financial statements due to the lack of sufficient appropriate audit evidence for debit transactions with an estimated value of R497 436 processed against sundry debtors accounts.	All journals will be filed systematically and relevant supporting documents will be attached in each journal before sign off by authorised personnel. Supporting documents for any journals which may be requested by auditors will be submitted in time per agreement with auditors in future.	Chief Financial Officer	28 February 2013
		Reconciliations of sundry debtors and the review by the senior will be done on a monthly basis. This will include scrutinizing sundry debtors account transactions and performing the age analysis to identify old items and items posted incorrectly into this account.		

Category	Findings	Management Action Plans	Responsible Person	Expected Outcome
		The reconciliations workings will be retained to give evidence of existence of receivables and valuation of debtors.		
Accumulated surplus/(deficit)	<p>The auditors were unable to obtain sufficient appropriate audit evidence for the prior year balance of the accumulated surplus of R 303 217 865 as disclosed in note 19 to the financial statements due to the lack of sufficient appropriate audit evidence for the corrections made against the accumulated surplus account as disclosed in note 36.1 to the financial statements. Furthermore, the VAT debtor in the prior year is overstated by R 4 662 950 and also should have been adjusted against the accumulated surplus/deficit as disclosed in note 36.1 to the Financial statements. Consequently I was unable to determine the existence, rights and obligations, completeness, valuation and allocation of accumulated surplus for the prior year as well as for the other accounts affected by the adjustments.</p> <p>The valuation of property, plant and equipment (PPE) of R289 711 938 (2011: R289 510415) as per note 8 to the financial statements could not be confirmed as additions from 1 July 2009 to 30 June 2011 of R67 503 523 were not valued in line with the requirements of the South African Standards of Generally Recognised Accounting Practice, GRAP 17, <i>Property plant and</i></p>	<p>Accumulated surplus investigations and adjustments will be done as the other findings with impact to prior years as raised are being investigated and get adjusted. The matter will be investigated, supporting documents as evidence shall be gathered to support the prior year's accumulated surplus balance; and when necessary adjustments will be done. Supporting documents evidence shall be retained.</p> <p>A project will be undertaken where all the prior year mistakes will be corrected and efforts will be made to get the relevant supporting documents in place.</p> <p>The valuation project will be undertaken by management to ensure that PPE additions from 1 July 2009 to 30 June 2011 of R67 503 523 is valued at cost and not deemed cost in line with the requirements of the South African Standards of Generally Recognised Accounting Practice, GRAP 17 and Directive 7. Management will try to retrieve supporting invoices from 2010 and 2011 voucher files and efforts will be made to obtain</p>	Chief Financial Officer	30 June 2013
Property, plant and equipment			Chief Financial Officer	30 June 2013

Category	Findings	Management Action Plans	Responsible Person	Expected Outcome
	equipment, read in conjunction with Directive 7.	invoices from suppliers as a means of last resort. All future PPE additions' supporting documentations and approvals will be kept in additions file and assets will be included in the fixed asset register with unique no and location details.		
Payables	Lack of sufficient appropriate audit evidence for transactions and journals processed against the trade payables account amounting to R 5 116 443.	These relate to prior year adjustment, a project will be undertaken where all the prior year mistakes will be corrected and efforts will be made to get the relevant supporting documents in place.	Chief Financial Officer	30 June 2013
Long- term liabilities	No loan agreement could be obtained for loans of R 11 649 057 (2011: R6 198 905) from the electricity service provider. Auditors were unable to confirm the rights and ownership, existence and valuation of these loans by alternative procedures. The disclosure of and calculation of the current portion of long-term liabilities could also not be confirmed due to the limitations identified above.	This matter is being investigated and municipal management will recommend that loan agreements between CENTLEC and funders will be requested from funders, if CENTLEC is not in position of the agreements and if funders do not have, then the agreements will have to be re drafted. The split between short term and long term liabilities will be supported by calculation schedule in the next financial year.	Municipality Management	31 March 2013
		The municipality will recommend to CENTLEC that the control to ensure that all our SLA, contracts, Loan agreements is in place will be introduced (Contract management). This will be achieved through maintaining of the register relating to SLA, contracts, Loan agreements and through a bi-annual review		

of all SLA, contracts, and loan agreements to ensure that whatever is in the register is backed by an existing physical SLA, contracts and loan agreements in place.

Revenue	<p>No sufficient appropriate audit evidence obtained from the municipality and its electricity service provider for transactions with an estimated amount of R 19 106 280 included in the amounts of service charges of R35 847 242 (2011: R28 275 180), government grants and subsidies for the prior year of R68 189 764, rental of facilities and equipment of R663 136 (2011: R656 777), fines of R157 143 (2011: R156 055) and other income of R567 172 (2011: R974 842) included in the total <i>revenue</i> of R120 257 072 (2011: R 106 380 325) as disclosed in notes 20 to 26 of the financial statements. Furthermore, alternative procedures confirmed that the total revenue might be overstated by R2 277 798, but the amount of the overstatement could not be accurately determined due to a lack of reconciliations, supporting documentation and registers.</p>	Service Charges	Chief Financial Officer and Community Services Manager	31 March 2013
	<p>Supporting documents for billing customers will be retained as evidence to support the revenue figure, the listing/sub ledger of revenue generated in terms of billing to individual will be generated and be reviewed every month. The recon between the monthly listings mentioned above will be reconciled to the GL every month and will be reviewed. The sub ledger and the reconciliations will be retained as supporting documentation.</p>	Government grants and subsidies.		
	<p>These relate to prior year adjustment, a project will be undertaken where all the prior year mistakes will be corrected and efforts will be made to get the relevant supporting documents in place.</p>	Rental of facilities and equipment.		

The register for the use of facilities will be kept and updated by the community services office, the customer

and the municipality official will both sign off the register for booking events. Bookings for rentals of Hall facilities are done at the community services' offices and payments are made at the Municipality's offices. Reconciliations between the bookings register and rental income received will be performed and reviewed on a monthly basis going forward. Rental income sub ledger will be reconciled to the GL and will be reviewed and this will be retained as supporting documents.

Traffic fines

The traffic fine books with the copy of traffic fines issued will be kept and filled by the municipality in the form of traffic fine register, a monthly recon of the traffic fines will be prepared and reviewed by management. Traffic fine register will act as a sub ledger and will be reconciled to the GL and get reviewed on the monthly basis.

Other revenue

All transactions classified as other revenue will be categorised into specific type of revenue e.g. Traffic fines and rentals of facilities and the sub ledgers will be created for them as indicated above. All the other "pure" other income will be included in the other income listing (sub ledger) and all supporting documents will be kept. The sub ledger will be prepared and reviewed every month and will be reconciled

and reviewed every month.

Overstatement of revenue

Registers, reconciliations, record keeping of supporting documents and sub ledgers will be introduced in the way similar to what's state above to ensure that occurrence of revenue is substantiated.

Revenue	The auditors were unable to obtain all the information and explanations deemed necessary to determine the occurrence, completeness, accuracy, cut off and classification of revenue of R37 234 693 (2011: R98 096 563) and to determine whether any adjustment relating to revenue in the financial statements was necessary.	Occurrence, completeness, accuracy, cut off and classification of revenue	Chief Financial Officer	31 March 2013
		Appropriate supporting documents will be kept all revenue, the internal auditors will be tasked to look at the revenue process to see how it can be improved and training will be provided to revenue staff if there is a need. Reconciliations will be prepared and reviewed on the monthly basis.		
Expenditure	The municipality could not provide sufficient appropriate audit evidence from the municipality and its electricity service provider for transactions with an estimated amount of R8 376 236 included in the amounts related to bulk purchases, general expenditure, repairs and maintenance, grants and subsidies paid and contracted services amounting to R42 962 462 as disclosed in notes 27 to	All expenditure vouchers from the 01 July 2012 – 31 December 2012 relating to the municipality have been filled and are readily available for audit purposes and this will be done from now going forward. The municipality will engage CENTLEC and recommend that its expenditure office must ensure that all future transactions are supported by invoices before it is paid by the municipality. The municipality will recommend to CENTLEC	Chief Financial Officer	On-going - 30 June 2013

35 of the financial statements. that Contract management function be introduced and all contracts with service providers be filed in the secure place, ensures that they are valid (signed) and suppliers will be required to issue invoices according to contract terms before payments are made for all transactions relating to Mohokare Local Municipality.

For the prior financial year the municipality could not provide sufficient appropriate audit evidence to support the occurrence of expenditure of R 6 307 132 which includes duplicate payments of R 1 270 286, duplicate recordings of R 1 108 814 and expenditure of R 357 575 recorded in the incorrect period. Furthermore sufficient appropriate audit evidence was not available by the electricity service provider to support the occurrence, completeness, accuracy, cut-off and classification of electricity bulk purchases of R 16 136 859 for the prior financial year. These relate to prior year adjustment, a project will be undertaken where all the prior year mistakes will be corrected and efforts will be made to get the relevant supporting documents in place.

Chief Financial Officer 30 June 2013

Capital commitments

The auditors were unable to obtain sufficient appropriate audit evidence to confirm the completeness of capital commitments stated at R 2 333 908 (2011: R 2 346 453) for commitments approved and contracted and R 42 739 744 (2011: R 12 407 994) Capital commitments register/schedule will be prepared and reviewed by responsible official and this will be reconciled to the GL bi annually and the GL and sub ledger recon will be done. Chief Financial Officer and Director Technical Services On-going - 30 June 2013

for commitments approved and not yet contracted, as disclosed in note 45 to the financial statements.

Irregular expenditure

An estimated irregular expenditure of R21 997 094 (2011: R25 093 393) was identified during the audit that was incurred due to the supply chain management (SCM) policy and SCM regulations not adhered to. This irregular expenditure was subsequently disclosed in note 43.3 to the financial statements as required in terms of section 125(2)(d) of the MFMA. Furthermore, sufficient appropriate audit evidence that management has properly identified, investigated and recorded all irregular expenditure transactions during the current and prior year could not be obtained.

Management will ensure that supply chain management (SCM) policy and SCM regulations are adhered to, which will include the introduction of the Unauthorised and Irregular Expenditure Policy to be approved by Mohokare Local Municipality council. All SCM staff will be sent to SCM course for them to update their knowledge and grasp key principles.

The irregular expenditure listing/register will be prepared and kept up to date and get reviewed every month and be reported to the council condonement and will be submitted to the auditors on their request in time.

Chief Financial Officer

On-going - 30 June 2013

Fruitless and wasteful expenditure

The auditors could not obtain sufficient appropriate audit evidence that the municipality has properly identified, investigated and recorded all fruitless and wasteful expenditure transactions during the current and prior year of R2 363 181 (2011: R2 086 252) as disclosed in note 43.2 to the financial statements.

Management ensures that the municipality does not incur fruitless and wasteful expenditure; in instances where the expenditure is unavoidable, it will be dealt with in terms of fruitless and wasteful policy and will be reported to the council for condonement.

The fruitless and wasteful expenditure listing/register will be prepared and kept up to date and get reviewed every month and be reported to the council condonement and will be submitted to the auditors on

Chief Financial Officer

On-going - 30 June 2013

their request in time.

Presentation and disclosure	Contrary to the requirements of Section 15(2)(d) of the MFMA, the distribution loss from water service was not disclosed in the financial statements while the electricity distribution losses amounted to R112 040 287 as disclosed in note 44.9 to the financial statements.	All distribution losses will be disclosed in the 2013/14 financial statements once the municipality has introduced the project to install meters in the water service areas.	Chief Financial Officer	31 March 2014
Cash flow statement	The auditors were unable to obtain sufficient appropriate audit evidence to determine whether the cash flow statement and the related notes were fairly stated. Taking into account the misstatements and scope limitations identified in the financial statements, as set out in this report, The auditors were unable to practically quantify the misstatements in the cash flow statement and notes thereto. Consequently, The auditors were unable to determine the accuracy, completeness and disclosure of the cash flow statement and related notes.	Cash flow statement will be more accurate when the abovementioned management action plans have been implemented and all audit issues have been resolved.	Chief Financial Officer	30 June 2013
Going concern	The statement of financial performance and the cash flow statement to the annual financial statements indicate that the Mohokare Local Municipality incurred a net loss of R17 040 532 and a net cash outflow of R2 073 970 during the year ended 30 June 2013. These conditions, along with other matters as set forth in note 46 to	Cash flow projections indicate that the Municipality will break-even by the 30 th June 2013	Chief Financial Officer	On-going - 30 June 2013

the financial statements, indicate the existence of an uncertainty that may cast doubt on the municipality's ability to operate as a going concern.

1.2.7. Statutory Annual Report Process

No	Activity	Timeframe
1	Consideration of next financial year's Budget and IDP process plan. Except for the legislative content, the process plan should confirm in-year reporting formats to ensure that reporting and monitoring feeds seamlessly into the Annual Report process at the end of the Budget/IDP implementation period.	July
2	Implementation and monitoring of approved Budget and IDP commences (In-year financial reporting).	
3	Finalise 4 th quarter Report for previous financial year	
4	Submit draft 10/11 Annual Report to Internal Audit and Auditor-General	
5	Municipal entities submit draft annual reports to MM	
6	Audit/Performance committee considers draft Annual Report of municipality and entities (where relevant)	August
7	Mayor tables the unaudited Annual Report	
8	Municipality submits draft Annual Report including consolidated annual financial statements and performance report to Auditor General.	
9	Annual Performance Report as submitted to Auditor General to be provided as input to the IDP Analysis Phase	
10	Auditor General assesses draft Annual Report including consolidated Annual Financial Statements and Performance data	
11	Municipalities receive and start to address the Auditor General's comments	September – October
12	Mayor tables Annual Report and audited Financial Statements to Council complete with the Auditor- General's Report	November
13	Audited Annual Report is made public and representation is invited	
14	Oversight Committee assesses Annual Report	
15	Council adopts Oversight report	December
16	Oversight report is made public	
17	Oversight report is submitted to relevant provincial councils	
18	Commencement of draft Budget/ IDP finalisation for next financial year. Annual Report and Oversight Reports to be used as input.	January

Her worship the Mayor : Councillor MA Shasha



TOP MANAGEMENT TEAM

Municipal Manager

Mr. C. T. Panyani



Chief Financial Officer.

Mr. J.V. Nkosi



Director: Corporate
Services

Me L. V. Nqoko-Rametse



Director: Technical
Services

Mr. M.N Tsoamotse



Councillors and staff who attended a strategic meeting on 24 February 2012

Councillors



FRONT: MJ Sehanka, MA Shasha (Mayor), S Pokane, I Mehlomakulu
BACK: L Lekhula, TE Backward, KS Khasake, MA Letele

The venue and some of the delegates.



2.1. Political Governance

Mohokare Local Municipality was established in terms of the provincial Gazette No. 14 of 28 February 2000 issued in terms of Section 21 of the Local Government Notice and Municipal Demarcation Act No. 27 of 1998.

Mohokare is Local Municipality and was established on 5 December 2000. Mohokare is made up of three former TLC Local Authorities which are Zastron, Rouxville and Smithfield. The 2008/2009 demarcation processes saw this Municipality increase from having only 5 wards to 6 wards and this process brought about a gain of one more seat in the council, meaning that Mohokare now has a total number of 11 public representatives constituting the council, however this did not change the type of a council Mohokare was, it remained to be a plenary type of a Council.

Subsequent to the successfully held May 18, 2011 Local Government elections, the Council changed as outlined below;

- | | |
|--|------------------------|
| 1. Mayor & Ward 4 Councilor: | Cllr. M.A. Shasha |
| 2. Ward 1 Councilor | Cllr. T. Khasake |
| 3. Ward 2 Councilor | Cllr. M. Letele |
| 4. Ward 3 Councilor | Cllr. L Lekhula |
| 5. Ward 5 Councilor | Cllr. E.T. Backward |
| 6. Ward 6 Councilor | Cllr. R. Thuhlo |
| 7. Democratic Alliance PR Councilor | Cllr. I Riddle |
| 8. Democratic Alliance PR Councilor | Cllr. S. Pokane |
| 9. African National Congress PR Councilor | Cllr. M. J. Sehanka |
| 10. African National Congress PR Councilor | Cllr. N. I Mehlomakulu |
| 11. African National Congress PR Councilor | Cllr. S. B. Majenge |

It is evident from the party allocations that the Mohokare Local Municipal Council is ANC led, with nine (9) councilors from the ANC and two (2) from the DA.

2.1.1 Council Committees

The new Council of Mohokare Local Municipal Council resolved to establish section 79 committees and named them as follows;

COMMITTEE	MEMBERS
OVERSIGHT COMMITTEE	Cllr I. Riddle (Chairperson) Cllr I. Mehlomakulu Cllr B. Majenge Ps L. Thene (Community Member) Me L Lephuting (Community Member) Mr V Vapi (Community Member)
SEC 79 COMMITTEES: Corporate Services	Cllr I. Mehlomakulu (Chairperson) Cllr M. Sehanka Cllr M. Letele Cllr B. Majenge
Technical Services	Cllr B. Majenge (Chairperson) Cllr T. Khasake Cllr L. Lekhula Cllr I. Riddle
Planning & LED	Cllr E. Backward (Chairperson) Cllr R. Thuhlo Cllr S. Pokane Cllr I. Mehlomakulu
Finance Committee	Cllr R. Thuhlo (Chairperson) Cllr M. Sehanka Cllr M. Letele Cllr I. Mehlomakulu
Community Services	Cllr T. Khasake (Chairperson) Cllr E. Backward Cllr R. Thuhlo Cllr L. Lekhula

Important to note from the above committees is the following;

- a) That the Audit committee is a district shared committee utilized by all Municipalities within the Xhariep District

2.1.2. Council Resolutions

The Council is the policy maker, decision maker and the ultimate accountability for this structure is to the communities that they represent, therefore all business that Council undertakes is of the interest of its constituency which are communities in Mohokare jurisdiction.

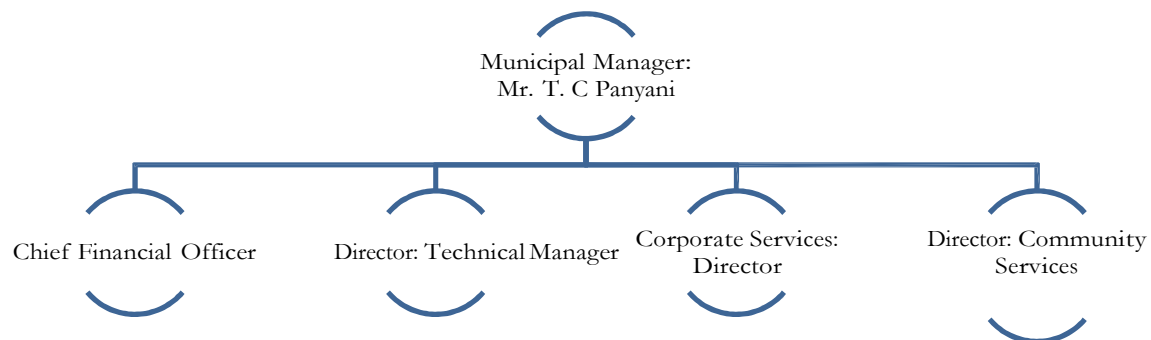
The Council implements its objectives by taking resolutions on how to improve people's lives and the implementation of these resolutions is delegated to the Accounting Officer, the Municipal Manager. During the 2011 – 2012 period, 50% of the resolutions taken are in the process of being completed (ingoing implementation).

Administrative Governance

Mohokare Local Municipality strives for improved service delivery and efficiency in customer care relations, in order to do these tasks the Municipality has an organizational structure that talks to the needs of Council and the Powers and Functions of a plenary type Municipality.

The Municipal Manager as the Accounting Officer has ensured that the organizational structure that will enable the implementation of service delivery tasks is reviewed.

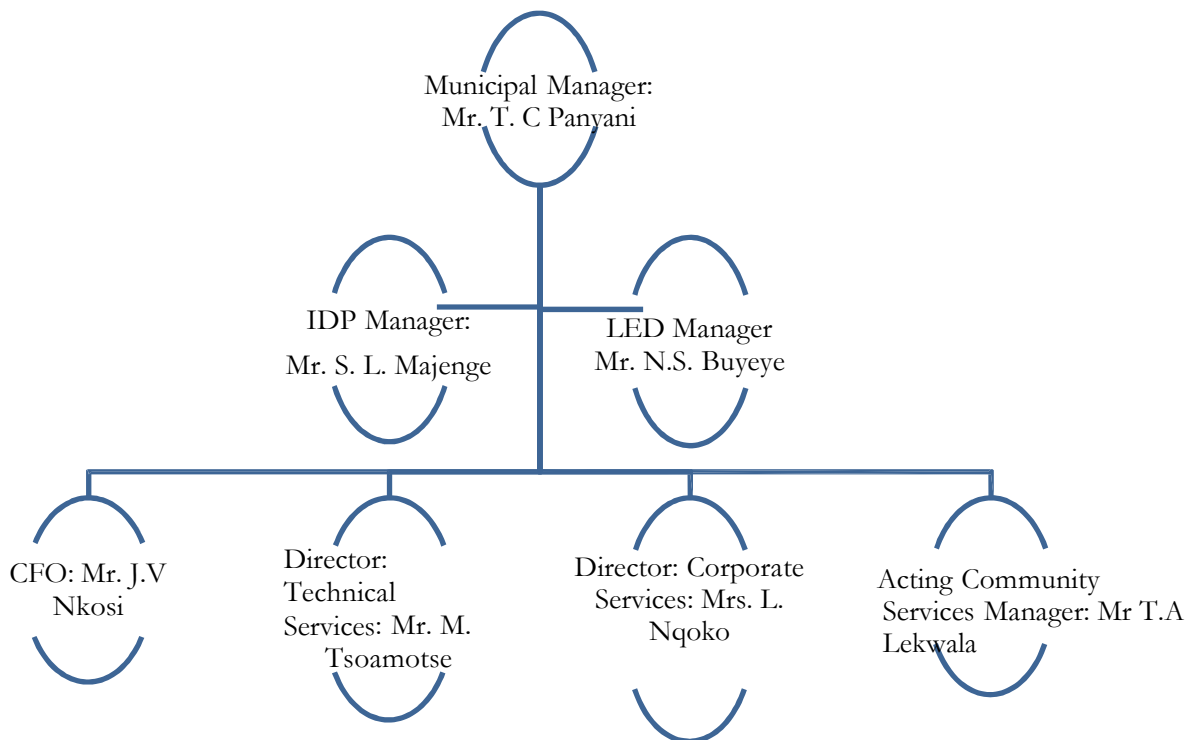
The Municipality is headed by the Municipal Manager and Managers directly accountable to the Municipal Manager, currently the top management structure of Mohokare Local Municipality is as shown below;



During the 2011/12 financial year, all posts of Managers directly accountable to the Municipal Manager were filled with the exception of the Director: Community Services, as outlined below;

Chief Financial Officer:	Mr. J. V Nkosi
Director: Technical Services:	Mr. M. N. Tsoamotse
Acting Community Services Manager:	Mr. T. Lekwala
Director: Corporate Services:	Mrs. L. V Nqoko

The Municipal Manager and the Heads of Department extended to the Integrated Development Planning Manager & the Local Economic Development Manager form the management of Mohokare Local Municipality. Therefore, the Management structure is as shown below;



2.3 Inter-governmental Relations

The Inter-governmental Relations Framework Act 13 of 2005 seeks to establish a framework for the National, Provincial and Local governments to promote and facilitate intergovernmental Relations to provide for mechanisms and procedures to facilitate the settlement of intergovernmental disputes and to provide for matters connected herewith.

Informed by guiding legislation and policies related to IGR structures, Xhariep District Municipality established an IGR forum where which Mohokare as a Municipality is a member of, this forum holds meetings quarterly to engage on issues pertaining to service delivery. There are two structures of IGR, the Political IGR and the Technical IGR; The Political IGR is the structure for Mayors and Councilors and the technical structure for Municipal Managers and Key Managers & Officials.

The Municipality guided by the framework and other policies in good relations with other government departments for the sole reason of service delivery; it can be noted that the Mohokare Regional Bulk Water Scheme project funded by the Municipal Infrastructure Grant is a result of good relations between the Municipality and other government sectors such as the department of water affairs and the Office of the Premier.

2.3.1. Relationship with municipal entities

Mohokare Local Municipality does not have any entities.

3. Public Accountability and Participation

Public accountability pertains to the obligations of persons or entities entrusted with public resources to be answerable for the fiscal, managerial and program responsibilities that have been conferred on them and to report to those that have conferred these responsibilities.

It is clear that municipalities included, have an obligation to account for the way resources are allocated and used, and the results achieved. In other words, the main objectives of all public accountability initiatives are to ensure that public money is spent most economically and efficiently.

Chapter four (4) of the Local Government Municipal systems act 32 of 2000 states that a municipality must develop a culture of municipal governance that complements formal representative government, with a system of participatory governance. This promotes accountability and participation.

Mohokare utilises general ward meetings, mass meetings and public notices to disseminate public information; this is done through a council adopted annual schedule of meetings with the communities.

3.1. Public Meetings

3.1.1. Communication, Participation and Forums

Mohokare has a communications policy adopted by council and communicates to communities through the council adopted schedule of meetings as mentioned earlier; there are quarterly held mass meetings for the Mayor and Ward Councilors hold their ward meetings bi-monthly; and Ward Committees have been established.

During the review or development of the Integrated Development Plan and the Budget consultation sessions are held with stakeholders and community meetings are also held to facilitate the process.

There is also a stakeholders forum chaired by the Mayor, constituted by all government departments offering services in the jurisdiction of Mohokare Local Municipality, this stakeholder forum holds monthly regular meetings and are well attended.

The information on the performance of ward committees was not available by submission of the 2011/2012 draft annual report.

3.2. IDP Participation

Mohokare Local Municipality reviews annually the IDP document as dictated by the Local Government Systems act and the MFMA. This process is owned and undertaken and owned by the Council through the adoption of the budget time-lines and the process plan that will be advertised in local newspapers, meetings are then convened for stakeholders and communities to ensure extensive participation by the local community.

The 2011 / 2012 IDP and the Budget were successfully reviewed using the processes stated above. The advertised process plan that was adopted by council is outlined here below;

4. Corporate Governance

Corporate governance is a term that refers broadly to the rules, processes, or laws by which businesses are operated, regulated, and controlled. The term can refer to internal factors defined by the officers, stockholders or constitution of a corporation, as well as to external forces such as consumer groups, clients, and government regulations.

Well-defined and enforced corporate governance provides a structure that, at least in theory, works for the benefit of everyone concerned by ensuring that the enterprise adheres to accepted ethical standards and best practices as well as to formal laws. To that end, organizations have been formed at the regional, national, and global levels.

Municipalities too, are expected to practice well-defined corporate governance.

4.1. Risk Management; Anti-Corruption & Fraud Prevention

The Municipality does not have a risk management policy; however the Xhariep District Municipality, in October 2010, appointed a Chief Risk Officer to be utilized by all local municipalities in the district. An Anti – Fraud and Corruption Strategy exists and was developed in 2008, but has not been reviewed.

The Chief Risk Officer conducted the Risk Assessment during August 2011. It should be noted with importance that the Chief Risk Officer completed the following exercises;

- a. Fraud and Corruption Policy
- b. Fraud Prevention Strategy

And;

Macro- Operational Risk Registers were completed for all departments on 22 July 2011 with the exception of Community Services.

The Fraud and Corruption Policy Workshops were held from 09-11 November 2011.

4.2. Supply Chain Management

Supply Chain Management (SCM) is the oversight of materials, information, and finances as they move in a process from supplier to manufacturer to wholesaler to retailer to consumer. Supply chain management involves coordinating and integrating these flows both within and among companies. It is said that the ultimate goal of any effective supply chain management

system is to reduce inventory (with the assumption that products are available when needed).

Mohokare Local Municipality has a Supply Chain Management policy and procurement policies that are reviewed annually and guide procurement processes as dictated by the Municipal Finance Management Act.

The Municipality has the following bid committees;

- Bid Specifications Committee
- Bid Evaluation Committee
- Bid Adjudication Committee

The Bid Committees were functional for the year under review.

4.3. By-Laws

The Council did not assent to any by-laws during the reporting period. All the by-laws being considered are currently at the public participation stage.

Section 10 (1) of our Establishment Notice (Provincial Notice 181 of 2000) reads as follows:

“By-laws and resolutions (including standing delegations) of a disestablished municipality ... (a) continue in force in the area in which they were applicable subject to any amendment or repeal by the competent municipality”

Apart from the aforesaid by-laws being considered, there are the by-laws of the disestablished municipalities in Mohokare area of jurisdiction that are still valid in their respective areas until they have been rationalized by Mohokare municipality.

In terms of section 15 of the Local Government Municipal Structures Act our municipality must review and where necessary rationalize these existing by-laws. The process was delayed due to financial constraints of our municipality followed by an initiative from the department of Cooperative Governance and Traditional Affairs whereby a standard set of by-laws will be promulgated, the current annual year ended with the process still pending from the side of the department.

4.4. Website

According to section 75 of the MFMA the accounting officer of the municipality must place on the website documents referred to in section 21A of the Municipality Systems Act, No. 32 of 2000.

The documents are the following:

- Budget Related Policies
- Performance agreements
- All service delivery agreements
- Long-term borrowing contracts
- Supply Chain management contracts above R100 000
- Information statement containing a list of assets over a prescribed value that have been disposed in terms of section 14(2) or (4) during the previous quarter.
- Contracts having future budgetary implications to which section 33 of the MFMA applies.
- All quarterly reports tabled in the council in terms of section 52(d) of the MFMA.
- Any other documents that must be placed on the website in terms of this Act or any other applicable legislation, or as may be prescribed.

Most of the indicated documents do appear on the municipal website, however it should be noted that there is a serious training need that has to be addressed to ensure that the website is current and constantly updated, the website can be accessed through the following domain www.mohokare.gov.za

5. Service Delivery Performance (Part I)

During the year under review, the Municipality acquired service delivery machinery and equipment (yellow fleet), however due to the cash flow challenges and affordability, the fleet acquisition had to be reversed and cancelled.

The Municipality then resorted to acquiring assets and equipment in phases that correspond to financial years as per affordability.

Service delivery in Mohokare Local Municipality mainly focuses on the following areas;

- Access to water
- Sanitation
- Electricity
- Refuse collection
- Human Settlement (Housing)
- Roads & Storm Water
- Free Basic Services and Indigent Support

5.1. Basic Services

5.1.1. Access to Water

The Municipality has been experiencing major challenges in the supply of drinking water in Smithfield and Rouxville in particular. This was as a result of a draught which affected the constant flow of Caledon River and the raw water storage facilities (Smithfield and Kalkoenkrans dams).

Short term methods of water supply was initiated were ground water supply was explored by drilling and equipping of three(3) boreholes in Smithfield and four(4) boreholes in Rouxville. The Municipality has now been granted funds (R10 million) by the Department of Water Affairs under the Regional Bulk Water Scheme Programme to start with the implementation of the Rouxville Bulk Water Supply Project abstracting raw water from Orange river.

The Municipal performance in the management of water services was evaluated by the department of Water Affairs and the outcomes were published nationally by the Minister under the Blue drop report. Below is performance score for Blue drop:

Blue Drop Performance

TOWN	Quarter 1	Quarter 2	Quarter 3	Quarter 4	TOTAL
Zastron	95	86.7	73.35	96.7	87.94
Rouxville	88.3	81.7	83.3	86.67	84.99
Smithfield	90	83.3	81.67	90	86.24
TOTAL	91.1	83.9	79.44	91.12	86.39

Green Drop Performance

TOWN	Quarter 1	Quarter 2	Quarter 3	Quarter 4	TOTAL
Zastron	0	50	85	100	58.75
Rouxville	100	100	100	100	100
Smithfield	100	100	85	66.67	87.92
TOTAL	66.67	83.3	90	88.89	82.22

Access to Water		
Basic Service	% provision	
	MTEF period	
	2010/11	2011/12
Household access to water	100%	100%
Households with access to free 6kl free	100%	100%

EMPLOYEES: WATER SERVICES					
Job Level	2010/11	Ending 30 th June 2012			
	Number of Posts Filled	Number of Posts	Posts filled	Vacancies	% Variance
0-3	37				
4-6	6	69	42	27	39.13
7-9	3				
10-12		03	03	0	0
13-15					
16-18					
19-20					
TOTAL	46	72	45	27	37.5

WATER SERVICES: FINANCIAL PERFORMANCE ENDING 30 th JUNE 2012					
	Nov-10	Ending 30 th June 2012			
Details	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
Total operating revenue	6 712 597	1 120 848	1 120 681	8 679 351	-7 558 670
Expenditure:					
Employees	3 815 383	4 557 712	4 579 402	3 876 327	703 075
Repairs and maintenance	316 457	17 562	199 959	258 570	-58 612
Indigent Share	0	1 055 238	1 055 238	2 316	1 052 922
Depreciation	0	0	0	0	0
Debt Impairment	0	434 746	434 746	0	434 746
Bulk Purchases	0	0	2 316	0	2 316
Other	14 153 466	1 442 615	2 172 618	32 663 575	-30 490 957
Total operating expenditure	18 285 306	7 507 872	8 444 277	36 800 789	-28 356 511
Net operating revenue/ expenditure	-11 572 709	-6 387 024	-7 323 596	-28 121 438	

Capital Expenditure: Access to Water Period ending 30 th June 2012					
	Budget	Adjusted Budget	Actual Expenditure	Variance	Project Value
Refurbishment of Smithfield/Zastron water works sand filters	1 225 409	-	1 225 409	100.0%	1 225 409
Regional Bulk Water Supply Scheme	10 594 000	8 094 000	8 094 000	0.0%	8 094 000
TOTAL	11 819 409	8 094 000	9 319 409		9 319 409

5.1.2 Access to Sanitation

The Municipality is still on a mission to provide high level (level 3, water borne sanitation) of sanitation services to its communities. The current backlog in the eradication of bucket sanitation stands as follows:

NAME OF TOWN	BACKLOG
1. Zastron	0 (Buckets are only collected on currently blocked sewage main lines)
2. Rouxville	777
3. Smithfield	54
TOTAL	831

Access to Sanitation		
Basic Service	% Provision	
	MTEF Period	
	2010/2011	Ending 30 th June 2012
Household access to sanitation (waterborne)	91.87%	90.4%

EMPLOYEES: SANITATION					
Job Level	2010/11	Ending 30 th June 2012			
	Number of Posts Filled	Number of Posts	Posts filled	Vacancies	% Variance
0-3					
4-6	29	66	39	27	40.91
7-9					
10-12	1	03	01	02	66.67
13-15					
16-18					
19-20					
TOTAL	30	69	40	29	42.03

SANITATION: FINANCIAL PERFORMANCE ENDING 30 th JUNE 2012					
	Nov-10	Ending 30 th June 2012			
Details	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
Total operating revenue	5 727 712	1 832 984	4 183 959	6 346 756	-2 162 798
Expenditure:					
Employees	5 622 685	6 742 225	6 263 909	6 371 202	-107 292
Debt Impairment	-	64 967	68 277	48 275	20 002
Depreciation	-	0	0	0	0
Interest Expenses	-	73 956	77 497	187 530	-110 033
Redemption Payment	-	400 000	400 000	0	400 000
Repairs and maintenance	86 375	0	0	0	0
Other	2 142 931	942 813	894 568	266 288	628 280
Total operating expenditure	7 851 991	8 223 961	7 704 252	6 873 295	830 957
Net operating revenue/ expenditure	-2 124 279	-6 390 977	-3 520 293	-526 539	

Capital Expenditure: Sanitation Period ending 30 th June 2012					
	Budget	Adjusted Budget	Actual Expenditure	Variance	Project Value
BEP for 777 sites in Rouxville	11 378 000	-	4 332 835	0	11 378 000
Upgrading of the Zastron Waste Water Works	14 170 851		6 456 775	0	14 170 851
TOTAL	25 548 851		10 789 610	0	25 548 851

5.1.3. Access to electricity

Electricity as stated earlier is managed through CENTLEC, and at compilation of this draft annual report, information was not yet available from CENTLEC, however the municipality does have service delivery information;

Access to Electricity		
Electricity	% provision	
	MTEF period	
	2010 / 2011	2011 / 2012
Household with access to electricity	94.8%	97%

The municipality in its endeavor to take over the electricity function has managed to employ electricians, Chief Electrician, Electrician and a trainee electrician, so the table below reflects only data concerning Mohokare Local Municipality, this excludes CENTLEC information;

EMPLOYEES: ELECTRICITY					
Job Level	2010/11	Ending 30 th June 2012			
	Number of Posts Filled	Number of Posts	Posts filled	Vacancies	% Variance
0-3					
4-6					
7-9	01				
10-12	01	02	01	01	50
13-15	01	01	01	0	0
16-18					
19-20					
Intern		01	01	0	0
TOTAL	03	04	03	01	25

ELECTRICITY: FINANCIAL PERFORMANCE ENDING 30 th JUNE 2012					
	Nov-10	Ending 30 th June 2012			
Details	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
Total operating revenue	12 040 738.00	264 828	3 022 123	16 295 707	-13 273 584
Expenditure:					
Employees	634 472.29	679 901	742 301	721 372	20 930
Repairs and maintenance	12 893.00	133 741	45 000	19 500	25 500
Redemption Payment	-	154 609	0	0	0
Bulk Purchases	-	0	1 400 000	14 183 363	-12 783 363
Indigent Share	-	0	0	0	0
Other	16 277 291.00	197 867	352 476	271 203	81 273
Total operating expenditure	16 924 656.29	1 166 118	2 539 777	15 195 437	-12 655 660
Net operating revenue/ expenditure	-4 883 918.29	-901 291	482 346	1 100 270	-617 924

There were no capital projects for electricity during year under review.

5.1.4 Refuse Collection

Access to Refuse		
Refuse Collection	% provision	
	MTEF period	
	2010/2011	2011/ 2012
Household access to refuse collection	98.1%	100%

EMPLOYEES: REFUSE COLLECTION					
Job Level	2010/11	Ending 30 th June 2012			
	Number of Posts	Number of Posts	Posts filled	Vacancies	% Variance
0-3					
4-6	36	58	35	23	39.67
7-9					
10-12		03	03	0	0
13-15					
16-18					
19-20					
TOTAL	36	61	38	23	37.71

REFUSE COLLECTION: FINANCIAL PERFORMANCE ENDING 30 th JUNE 2012					
	Nov-10	Ending 30 th JUNE 2012			
Details	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
Total operating revenue	3 786 978.00	3 931 006	3 860 142	4 221 848	-361 706
Expenditure:					
Employees	3 049 724.52	3 454 988	2 950 386	2 831 901	118 485
Interest Ext	-	0	0	0	0
Repairs and maintenance	312 815.70	258 885	209 831	165 594	44 237
Other	1 427 686.00	217 132	310 514	381 048	-70 534
Debt Impairment		389 410	389 410	0	389 410
Total operating expenditure	4 790 226.22	4 320 416	3 860 142	3 378 543	481 599
Net operating revenue/ expenditure	-1 003 248.22	-389 410	0	843 305	

Capital Expenditure: Refuse Collection Period ending 30 th June 2012					
Details	Budget	Adjusted Budget	Actual Expenditure	Variance %	Project Value
TOTAL	0	0	0	0	0

5.1.5. Human Settlement (Housing)

It should be noted that Human Settlement is the provincial function and the Municipality facilitates the function. However the Municipality has in its employ, staff dedicated to housing services.

Access to Housing			
Human Settlement	% provision		
	MTEF period		
	2009 / 2010	2010 / 2011	2011/2012
Allocation of Houses	0	400	
Backlog in housing provision	500	500	

Employees: Human Settlements					
Job Level	2010/11	Ending 30 th June 2012			
	Number of Posts	Number of Posts	Posts filled	Vacancies	% Variance
0-3					
4-6	02	03	03	0	0
7-9					
10-12	01	01	0	01	100
13-15	01				
16-18					
19-20					
TOTAL	04	04	03	01	25

HUMAN SETTLEMENTS: FINANCIAL PERFORMANCE ENDING 30 th JUNE 2012					
	Nov-10	Ending 30 th June 2012			
Details	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
Total Operating revenue (exc tariffs)	-451 797	758 181	686 237	360 990	325 247
Expenditure:					
Employees	538 563	739 464	606 678	603 208	3 470
Repairs & maintenance	0	413	0	0	0
Other	153 909	18 305	79 560	86 025	-6 466
Total operating expenditure	692 472	758 181	686 237	689 233	-2 996
Net operating revenue/ expenditure	-1 144 269	0	0	-328 243	

Capital Expenditure: Human Settlement Period ending 30 th June 2012					
Details	Budget	Adjusted Budget	Actual Expenditure	Variance %	Project Value
TOTAL		0	0	0	0

Important to note is that the Human Settlement Budget for provision of Houses solely rests with and is the responsibility of the Free State department of Cooperative Governance and Traditional Affairs.

5.1.6. Roads and Storm Water

Mohokare Local Municipality has a great challenge in terms of the maintenance of Roads & Storm Water channels, given the financial status of the municipality, it makes it difficult to fund the full maintenance of roads and storms water channels from own funds.

Gravel Road Infrastructure	Kilometers	
	MTEF	
	2011/12	Ending 30 th June 2012
New gravel road constructed	0	No info available
Gravel roads upgraded to tar	0	No info available
Gravel road maintained	0	No info available
TOTAL GRAVEL ROAD	0	N/A

Tarred Road Infrastructure	Kilometers	
	MTEF	
	2011/12	Ending 30 th June 2012
New tarred/ paved road constructed	4.14	2
Existing tar roads re-tarred	0	0
Existing tar roads re-sheathed	0	0
TOTAL TARRED ROAD	4.14	2

EMPLOYEES: ROADS & STORM WATER					
Job Level	2010/11	Ending 30 th June 2012			
	Number of Posts Filled	Number of Posts	Posts filled	Vacancies	% Variance
0-3					
4-6	12	24	14	10	41.67
7-9					
10-12	01	03	01	02	66.67
13-15					
16-18					
19-20					
TOTAL	13	27	15	12	44.44

ROADS & STORM WATER: FINANCIAL PERFORMANCE ENDING 30 th JUNE 2012					
Details	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
Revenue: Roads	2 564	7 329 949	15 252 318	208	15 252 110
Revenue: Traffic	156 055	2 125 745	1 163 937	157 143	1 006 794
Total operating revenue	158 620	9 455 694	16 416 255	157 351	16 258 903
Expenditure:					
Employees: Roads	2 147 093	2 568 934	2 083 568	2 177 185	-93 616
Employees: Traffic	755 767	912 668	1 020 263	986 265	33 998
Employees	2 902 860	3 481 602	3 103 832	3 163 450	-59 618
R/M: Roads	23 099	37 608	106 576	114 505	-7 929
R/M: Traffic	0	71 532	59 117	6 540	52 577
Repairs and maintenance	23 099	109 140	165 693	121 045	44 647
Other: Roads	6 227 974	2 002 322	219 784	110 387	109 398
Other: Traffic	805 754	1 141 545	84 557	98 852	-14 296
Other	7 033 728	3 143 867	304 341	209 239	95 102
Total operating expenditure	9 959 687	6 734 608	3 573 865	3 493 734	80 131
Net operating revenue/expenditure	-9 801 067	2 721 086	12 842 389	-3 336 383	16 178 772

Please note that the Traffic Management is included within the financial performance of Roads & Storm Water Services, this is due to the arrangements as set out in the 2010/2011 Budget.

Capital Expenditure: Roads & Storm Water Services Period ending 30 th June 2012					
	Budget	Adjusted Budget	Actual Expenditure	Variance %	Project Value
Access Road: Rouxville	12 460 000		11 978 964	96	12 460 000
TOTAL	12 460 000		11 978 964	96	12 460 000

5.1.7. Free Basic Services and Indigence Support

Free Basic Household Services	% Provision	
	METF Period	
	2010/11	Ending 30 th June 2012
Households receiving free basic water	10 216	8 464
Households receiving free basic sanitation	1 948	354
Households receiving free basic electricity	3 086	354
Households receiving free refuse removal	-	354

FINANCIAL PERFORMANCE: COST TO MUNICIPALITY OF FREE BASIC SERVICES DELIVERED						
	Jun-11			Jun-12		
Service Delivered	Budget	Actual	Variance	Budget	Actual	Variance
Water	0	0	0	1 055 238	0	1 055 238
Sanitation	1 098 000	0	1 098 000	0	0	0
Electricity	536 000	71 262	464 738	362 172	1 091 381	-729 209
Refuse	0	1 390 061	-1 390 061	0	0	0
TOTAL	1 634 000	1 461 323	172 677	1 417 410	1 091 381	326 029

5.1.8 Summary Employees: Technical Services

SUMMARY EMPLOYEES: TECHNICAL SERVICES (Excl Refuse and Human Settlements)					
Job Level	2010/11	Ending 30 th June 2012			
	Number of Posts Filled	Number of Posts	Posts filled	Vacancies	% Variance
Office of Director		11	05	06	54.6
PMU		04	02	02	50
Water Services		72	45	27	37.5
Sanitation		69	40	29	40.03
Electricity (inc interns)		04	03	01	25
Roads & Engineering		27	15	12	44.44
TOTAL	N/A	187	110	77	41.18

5.2. Office of the Municipal Manager



Mr. CT Panyani

5.2.1 Planning, Development and Environmental Management

This unit is housed in the Office of the Municipal Manager, hence the staff breakdown that follows below. Mohokare has dedicated positions within the organizational structure to ensure proper planning and development, to even explore the potential of tourism promotion in our area. Being a municipality that shares a border with Lesotho presents opportunities that need to be explored and projects initiated. The landscape of the Municipality is not posing serious challenges in terms of property development, business development and better management of land.

The presence of a spatial development framework gives more opportunities to potential positive development and the framework guards against illegal practices in terms of land development.

Town planning has at its aim to see to the optimum organization, use of land and properties so that sustainable development and settlement can be developed in an organized and legal way in accordance to the principles within the local IDP and Spatial Development Framework.

Town planning is an umbrella division as it connects with different disciplines within the municipal sphere. LED, tourism, Environmental Health, Community Services, Rural development as well as Infrastructure to name a few

The National Building Regulations and Building Standards Act 103 of 1977 is the guideline that must be used for approval or not, of a building plan. The Town planning Schemes as well as the title deed must also be taken into account. Building plans are a legal requirement.

A new Draft Spatial Planning and Land Use Management Bill, 2011 is currently on the table for discussion. This bill will repeal the following acts used in Town planning:

Removal of Restrictions Amendment Act No. 55 of 1977
 Removal of Restrictions Amendment Act No. 18 of 1984
 Physical Planning Act No. 88 of 1967
 Physical Planning Amendment Act No. 87 of 1983
 Physical Planning Amendment Act No.104 of 1984
 Physical Planning Amendment Act No. 92 of 1985
 Physical Planning Act No. 125 of 1991
 Development Facilitation Act No. 67 of 1995

Employees: Planning (inc IDP, Town Planner & PMS but excl LED)					
Job Level	2010/12	Ending 30 th June 2012			
	Number of Posts Filled	Number of Posts	Posts filled	Vacancies	% Variance
0-3					
4-6					
7-9					
10-12	0	02	02	0	0
13-15	01	03	02	01	33.33
16-18					
19-20					
TOTAL	01	05	04	01	20

FINANCIAL PERFORMANCE: PLANNING (incl LED)					
Details	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
Total operating revenue	0	841 085	1 310 722	0	1 310 722
Expenditure:					
Employees	537 177	523 812	1 084 220	1 245 903	-161 683
Repairs and maintenance	0	413	0	0	0
Other	346 942	316 861	236 786	256 623	-19 836
Total operating expenditure	884 119	841 085	1 321 007	1 502 526	-181 519
Net operating revenue/ expenditure	-884 119	0	-10 285	-1 502 526	1 492 241

5.2.2 Spatial Planning

INDEX (SPATIAL PLANNING)

1. Introduction to Town Planning
2. Town Planning Strategy
3. Progress made to provide standards
 - 3.1 IDP
 - 3.1.1 Mooifontein
 - 3.1.2 Paisley dam and Quambie
 - 3.2 SDF
 - 3.3 Town planning scheme, LUMS and SPLUMB
 - 3.3.1 Land uses, title deeds, zoning and zoning certificates
 - 3.3.2 Rezoning, consolidation and subdivision
 - 3.3.3 Encroachment queries
 - 3.3.4 General queries
 - 3.3.5 Building plans
 - 3.3.6 Involvement in other projects and business plans
 - 3.4 Policies/plans
 - 3.5 By-laws
4. Measures taken to improve performance and major efficiencies delivered
5. Attach trends, comments and variances.

OFFICE OF COMMUNITY SERVICES:



**Community Services Manager
Mr. TA Lekwala**

TOWN PLANNING DIVISION

1. Introduction to Town Planning

Town planning from a municipal perspective focuses on land use and the development thereof in such a way as to be sustainable, in other words, planning and development must be done as to enhance the environment for man and animal in a harmonious way as to be sure that future generations will be able to enjoy the legacy from their parents in a sustainable manner.

2. Town planning Strategy

Manages the key performance areas and result indicators associated with the creation, regeneration, enhancement and management of public spaces through the provision of a professional management consultancy service disseminating advice and guidance on international best practice trends, design, specification, procurement and implementation sequences in respect of urban design and architectural projects and monitoring and reporting on the outcomes of the section.

For this to be possible, town planning has certain policy documents as well as guidelines to assist in above goals.

1. Integrated Development Plan
2. Spatial Development Framework
3. Town planning schemes, LUMS and Spatial Planning and Land Use Management Bill (SPLUMB)/ Spatial Planning and Land Use Management Act (SPLUMA)

4. Policies

5. By-laws

6. National Building Regulations Act

3. Progress made to provide basic standards

Town planning has an umbrella effect and is an all inclusive subject spreading over many different divisions.

3.1 IDP

The IDP is the guideline and structure within the municipal framework that is needed to be followed in terms of where exactly planning and development is intended to take place in the 5 year period within the municipal boundaries.

3.1.1 Mooifontein

This farm was earmarked for future human settlement and the town planning division assisted during the previous quarter by giving the necessary information (by general topography maps and land use information) in drawing up a business plan to acquire said land with the help of Cogta.

A contract was signed on 2 September 2010 and the process for is completed. This division within the Mohokare Municipality is in the process of development of this land with the assistance of several stakeholders.

3.1.2 Paisley dam and Quambie

It is indicated in the IDP that Rouxville and Roleleathunya has a dire water supply problem. A process was started from where abovementioned farm and dam to be purchased to alleviate the water problem. This process was started in the last quarter and successfully ended in the first quarter of the new financial year.

The town planning division assisted by giving the necessary information (by general topography maps and land use information) in the business plan to acquire said land with the help of Cogta.

Currently the municipality is awaiting the assistance of Mr. Wessels, surveyor, to assist in indicating the pens to ensure fencing the area.

3.2 SDF

The SDF review has been approved by Council on 30 May 2012. The SDF goes hand in hand with the IDP and indicates where planning and future development can take place. The SDF explains exactly what the current status quo per town is and where changes can be made. The SDF includes a spatial analysis showing local key spatial issues and objectives.

3.3. Town planning schemes, LUMS and Spatial Planning and Land Use Management Bill

To be able to implement the IDP and SDF, certain guidelines are in place that needs to be adhered to. These guidelines are found in the Town planning schemes and LUMS for each town and municipality. The town planning schemes for Rouxville and Zastron dates back from 1990 and 1991 and therefore a new set of guidelines are being developed, namely the Land Use Management Scheme. LUMS are currently not available yet. A draft was approved by the Mphahlele Council in 2007 and still with Cogta for finalization. Problems exist with the Dept. of Agriculture not wanting agricultural land to fall within municipal land use structures.

Government is currently busy with the assistance of the different provincial departments to develop the Spatial Planning and Land Use Management Bill. This bill needs to be in place by 2013. Several workshops have been presented by Cogta for the Free State.

Within abovementioned documents, there are paths to follow as to adhere to the specifications within to ensure the progress in terms of provision of basic standards to the local communities.

3.3.1 Land uses, Title deeds, Zoning and Zoning certificates

Land use is governed by the proper land use assigned to a specific erf or area. Land use is stipulated by zoning. Development is regulated by the SDF and IDP in accordance with the specific zoning.

Land use must be in accordance with Title deeds of said property and the Town Planning Scheme. Possible revenue for the municipality can be generated in terms of rates and taxes if the Land use is changed. Requests for rezoning must be taken seriously as well as the compliance by property owners to the land use allocated to their erven. Densification of urban areas must be a focal point for the municipality and urban sprawl must be dissuaded.

Thirteen zoning certificates were issued in the period 1 July 2011 to 30 June 2012.

A need was identified for industrial sites in Smithfield and as per public protector investigation, a site was identified and quotations are being awaited for such a development. This is also identified as per SDF review 2012.

The Mooifontein farm school needs to be relocated and Site 3675 has been identified but is only 3,5 ha in size which is a bit small to accommodate a school.

Outstanding issues are the 54 A sites in Smithfield. A Quotation was sent to Mr Khumalo of Cogta for incorporation of these erven into the general plan of Mofulathsepe. The eleven erven in Zastron (Kappiedorp) as well as the one site in Rouxville have been surveyed and are awaiting erf numbers so that registration and title deeds can be finalized.

3.3.2 Rezoning, Consolidation and subdivision

Depending on the regulations per title deed of a said erf, an application can be done for rezoning, subdivision or/and consolidation of erven. The legal implication is to follow with the title deed issued against specific erf as well as the specific Town Planning Scheme for land use as well as the SDF. It may have positive financial implications for the municipality in terms of a potential income and densification of land use.

It is recommended that depending on the direct impact to the immediate surroundings, a recommendation will be sent forth to the Mohokare municipality's management as well as the Council for approval or not, of a specific application. Densification of urban areas must be a focal point for the municipality and urban sprawl must be dissuaded.

ZONING ,REZONING, CONSOLIDATION, SUBDIVISION

	REQUEST RECEIVED	ERF NR.	OWNER	REQUEST FOR:	ACTION TAKEN
Rezoning	Mare	Erf 42 Zastron	Ivan Mare	Rezoning to business	Letter given permission to apply for rezoning
Rezoning	Roodt & partners	Erf 316 Zastron	Telkom	Rezoning to business	Report waits for Council
Subdivision	Phetogo		Me Dazana	Subdivision	Approval granted by Council
Subdivision	De Waal & Nortje Incorporated	Erf 354 Smithfield	Mr and Mrs Khabo	Subdivision	Report waits for Council
Subdivision	Mr. Monoana	Erf 354 Zastron	Monoana	Subdivision	Request received but procedures never followed for formal application
Consolidation of Bell street Smithfield	Mr. Frans Lategan	Consolidation of Bell street Smithfield with Erf 36	Municipality		Not approved – community objections
Rezoning or consent use	Dr. Mwrebi	Erf 513 Zastron	Dr. Mwrebi	rezoning	Council wants to look at a alternative.

3.3.3 Encroachment queries

Encroachment is a very serious and problematic situation being dealt with continuously. Problems occur where the boundary of a site is unclear or unknown because no land surveyor pens are available. It has either been removed illegally or driven so deep into the earth, that it cannot be found. Property owners simply decide by themselves to put up a fence without checking at the municipal offices for assistance in identifying boundary lines.

Layout plans, title deeds, land surveyor's pens and aerial photographs can be used to assist in identifying boundaries. Each complaint must be investigated. If the municipal officers are unable to

show out boundaries, it is necessary for the owner of the property, to contact a private land surveyor or a town planner to assist in identifying the correct boundaries but this has cost implications to the individual.

ENCROACHMENT	REQUEST RECEIVED	ERF NR.	ACTION TAKEN
Encroachment complaint	Me. Matsoso	2783 Ezebeleni	After investigation, no encroachment by neighbor
Encroachment	Nick Roodt and Municipality	Esme Evruard passage Smithfield	Gate removed
Encroachment	Mr. Frans Maqueqe	Erf 3008 B Matlakeng	Site does not exist.
Encroachment	Mr. Raleteng	Erven 259 and 260 Rouxville	Problem in terms of old promises between former neighbours. Surveying according to general plan and not according to hearsay - created unhappiness.

3.3.4 General queries

Town planning includes a wide variety of municipal information in terms of land use and therefore a lot of general queries are handled. Most information given is in terms of requirements needed on and for building plans. Secondly information is required for the process and whole can be contacted for the designing and providing of services like building plans and in terms of possible consolidation and subdivision of erven. A draft building plan manual has been written and approved by Council.

Most site related queries are for business sites and church sites. A huge need exists. Furthermore, site measurements and copies of existing building plans are identified needs through queries being received.

3.3.5 Building plans

Mr. Malcolm de Jager is now the building inspector for the Mohokare Municipality. This makes approval and problem solving quicker and more effective. A need was identified for specifications of what is needed on a building plan and therefore a tick list was designed by the town planner to assist in this effect. A building plan manual, describing the whole process was approved by Council.

30 Building plans for the period July 2011 to June 2012 (attached to this report).

3.3.6 Involvement in other projects and Business plans

- Uitkoms Hall – site identified next to the entrance road to Uitkoms, Rouxville. The site was formalized, measured and processes in progress.
- S2 road to Lesotho – upgrading of the gravel road to Lesotho as to uplift the current economic status of Zastron as well as the farming community.
- Truck stop – a long outstanding project being reinvestigated by the town planner. The truck stop is situated at the Smithfield entrance and on the N6. A meeting was initiated between SANRAL and the Mohokare Municipality in Bloemfontein during April 2012.
- Heritage projects – the first of these are in Zastron. The old Bluegum tree on the corner of Reichenberg Street and Hoofd Street needs to be fenced and seen as a local heritage site preserved for the future generations.
- **Creation of Hawker sites and –stalls.**
Erven 486 - 488 in Zastron has been identified for possible development as well as Erf 342 in Rouxville. Smithfield is currently difficult to assess for a taxi rank, but a possible site will be identified after more consultations.
- **Motheo College**
Possible cooperation between Motheo College, donor funds and the municipality can create a learning facility to upgrade the current educational possibilities within Mohokare. This is an ongoing project.

3.4 Policies/plans

Policies are needed to be in place as to regulate land use and development.

- Guest house policy
- Building plan policy
- Disaster management plan

- Traffic management plan

3.5 By-laws

Certain by-laws are in place but other standardized by-laws as given as a draft by Cogta are in the processes of being taken up for public participation and finalization will be done with assistance of Mr. Hohne from Cogta.

- Standard Control of Street Vendors, Peddlers and Hawkers By-law
- Standard Advertising By-Law
- Standard Informal Settlements By-law

4. Measures taken to improve performance and major efficiencies delivered.

Weekly reports, formats and tick sheets were introduced by the town planning division to organize the work done on a daily basis and to ensure continuity as well as follow-ups to queries, problems and requests in terms of town planning.

A building procedure manual was approved by Council. This along with a tick sheet for draughtsman alleviates pressure on the division as well as the persons responsible for approval of building plans. Mr. Malcolm de Jager did a building inspector at Xhariep municipality. Having a building inspector makes the approval process quicker.

With the approval of the Spatial Development Plan (SDF) the town planning division has the tools to focus on development and land use to the betterment of the local communities, eg. Development of hawker stalls to regulate informal trading, assisting the Local Development division in terms of the location of possible projects which will assist in terms of job creation and development of the local communities.

5. Attach trends, comments and variances

One of the biggest challenges experienced by the town planning division is the search for possible areas to develop more residential sites as there is such a huge need experienced. The three new developments stated underneath are in need of basic services and the Dept. Technical services has reported in terms of MIG for funding to develop the necessary infrastructure.

Extension 10 Zastron	725 erven
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Extension 6 Rouxville	855 erven
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Greenfields Smithfield	467 erven
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Currently there is a need for church sites. It may be necessary to develop a policy in terms of a definition of what is a church, the needs of such an organization and the structure that must be put up on a site zoned for institutional purposes. (Proof of requests available at Dept. Community Services).

The entire surveyor's work on creating pounds in Rouxville and Smithfield were done and paid for. The need now is to develop the pounds, fence it to assist the local communities and commonage farmers in terms of roaming animals, traffic accidents due to roaming animals and illnesses spread by animals (Proof attached).

Adherence to building regulations is a huge challenge as people are not clued up on what is expected of them. Structures are built without building plans. Education is necessary to explain the importance thereof.

Control of hawkers and informal businesses is proving to be a huge challenge. Erven are identified for development of a site for hawkers with formalized structures to accommodate hawkers and their businesses.

Absence of a town planning scheme in Smithfield, make decisions in terms of town planning, eg land use very difficult and will the Spatial Planning and Land Use Act (SPLUMA), when implemented, assist because it will substitute all current town planning schemes.

SPLUMA will bring big changes on municipal level as most functions now being done on a provincial level, will be cascaded down to municipal level, and will all municipalities need to have registered town planners. (A copy is available on request).

BUILDING PLAN REGISTER JULY 2011 TO JUNE 2012

DATE	RECEIPT NR	RESIDENTIAL ADDRESS	PLAN	SURFACE AREA	SITE NR	OWNER	DATE SUBMITTED
28/11/2011	24109	691 Phola Park EXT 4	NEW HOUSE	58m²	R 691	D. Mpheulane	28/11/2011
28/11/2012		Roleleathunya	EXISTING ROOMS	38 m²			
22/11/2011	23809	312 Letele str Roleleathunya	addition to existing rooms	149m	312	S. Tsupa	22/11/2011
				67m²			
RECEIPT NR	RESIDENTIAL ADDRESS	PLAN	SURFACE AREA	SITE NR	OWNER	DATE SUBMITTED	DATE APPROVED
27515	22 VAN RIEBEECK STREET Zastron	CARPORT		750	C. MARWICK	12/3/2012	
10218	17 VOORTREKKER STREET SMITHFIELD	Extensions		17	D.GEERE	22/03/2012	
27253	Mathey Street Zastron	new building		192	B.V. Mantutle	8/3/2012	14/03/2012
27073	1171 ROLELEATHUNY A	NEW CHURCH	1365M²	1171	JEHOVAH WORSHIP CENTRE	8/3/2012	
27072	327 KOHLBERG STREET ROUXVILLE	NEWGARAGE,ALTERATIONS	77M²	327	L.J. MAKHETHA		
24543	483 MOREWTYANA STR SMITHFIELD	ALTERATIONS		483	MR. SABATA	10/1/2012	30/01/2012
9718	112 PRESIDENT STEYN STREET ROUXVILLE	NEW HOUSE	228M	112	M R & MRS MOLALE		
24109	691 PHOLA PARK EXT 4 ROLELEATHUNY A	NEW HOUSE	58	691	MR D. MPEULANE	6/12/2011	
25264	815 KANANA ZASTRON	NEW HOUSE	149.1	815	J. MAILE	31/01/2012	31/01/2012
23809	312 LETELE STR ROLELEATHUNY A	ADDITIONS AND ALTERATIONS	149M	312	S. TSUPA	6/12/2011	
1517	105 PRES HOFFMAN STR SMITHFIELD	EXISTING BUILDINGS		105	S. RAPSON	20/12/2011	30/01/2012
25261	16 GUSTAVUS STR ZASTRON	EXISTING BUILDING AND ALTERATIONS		47	VANANCO	11/1/2012	30/01/2012
284426	9 WESSELS STREET SMITHFIELD	NEW STORE/GARAGE	97.68	363	J. VAN ROOYEN	18/4/2012	19/04/2012
28071	KEAT'S STREET SMITHFIELD	ADDITIONS AND ALTERATIONS	96m²	429	A.SHARE	4/4/2012	19/04/2012

21948	45 PRES STEYN STREET ROUXVILLE	NEW HOUSE	192m ²	45	Mr & MRS SETLABA	11/5/2012	18/05/2012
28217	PIETERSRUST	CELL C TOWER BASE			CELL C	11/4/2012	31/05/2012
Paid internet	ERF 13 SMITHFIELD			13	FIBRE CO TELE- COMMUNICA TIONS	30/05/2012	31/05/2012
10790	12 B KLOPPER STR SMITHFIELD	NEW HOUSE	279m ²	354 SUBDIVISI ON	R. KHABO	24/05/2012	IN PROGRESS
10789	127 LEBAKENG STR ROLELERATHUN YA	ADDITIONS AND ALTERATIONS	73 m ²	127	T.F. AUGUST	24/05/2012	IN PROGRESS
NOT PAID YET	free state dept of agriculture	fish breeding structure		muns land	MOHOKARE MUN	20/06/2012	IN PROGRESS
NOT PAID YET	74 MILLER STR SMITHFIELD	COTTAGE	29.7	73	E. ELIAS	19/06/2012	IN PROGRESS
NOT PAID YET	75 MILLER STR SMITHFIELD	COTTAGE	29.7	74	E. ELIAS	19/06/2013	IN PROGRESS
10858	181 PRES BOSHOF STR ROUXVILLE	NEW HOUSE	335M ²	181	L.C. LEBAKENG	11/6/2012	IN PROGRESS
NOT PAID YET	29 KOMANI STR ROLELEATHUNY A	ADDITIONS AND ALTERATIONS	53	29	N.C. MVIMBI	7/6/2012	IN PROGRESS

5.2.3. Local Economic Development (Including Tourism & Markets)

Introduction

Mohokare has dedicated positions within the organizational structure to ensure proper planning and development, to even explore the potential of tourism promotion in our area. Being a municipality that shares a border with Lesotho presents opportunities that need to be explored and projects initiated. The landscape of the Municipality is not posing serious challenges in terms of property development, business development and better management of land.

Local Economic Development is a process through which public, business, labor, government and non-governmental sector partners work collectively to identify, utilize and harness resources to stimulate local economy, with an aim of increasing local income and creating new job opportunities through enhancing the community's ability to adapt to and cope with changing economic conditions.

LED Strategy

The LED Strategy was adopted in 2006 and has not been reviewed to date. None review of the said document poses serious challenges to municipal set objectives of local economic development. Economic opportunities and challenges are not static but are dynamic and changes daily, and for municipality to stay ahead of time in advancing economic development, the institution needs to have a plan to review its LED Strategy on annual basis as is the case with IDP.

Municipality has been unable to review its LED plan because of financial challenges. Letters has been written to COGTA requesting financial assistance but to date municipality is still waiting for a response. There was also a commitment made by the said department through its MISA (Municipal Infrastructure Support Agency) program to assist the municipality with the review and the institution is still waiting to hear from the department.

High impact projects

Current there are no high impact projects running in the municipality. Be it noted that 80% of municipality's population is indigent and grant dependent, and its arrangement poses serious challenges when it comes to investment. No right thinking investors would invest their money in an area where 80% of the population is earning below poverty line. Our area's economic status therefore leaves us with no option but to limit our thinking and focus on projects that are feasible in nature like the co-operatives, rather than having a beautiful but unrealistic shopping list.

For the record the following high impact projects have been proposed and applications submitted to municipality:

- Meat processing by NAFU
- Petrol Station by Blue Oak

Meat processing application was approved by council but there's no progress in getting the project off the ground, and on the other hand Blue Oak indicated that they had funding but their application is not yet approved three years after submission.

Poverty alleviation support

From June 2012, COGTA through its Community Work Program created 106 jobs for local people. The work is multi sectoral that covers areas of Agriculture, Environment, Construction, Social and Economic. This program contributes to public and community goods and services.

Measures taken to improve performance

NQF Level 4 training on LED(LGSETA and DBSA) provided to the LED Officer

Economic Activity

Per sector

Agro-processing – 10

Hospitality – 5

Food security vegetable farming – 14

Aqua-culture has been funded but still has to get off the ground

Research done

No research done with the entities.

Job Opportunities

Employment research

Be it noted that the municipality is faced with a serious challenge of unemployment. Research indicates that 80% of the entire population in Mohokare is registered as indigents. This abnormally high percentage of grant dependent individuals makes it practically impossible for investors to come and invest in the area. As a result of this challenge the LED unit conducted its own research on alternative means of job creation and the following were identified:

- Upgrading and managing Kloof dam resort through PPP
- Commercialization of Magaleen border post
- Cooperatives program
- Commercial land audit

UPGRADING AND MANAGING THE KLOOF DAM RESORT THROUGH PPP

The Kloofdam resort is a municipal property which used to be rented out to individuals for overnight stay as well as for hosting picnics and braai festivities particularly during the festive season. This resort is currently not in use since municipality does not have staff to manage it and requires a lot of money to put it back to its former glory. Business plan has been compiled and sent to the office of the premier requesting financial assistance for the upgrading of the resort and municipality is still awaiting a response in this regard.

Alternatively the municipality can put it on advertisement and get a private person to run it on partnership basis. This arrangement can lead to job creation and income generation for the municipality.

COMMERCIALIZATION OF MAGALEEN BORDER POST

Magaleen border post is shared between the town of Zastron in the Free State and the mountain kingdom town of Mofokeng. Prior to the eighties the post was commercialized and trade between the said towns was booming with the town of Zastron reaping most economic benefits since Lesotho citizens were the ones who were doing their shopping on this side of the border. For reasons unknown to the business communities in both towns, the then regime decided to de-commercialize the border sometime in the mid-eighties, subjecting hundreds of our people to jobless and poverty. Research has proved that re-commercializing the border will lead to economic development which in turn will lead to job creation and poverty alleviation, particularly for the Zastron residents. Be it noted that the current economic development of Zastron is owed largely to the past business transactions which happened between our area and Lesotho.

COOPERATIVES PROGRAM

This program is one of the best solutions towards job creation and poverty alleviation. Municipality through its partnership with IDT registered ten cooperatives with then members each, totaling hundred beneficiaries in all. In an event that all ten cooperatives get financial assistance and start operating fully, they can create jobs for almost 250 individuals, which is a significantly large number according to our area's population size. This is a reason why the LED unit still pursues this program further against suggestions that this it does not work.

COMMERCIAL LAND AUDIT

Municipality has a vast pieces of land along N6 both in Rouxville and Smithfield. Unfortunately the said land is not audited and therefore still unknown to the potential investors out there. If the said land can be audited and the report thereof advertised, there is a possibility that municipality can attract the needed investment into the area bearing in mind the strategic geographic position of the land in question.

Conclusion

Be it noted that municipality does not fund projects, the Municipality's primary task is to create enabling environment for business growth and local economic development.

From financial year 2008/09 to 2010/11 local economic development highly depended on projects which were funded by sector departments as well as National Government (COGTA, Public Works and Treasury). However, it must be noted that the 2010/11 EPWP program was suspended due to budgetary constraints.

Mohokare Local Municipality is currently engaging in strategies of addressing unemployment, through focusing on the cooperatives program, ten (10) cooperatives have been registered and trained in Mohokare and the project is on its third face.

We are also in also in a process of establishing tourism forums which are intended to assist the municipality to unearth/ explore local tourism potential and also tap on opportunities that are availed by this sector.

Only one (1) co-operative had received funding and the funding application for three co-operatives has been done to NDA and awaiting as to which and how many will be funded to each.

Local Economic Development is a process through which public, business, labor, government and non-governmental sector partners work collectively to identify, utilize and harness resources to stimulate local economy, with an aim of increasing local income and creating new job opportunities through enhancing the community's ability to adapt to and cope with changing economic conditions.

The Expanded Public Works Program (EPWP) accounts for the creation of most job opportunities as indicated on the table below, with remarkable growth during 2010/11 financial year. However, EPWP projects for the year under review could not be ascertained.

Employees: LOCAL ECONOMIC DEVELOPMENT					
Job Level	2010/11	Ending 30 th June 2012			
	Number of Posts	Number of Posts	Posts filled	Vacancies	% Variance
0-3					
4-6					
7-9					
10-12	02	02	01	01	50
13-15	01	01	01	0	100
16-18					
19-20					
TOTAL	03	03	02	01	67

Please note that the financial performance information of Local Economic Development is included in the previous section of Planning Services.

Be it noted that municipality does not fund projects, the Municipality's primary task is to create enabling environment for business growth and local economic development.

From financial year 2008/09 to 2010/11 local economic development highly depended on projects which were funded by sector departments as well as National Government (COGTA, Public Works and Treasury). As indicated in the table above, EPWP accounts for the creation of most job opportunities in the municipality. However, it must be noted that the 2010/11 EPWP program has been suspended due to budgetary constraints.

Mohokare Local Municipality is currently engaging in strategies of addressing unemployment, through focusing on the cooperatives program, ten (10) cooperatives have been registered and trained in Mohokare and the project is on its third face.

We are also in a process of establishing tourism forums which are intended to assist the municipality to unearth / explore local tourism potential and also tap on opportunities that are availed by this sector.

5.2.4. Environmental Management

Mohokare Local Municipality as a plenary type of Council and as per the direction and guidance of the Local Government Municipal Powers & Functions, is not responsible for Environmental Management, this is a district function, however as a sphere of Government we deem ourselves responsible for the well-being of our communities, even though legislatively we can only facilitate the implementation part of the environmental management.

ENVIRONMENTAL PERFORMANCE REPORT



MOHOKARE LOCAL MUNICIPALITY

2011/2012

INTRODUCTION

The term environment refers to organizations natural and human surroundings. An organization's environment extends from within the organization itself to the global system, and it includes, air, water, land, flora, fauna, as well as human beings. Environmental management basically refers to the management of the environment in ways that help the environment. The Mohokare Local Municipality has to fulfill a legislative mandate as per its objects of local government in terms of section 152(d) of the Constitution of the Republic of Southern Africa. It also aims provide its inhabitants with their environment rights in terms of section 24 of the Constitution. This legislative mandate is performed by the municipality by the Community Services Directorate. The Directorate is responsible for the effective and efficient management of the service in order to promote a safe and healthy environment for its inhabitants, whilst at the same time promoting justifiable economic and social development.

LEGISLATION

In the context of environmental management, the Mohokare Local Municipality is required by law to adhere to the principals and objectives of environmental law. Examples of legislation that the municipality is required to implement for effective and efficient good governance, includes among others the following:

Environmental Management Act, 1998 (Act 107 of 1998):

National Environmental Management: Waste Act, 2008 (Act no 59 of 2008)

National Environmental Management: Air Quality Act, 2004 (Act no 39 of 2004)

National Environmental Management: Biodiversity Act,

National Water Act, 1998 (Act no 39 of 1998)

Water Services Act, 2007 (Act no 30 of 2007)

Environmental Conservation Act, 1989 (Act no 73 of 1989)

ENVIRONMENTAL PROGRAMMES AND ACTIVITIES

The Mohokare Local Municipality actively participated in environmental health and management service provision with the assistance of its mother body, the Xhariep District Municipality. The following are highlights of environmental performance activities carried out and strides made by the municipality in meeting its constitutional mandates:

WORLD ENVIRONMENT DAY:

The month of June marks the celebration of World Environment Day. The 5th of June is bestowed as the day on which environmental issues and the environment is celebrated. . The theme for the 2011 World Environment day was “Forests: Nature at your service”.

On the 1st of June 2012, Samuel Johnson Intermediate School participated in the cleaning of the park located at the Zastron entrance and; on the 2nd of June 2012, a clean-up campaign was conducted at Rouxville with the assistance from learners of the Naledi Intermediate School. The celebrations and knowledge sharing on environmental matters, was a huge success and the schools were thanked for their participation and future involvement was encouraged

NATIONAL ARBOR WEEK CELEBRATIONS:

September marks the celebration of Arbor, Heritage and Tourism month on the South African Calendar. On the 1st of September 2011, the Mohokare Local Municipal area of jurisdiction was visited by the Disaster Management, Local Economic Development as well as the Environmental Health Divisions of the Xhariep District Municipality. On the day, the Samuel Johnson Intermediate School was the earmarked school for environmental awareness bringing. The history around Arbor Day was shared with learners and awareness was brought on the following topical matters:

- A background on Arbor
- The Importance of Trees
- The use of trees
- The impact a world without trees will have on the environment as well as human beings and;

- Social development matters pertaining thereto

NATIONAL CLEAN-UP WEEK:

The week of the 12-16th of September of a year is designated as the National Clean-Up Week in South Africa. In celebrating this week, the Mohokare Local Municipality, in partnership with the Free State Department of Economic Development, Tourism and Environmental Affairs (DETEA) took the time to clean areas burdened with waste in the identified areas of Matlakeng. The aim of the campaign was to raise awareness to the public on the importance of maintaining clean and healthy living spaces as well as the environment as a whole. Mohokare is faced with a huge waste burden, and during this celebration, the community members of Mohokare came out in their numbers to assist with the cleaning of pre-identified waste burdened areas. The day also saw the planting of trees on the premise of the new cemetery (on S2 road to Lesotho), the Zama Primary School and the Lere La Thuto Secondary School.

CLEANING AND GREENING PROGRAMME:

The Mohokare Local Municipality launched on the 10th of December 2010, the Mohokare Goes Green Programme. The programme is in support of the National Department of Environmental Affairs' greening framework. The campaign is aimed at creating environmental awareness on issues contributing to climate change and how we as municipalities can play an active role in preventing and becoming sustainable local government authorities. The launch was also based on the municipality's participation in the National Greenest Municipality Competition as presented by the Free State: Department of Economic Development, Tourism and Environmental Affairs (DETEEA). The Greenest Municipality Competition incorporates elements that provide a broader focus on environmental and social economic issues.

In support of the above programme, the Mohokare Local Municipality implemented from the 15th of January 2012, its first cleaning and greening programme which was a six month incentive based employment opportunity; under the umbrella of the Free State Department of Public Works' Extended Public Works Programme. The objectives of the programme were:

- To promote sustainable living environments
- Beautification of parks and newly established cemeteries

- To promote through health and hygiene awareness the management of waste
- To promote the through the green economy, job creation with the assistance of the Local Economic Development Department of the Municipality
- To green the environment, by planting trees with the support of stakeholder departments

The programme has demonstrated remarkable improvement in the overall environmental outlook of the towns: Rouxville, Smithfield and Zastron. The programme has seen the cleaning of parks and open spaces, the unclogging of stormwater channels, reducing the number of illegal dumping sites and the reduction of waste blown litter in the Central Business District of each town. The programme has also proven that the municipality is meeting its constitutional mandate of promoting justifiable economic and social development by providing ten (10) individuals with remuneration for six month period.

INCINERATOR: GOEDEMOED PRISON FARM:

The Environmental Health Division of the Xhariep District Municipality has been mandated by the National Department of Environmental Affairs to carry out the Air Quality Management function. The mandate is to receive and carry out air quality related activities including the monitoring and evaluation of any atmospheric emissions as described by the National Environmental Management: Air Quality Act, 2004 (Act 39 of 2004). The Air Quality Act provides national norms and standards regulating air quality monitoring, management and control in all spheres of government, for specific air quality measures, and for matters incidental thereto.

The Free State Provincial Department of Public Works lodged an application for an Atmospheric Emissions License for the Goedemoed Correctional Services Centre, which is located within the municipal jurisdiction of the Mohokare Local Municipality. The incinerator will be used for the purpose of the incineration of animal carcasses. The ash produced from incineration will be delisted to ensure that it is not hazardous, and disposed of at the new landfill site that is currently under construction. The licensing process was adhered to and; with the assistance from the Free State Department of Economic Development, Tourism and Environmental Affairs, a Provisional Atmospheric Emissions License was issued to the applicant and shall be valid for a period of 12 months from date of issue, and shall be renewable six months prior to expiration. The activities will be monitored and reported on by the Environmental Division of the Xhariep District

Municipality to the local to ensure that they are on par with any environmental matters and anything incidental thereto.

WATER AND WASTEWATER QUALITY MANAGEMENT

Good municipal relations exist between the Environmental Division and the Infrastructure Directorate of the Municipality. Therefore, all matters relating to water and wastewater quality as per the roles of responsibilities of the Municipality will be discussed under the Infrastructure Directorate of this report.

ENVIRONMENTAL ACTIVITIES: 2011/2012



SUMMARY EMPLOYEES: OFFICE OF THE MM					
Job Level	2010/11	Ending 30 th June 2012			
	Number of Posts Filled	Number of Posts	Posts filled	Vacancies	% Variance
Office of Director		02	02	0	0
Planning (excl LED)		05	04	01	20
LED		03	02	01	33.33
Internal Audit		03	0	03	100
Risk Manag (Shared Service)		02	01	01	50
Security Services		11	0	11	100
TOTAL		26	09	17	65.38

FINANCIAL PERFORMANCE: OFFICE OF MM (Exc LED & PLANNING)					
	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
Total operating revenue	0	1 124 368	1 328 952	0	1 328 952
Expenditure:					
Employees	736 547	939 178	1 094 681	1 068 584	26 097
Repairs and maintenance	0	0	0	0	0
Other	196 288	185 191	234 271	2 129 103	-1 894 832
Total operating expenditure	932 835	1 124 368	1 328 952	3 197 687	-1 868 735
Net operating revenue/ expenditure	-932 835	0	0	-3 197 687	3 197 687

5.3. Community Services

5.3.1 Library Services

EMPLOYEES: LIBRARY SERVICES					
Job Level	2010/2011	Ending 30 th June 2012			
	Number of Posts	Number of Posts	Posts filled	Vacancies	% Variance
0-3					
4-6					
7-9					
10-12	03	03	03	0	0
13-15					
16-18					
19-20					
TOTAL	03	03	03	0	0

LIBRARY SERVICES: FINANCIAL PERFORMANCE ENDING 30 th JUNE 2012					
Details	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
Total operating revenue	67	1 232 045	972 804	78	972 726
Expenditure:					
Employees	890 857	1 191 657	939 259	939 404	-145
Repairs and maintenance	0	12 416	0	0	0
Other	45 064	40 388	33 545	11 643	21 902
Total operating expenditure	935 921	1 244 460	972 804	951 046	21 758
Net operating revenue/ expenditure	-935 854	-12 416	0	-950 968	950 968

The Municipality is still awaiting the finalization of the dissolution of services process with regards to the library services, because the department of Sport, Arts & Culture is supposed to absorb the Human Capital that the Municipality is currently funding. There are 5 (five) libraries in Mohokare Local Municipality and they operate in the following manner;

Operating hours and days

Rouxville Public Library

Days	Time of starting work	Interval of work (Lunch)	Time of finishing
Monday	8h00	13H00-13H30	16H30
Tuesday	8h00	13H00-13H30	16H30
Wednesday	8h00	13H00-13H30	16H30
Thursday	8h00	13H00-13H30	16H30
Friday	8h00	13H00-13H30	16H30
Saturday	8h00		13h00

Roleleathunya: Albert Nzula Public Library

Days	Time of starting work	Interval of work (Lunch)	Time of finishing
Monday	8h00	13H00-13H30	16H30
Tuesday	8h00	13H00-13H30	16H30
Wednesday	8h00	13H00-13H30	16H30
Thursday	8h00	13H00-13H30	16H30
Friday	8h00	13H00-13H30	16H30
Saturday	8h00		13h00

Smithfield/Mofulatshepe

Days	Time of starting work	Interval of work (Lunch)	Time of finishing
Monday	8h00	13H00-13H30	16H30
Tuesday	8h00	13H00-13H30	16H30
Wednesday	8h00	13H00-13H30	16H30
Thursday	8h00	13H00-13H30	16H30
Friday	8h00	13H00-13H30	16H30
Saturday	8h00	N/A	13h00

Zastron: Zastron Public Library

Days	Time of starting work	Interval of work (Lunch)	Time of finishing
Monday	8h00	13H00-13H30	16H30
Tuesday	8h00	13H00-13H30	16H30
Wednesday	8h00	13H00-13H30	16H30
Thursday	8h00	13H00-13H30	16H30
Friday	8h00	13H00-13H30	16H30
Saturday	8h00		13h00

Matlakeng: Matlakeng Public Library

Days	Time of starting work	Interval of work (Lunch)	Time of finishing
Monday	8h00	13H00-13H30	16H30
Tuesday	8h00	13H00-13H30	16H30
Wednesday	8h00	13H00-13H30	16H30
Thursday	8h00	13H00-13H30	16H30
Friday	8h00	13H00-13H30	16H30
Saturday	8h00		13h00

5.3.2. Traffic Safety & Management

The traffic management division is currently the operating from the Smithfield offices in the Tow Hall, Personnel consists of 5 (five) Males, 3 traffic officers, 1 Security Manager and 1 Administration Clerk.

There is also 1 (one) camera utilized to issue penalties to defaulters and summon those who fail to pay before the court

Camera operations in terms of taking images and processing them through a system, verifying personal data, offence, car registration, owner's details/particulars and adjudication before sending 341 notices is not in place.

All operations with the cameras was suspended by the Director of Public Prosecution Free State and all outstanding camera fines were withdrawn by the Director of Public Prosecution Free State, no further prosecution on those fines or payments allowed.

The Traffic offices were re-opened in mid-December 2010, Law Enforcement is done by hand and results are good but not as it were with camera operations

EMPLOYEES: TRAFFIC					
Job Level	2010/11	Ending 30 th June 2012			
	Number of Posts	Number of Posts	Posts filled	Vacancies	% Variance
0-3					
4-6		01	01	0	0
7-9	02	05	02	03	60
10-12	02				
13-15		01	01	0	0
16-18					
19-20					
TOTAL	04	07	04	03	42.86

Please note that the HR financial performance of Traffic Management is included within the Roads& Storm Water Services, this is due to the arrangements as set out in the 2010/2011 Budget.

5.3.3. Disaster Management

Disaster management as stated before is a district function in terms of the allocation of powers and functions and information was not yet available by the time of printing the 11/12 draft annual performance report.

5.3.4 Social Facilities (Parks, Recreation, Sports Facilities& Cemeteries)

EMPLOYEES: SOCIAL FACILITIES					
Job Level	2010/11	Ending 30 th June 2012			
	Number of Posts	Number of Posts	Posts filled	Vacancies	% Variance
0-3					
4-6	26	30	22	08	26.67
7-9					
10-12	01				
13-15					
16-18					
19-20					
TOTAL	27	30	22	08	26.67

SOCIAL FACILITIES (SPORTS FACILITIES, CEMETERIES & CONTROL OF ANIMALS): FINANCIAL PERFORMANCE ENDING 30 th JUNE 2012					
Details	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
Revenue: Sports	629	2 115 669	1 741 223	2 493	1 738 730
Revenue: Cemetr	45 514	115 506	105 506	27 370	78 136
Revenue: Animal	639	228 925	189 648	1 171	188 477
Total operating revenue	46 781	2 460 100	2 036 377	31 035	2 005 342
Expenditure:	0	0	0	0	0
Sports	1 162 580	1 977 881	1 592 718	1 506 908	85 810
Cemeteries	0	0	0	0	0
Animals	143 442	179 139	154 758	155 178	-420
Employees	1 306 022	2 157 020	1 747 476	1 662 086	85 391
Sports	9 309	33 921	28 843	9 576	19 267
Cemeteries	-2 520	98 824	88 824	-5 512	94 337
Animals	0	31 530	31 530	0	31 530
Repairs and maintenance	6 789	164 275	149 197	4 063	145 133
Sports	1 495 146	103 867	119 663	15 695 314	-15 575 651
Cemeteries	12 226	16 682	16 682	12 720	3 962
Animals	11 120	18 256	3 360	92 250	-88 890
Other	1 518 492	138 805	139 704	15 800 284	-15 660 580
Total operating expenditure	2 831 303	2 460 100	2 036 377	17 466 433	-15 430 056
Net operating revenue/ expenditure	-2 784 522	0	0	-17 435 399	17 435 399

5.3.5 Other Community Services

OTHER COMMUNITY SERVICES (Inc COUNCIL PROPERTIES & COMMUNITY HALLS): FINANCIAL PERFORMANCE ENDING 30 th JUNE 2012					
Details	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
Other Comm	0	1 627 194	1 403 856	0	1 403 856
Council Propert	198 266	439 439	1 550 000	295 373	1 254 627
Halls	9 326	416 364	346 778	6 689	340 088
Total operating revenue	207 592	2 482 997	3 300 634	302 062	2 998 572
Expenditure:	0	0	0	0	0
Other Comm	980 618	1 652 597	1 260 426	1 327 453	-67 027
Council Propert	0	0	0	0	0
Halls	224 690	288 747	240 005	233 503	6 501
Employees	1 205 307	1 941 344	1 500 431	1 560 956	-60 525
Other Comm	58	131 434	131 307	0	131 307
Council Propert	0	209 155	1 500 000	0	1 500 000
Halls	10 110	16 029	4 644	2 360	2 284
Repairs and maintenance	10 168	356 618	1 635 951	2 360	1 633 590
Interest Expen	-1 780 205	0	0	-16 834	16 834
Other Comm	153 401	174 043	143 203	101 673	41 530
Council Propert	569 289	230 285	50 000	124 863	-74 863
Halls	158 052	111 588	102 129	232 722	-130 593
Other	880 743	515 916	295 332	459 258	-163 926
Total operating expenditure	316 013	2 813 877	3 431 714	2 005 741	1 425 973
Net operating revenue/ expenditure	-108 421	-330 880	-131 080	-1 703 678	1 572 598

5.3.6 Summary Employees: Community Services

SUMMARY EMPLOYEES: COMMUNITY SERVICES					
Job Level	2010/11	Ending 30 th June 2012			
	Number of Posts Filled	Number of Posts	Posts filled	Vacancies	% Variance
Office of Director		08	04	04	50
Amenities		30	22	08	26.67
Human Settlement		04	03	01	25
Land		06	0	06	100
Waste Management		61	38	23	37.71
Traffic		07	04	03	42.86
Library Services		03	03	0	100
TOTAL	N/A	119	74	45	37.82

5.4. Corporate Services



Me LV Nqoko-Rametse

5.4.1 Policy Development

Corporate Services facilitated the development of different municipal policies as to address the backlog on those policies not in place. The following policies exist within the Municipality;

1. Code of Conduct and Ethics
2. Introducing New Employees
3. Educational Assistance Policy
4. Maternity Leave
5. Telephone & Dress Code Policies
6. Internet, Computer network and Electronic Appliance Policy
7. Smoking
8. Sexual Harassment
9. HIV/AIDS
10. Health & Safety
11. Compensation for Occupational Health & Injuries
12. Ending the Employment Relationship
13. Policy on Voluntary Workers
14. Transport Policy
15. Overtime
16. Subsistence & Traveling Costs
17. Council Employment Policy
18. Language Policy
19. Disciplinary & Grievance Policy
20. Credit Control, Debt Collecting & writing-off Policy
21. Cemeteries

22. Vehicle Replacement
23. Procurement Policy
(Procurement /SCM)
24. Customer Care Policy
25. Commonage Policy
26. Banking & Investment
27. Procedure followed on Appointments
28. Telephone Policy (Land line)
29. Municipal Supply Chain Management Policy
30. Communication Policy
31. Recruitment and Selection
32. Casual Workers
33. Rates Policy
34. Indigent Policy
35. Skills Development Policy
36. Free basic Water Policy
37. Employment Equity Policy
38. Paupers Burial Policy
39. Human Resources Manual
40. Records Management Policy
41. Tariff Policy
42. Recruitment and Selection Policy
43. Anti-Fraud and Anti-Corruption Strategy
44. Sites Policy
45. Property Rates Policy
46. Fleet Policy
47. Policy Guidelines for Civic Funerals (Councilors)

However, the following policies were reviewed/ approved by Council for the reporting year:

1. Travelling and Subsistence Policy
2. Communication Strategy and Communication Policy
3. Draft Placement Policy
4. Submission of Employment Equity Plan
5. Draft Staff Retention Policy
6. Risk Management Strategy, Policy Framework
7. Building Procedure Manual/ Policy
8. Review of Paupers Burial Policy

5.4.2. Administration

EMPLOYEES: ADMINISTRATION					
Job Level	2010/11	Ending 30 th June 2012			
	Number of Posts	Number of Posts	Posts filled	Vacancies	% Variance
0-3					
4-6		13	11	02	15.39
7-9					
10-12		04	03	01	25
13-15		01	01	0	0
16-18					
19-20					
TOTAL	N/A	18	15	03	16.67

OTHER ADMIN: FINANCIAL PERFORMANCE ENDING 30 th JUNE 2012					
Details	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
Total operating revenue	734 263	5 848 578	6 455 940	790 000	5 665 940
Expenditure:					
Employees	1 989 465	4 022 043	3 112 386	2 949 496	162 890
Repairs and maintenance	0	2 481	1 982	2 026	-44
Other	3 843 055	5 209 702	4 222 290	7 924 473	-3 702 183
Total operating expenditure	5 832 521	9 234 226	7 336 659	10 875 995	-3 539 337
Net operating revenue/ expenditure	-5 098 257	-3 385 648	-880 718	-10 085 995	9 205 277

5.4.3 Human Resource Management (HR, Labor Relations, SDF, Employee Wellness)

EMPLOYEES: HUMAN RESOURCES MANAGEMENT					
Job Level	2010/11	Ending 30 th June 2012			
	Number of Posts	Number of Posts	Posts filled	Vacancies	% Variance
0-3					
4-6	01	01	01	0	0
7-9	01	01	01	0	0
10-12	03	06	03	03	50
13-15	01	01	01	0	0
16-18					
19-20					
TOTAL	06	09	06	03	33.33

HUMAN RESOURCES MANAGEMENT: FINANCIAL PERFORMANCE ENDING 30 th JUNE 2012					
Details	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
Total operating revenue	0	1 229 331	1 420 633	0	1 420 633
Expenditure:					
Employees	848 103	1 173 906	1 296 085	1 356 043	-59 957
Repairs and maintenance	0	413	0	0	0
Other	156 523	55 012	124 548	241 308	-116 760
Total operating expenditure	1 004 626	1 229 331	1 420 633	1 597 350	-176 717
Net operating revenue/ expenditure	-1 004 626	0	0	-1 597 350	1 597 350

The following are the employee wellness activities that took place during the year under review:

- Women's Day Celebration: 09 August 2011;
- Workshop on Compensation for Occupational Injury on Duty: 18 October 2011 (conducted by the Department of Labour).
- Alcohol Abuse Education Programme: 21 October 2011 (conducted by Aurora Alcohol Service Center).
- World AIDS Day Celebration: 01 December 2011 (conducted by the FS Provincial Government).
- World AIDS Day Celebration combined with the 16 Days Activism of No Violence against Women and Children: 07 December 2011 (conducted by the FS Provincial Health).
- Medical Aid Presentation: 22 March 2012 (different medical aids).
- Mohokare Wellness Games: 25 April 2012 (sponsored by Old Mutual).

5.4.4 Office of the Mayor

EMPLOYEES: OFFICE OF THE MAYOR (Exc COUNCILLORS)					
Job Level	2010/11	Ending 30 th June 2012			
	Number of Posts	Number of Posts	Posts filled	Vacancies	% Variance
0-3					
4-6		08	07	01	12.5
7-9					
10-12		06	04	02	33.33
13-15					
16-18					
19-20					
TOTAL	N/A	14	11	03	21.43

OFFICE OF THE MAYOR (Incl COUNCILLORS): FINANCIAL PERFORMANCE ENDING 30 th JUNE 2012					
Details	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
Total operating revenue	0	4 307 243	5 412 112	0	5 412 112
Expenditure:					
Employees	2 924 244	3 574 107	4 312 719	4 579 905	-267 186
Repairs and maintenance	1 415	2 241	88 948	46 570	42 378
Other	23 423 637	772 882	1 010 444	22 912 370	-21 901 926
Total operating expenditure	26 349 296	4 349 230	5 412 112	27 538 846	-22 126 734
Net operating revenue/ expenditure	-26 349 296	-41 986	0	-27 538 846	27 538 846

5.4.5

Summary Employee: Corporate Services

SUMMARY EMPLOYEES: CORPORATE SERVICES					
Job Level	2010/11	Ending 30 th June 2012			
	Number of Posts Filled	Number of Posts	Posts filled	Vacancies	% Variance
Office of Director		02	01	01	50
Human Resources		09	06	03	33.33
Administration		18	15	03	16.67
Legal Services		01	0	01	100
Political Office		14	11	03	21.43
TOTAL	N/A	44	33	11	25

**MUNICIPAL INFRASTRUCTURE GRANT
ANNUAL REPORT**



Mr. MN Tsoamotse

2011/2012 FINANCIAL YEAR

Prepared by

Mohokare Local Municipality

P.O Box 20

Zastron

9950

Tel: 051 673 9600

Date: 13 August 2012

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Municipal Infrastructure Grant

1. PURPOSE OF REPORT

This report serves to inform Government on the Municipal Infrastructure Grant projects implemented by Mohokare Local Municipality during the 2011/2012 financial year.

The report also seeks to evaluate the performance of the Municipality in respect to the projects funded through MIG allocation.

2. BACKGROUND

The Municipal Infrastructure Grant (MIG) was established through the merger of the Consolidated Municipal Infrastructure Programme (managed by **COGTA**), the Water Service Capital Grant (managed by DWAF), the Community Based Public Works Programme (managed by Public Works), the Building for Sports & Recreation Programme (Sport and Recreation SA), the Urban Transport Grant (Department of Police, Roads and Transport) and Electrification Funding (Department of Energy).

The aim of the grant is to provide all communities with at least a basic level of service by the year 2014 with the grant finance aimed at covering the capital cost of basic infrastructure for the poor.

This report will consolidate the following reports:

- The quarterly KPI reports
- The two social and economic reports

3. DISCUSSION

The below tables gives a summary of the Municipal performance on the following: Annual Financial overview and Expenditure per project.

3.1 Overall Financial Overview

ROLL OVER AMOUNT	EXPENDITURE ON ROLL OVER	ALLOCATION	TRANSFERRED AMOUNT	EXPENDITURE	BALANCE
R 12 537 400.00	R0.00	R 15 532 000.00	R 15 532 000.00	R 15 532 000.00	R 12 537 400.00

From the above it can be seen that the Municipality managed to exhaust its total annual allocation approved roll-over amount, but however failed to spend it's approved roll-over amount for the financial year.

3.1.1 Expenditure per Project

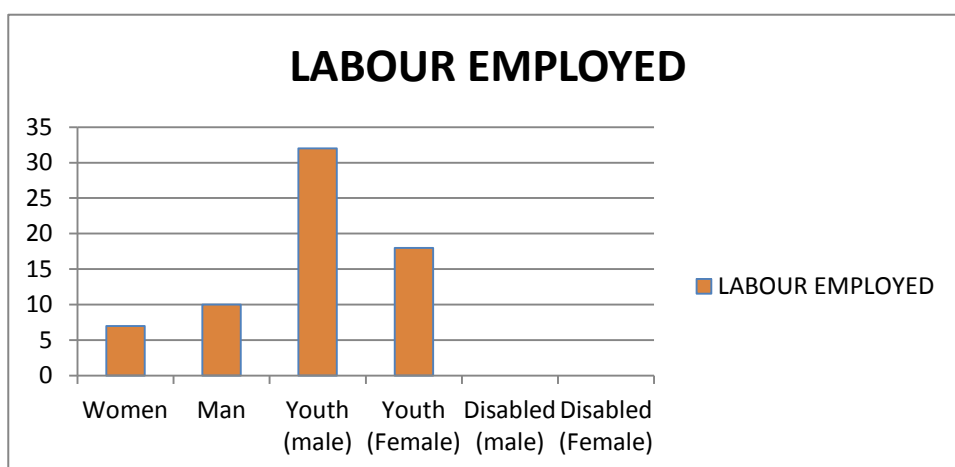
Project Description	MIG Approved Project Value	Overall Expenditure on the Project	Expenditure on 2011/12
Zastron: Upgrading of sewerage treatment works	14 170 851	7 773 750	2 282 975
Roleleathunya/Rouxville: Access collectors, internal street and related stormwater (4.14 km) Phase 1	12 460 000	12 833 964	10 056 851
Smithfield: Upgrading of oxidation ponds	14 635 735	9 055 582	2 210 179
Rouxville/Roleleathunya: Eradication of 777 buckets incl. 14.92 main outflow lines and pump station	11 378 000	4 332 835	
Smithfield: Bucket Eradication for 750 sites	7 695 000	6 681 328	142 209
Smithfield: Upgrading of the Caledon water scheme to Smithfield(phase 2A)	9 470 550	9 759 289	288 740
Project Management Unit	776 550	776 000	776 000
TOTALS	70 586 686	51 212 749	15 756 954

3.2 SOCIAL AND ECONOMIC BENEFITS

The MIG programme is part of government's overall strategy to eradicate poverty and create conditions for local economic development. The implementation programme for the Municipality has therefore maximise opportunities for employment creation and enterprise development. Labour intensive methods are always employed where possible to ensure that EPWP compliant projects are maximised, local labour is employed and that skills transfer takes place. Below are the employment figures for the year per project:

Project Name	Women	Man	Youth (male)	Youth (Female)	Disabled (male)	Disabled (Female)
Upgrading of the Zastron waste treatment plant	0	1	11	0	0	0
Eradication of 1036 buckets in Rouxville	2	5	9	5	0	0
Roleleathunya: Access collectors and internal streets	5	4	12	13	0	0
TOTAL	7	10	32	18	0	0

From the above table it can be seen that a total number of 67 job opportunities was created through implementation of this programme and representation on gender and disability status was as follows.



Women	: 10.4%
Man	: 14.9%
Youth (male)	: 47.7%
Youth (Female)	: 26.9 %
Disabled (male)	: 0 %
Disabled (Female)	: 0 %

From this analysis it can be concluded that few projects were implemented throughout the 2011/2012 financial year. It can also be deduced that the disabled were not employed, which is a concern. The majority of labour was composed of youth male and female respectively. The

municipality has room for improvement on gender and age distribution. All these should be taken into consideration in the next financial year.

4. PROJECTS DETAILS

4.1 UPGRADING OF THE ZASTRON /MATLAKENG WASTEWATER TREATMENT WORKS

Project Brief

As previously mentioned, one of the objective of the Programme is to create job opportunities for the communities within which projects are implemented. This condition serves as a baseline for projects design and implementation plan

Mohokare Municipality is in the process of upgrading the living standards of the community of Matlakeng in Zastron by providing, among other services, improved sanitation infrastructure by upgrading the existing Oxidation ponds system to an Activated Sludge Waste Water Treatment Works with a capacity of 1,500m³ /day as part of Department of Water Affairs and Forestry's Bucket Eradication Programme (BEP).

Proposed works

- The construction of a new primary pond;
- The construction of a reinforced concrete biological reactor and clarifier;
- Concrete relining of the existing ponds;
- Pipe work modification to improve performance of the existing biofilter and settling tank;
- The upgrading of mechanical and electrical equipment;
- The training of staff for the upgraded works.

Construction

Name of Consultant	: ISA and Partners Consulting Engineers
Contract price	: R 8,258,793.84 (Incl. VAT)
Indirect Costs	: R 3,164,816.16
Name of Contractor	: Colemo Projects
Commencement date	: 26 Jan 2010
Contract completion date	: 30 Oct 2010

Due to poor workmanship and failure to meet contractual obligations, Colemo projects' contract was cancelled and a new contractor was appointed to complete the remaining civil works.

Name of Consultant	: ISA and Partners Consulting Engineers
Name of Contractor	: Ngelethu Construction
Contract price	: R 4,087,611.84 (Incl. VAT)
Commencement date	: 07 June 2012
Contract completion date	: 07 Dec 2012

4.2 CONSTRUCTION OF ACCESS COLLECTORS, INTERNAL STREET AND RELATED STORMWATER IN ROLELEATHUNYA (PHASE 1)

Project Brief

As means to improve road and stormwater infrastructure in Roleleathunya, Mohokare municipality has implemented a project aimed at construction a 4.12 km long access road in and around Roleleathunya. However the project was later reviewed to fit within the MIG unit cost and the Contractor Tender Price by reducing the scope of work to 2.67 km. The project went way beyond its completion date but an intervention by COGTA was made to reregister the project with the defined scope of work and to bring the project up to speed.

Proposed Works

- Construction of access collectors;
- Construction of internal streets;
- Construction of stormwater facilities.

Construction

Contract price	: R 10,688,642.31	(Incl. VAT)
Indirect Costs	: R 1,771,357.69	
Name of Consultant	: WN Consult	
Name of Contractor	: Lesole-Khwara	
Commencement date	: 01 Sep 2010	
Contract completion date	: 30 April 2011	

4.3 UPGRADING OF THE SMITHFIELD/ MOFULATSHEPE OXIDATION PONDS

Project Brief

Mohokare Municipality is in the process of upgrading the living standards of the community of Mofulatshepe in Smithfield by providing, among other services, improved sanitation infrastructure by upgrading the existing Oxidation ponds system to an Activated Sludge Waste Water Treatment Works with a capacity of 1,000m³ /day as part of Department of Water Affairs and Forestry's Bucket Eradication Programme (BEP).

Proposed Works

- The construction of a new reinforced concrete inlet works with the attendant degritting and overflow distribution boxes;
- The construction of a reinforced Pasveer Ditch Reactor with a Clarifier scraper unit with a separate Aerobic, Anoxic and Anaerobic reactors;
- The construction of reinforced concrete dry and wet wells for the WAS/Scum and RAS Collection System within the Pasveer Ditch Reactor/Clarifier Unit;
- The construction of a chlorine contact tank within the Pasveer Ditch Reactor/Clarifier Unit;
- The conversion of some of the existing oxidation ponds into sludge lagoons with a supernatant return pump installation;
- The construction of new Administration building;
- The provision of electricity supply to the site;
- The installation of Electrical and Mechanical equipment for the new works.

Construction

Contract No MLM 02/2009

Name of Consultant	: ISA and Partners Consulting Engineers
Contract price	: R 782,608.00 (Incl. VAT)
Name of Contractor	: Big Bravo Construction
Contract Price	: R 9,427,204.58 (Incl. VAT)
Project Award date	: 19 Aug 2009
Commencement date	: 28 Sep 2009
Contract completion date	: 30 Oct 2010

Big Bravo Construction was appointed as the contractor to construct the civil works with a total cost exceeding the initial registration value of **R 6,840,000.00**. The municipality then applied for an additional funding of **R 7,795,735.00** and the total project cost then amounted to

R 14,635,735.00. The civil works of the project have since been completed. The municipality went out on tender for the remaining mechanical and electrical works but tender prices were too high. The municipality is yet to re-advertise the works.

4.4 ERADICATION OF 777 BUCKETS IN ROUXVILLE

Project Brief

In an effort to uplift the health standard of living to the previously disadvantaged community, Mhokare Local Municipality initiated a sanitation project in line with the National government Bucket Eradication Program. Initially there was about 1036 sites identified, but during an intense verification process only 777 sites were found. A revised business plan was prepared and submitted to the Provincial PMU offices.

Proposed Works

- The construction of a sewer reticulation network for 765 sites in Roleleathunya, Rouxville using PVC sewer pipeline and reinforced concrete manholes;
- The construction 777 brick toilets with the accompanying sewer and water erf connections for these sites;
- The construction of approximately 1,000 meters of new outfall sewer;
- The construction of 1 new sewer pump station including the installation of new electrical and mechanical equipment.

Construction

Isa & Partners Consulting Services was appointed to commence with the design and the report was approved by 11th of September 2006.

Due to severe water shortage in Rouxville the project was put on hold. To counter react to price increases all material for implementation of the project was purchased amounting to R2 million and was safely stored in the Municipal stores.

The municipality appointed 7 SMME's to install toilet furniture and this has been completed. The installation of sewer network and connection thereof is awaiting the start of the Rouxville Regional Bulk Water Scheme.

4.5 UPGRADING OF THE CALEDON WATER SCHEME

Project Brief

For a number of years, the town of Smithfield and surrounding farms have been having a water shortage problem. This was due to less rainfall and seasonal droughts as both Main Water Sources i.e. Caledon River and Smithfield Dam depend on rain water for supply. A bulk water supply scheme was developed in 2000, and the first phase of construction of the scheme was completed in 2001.

Proposed Works

- Upgrading or replacement of low lift pumps
- Upgrading or replacement of high lift pumps
- Installation of a second 200 mm diameter raw water supply line from the Caledon river
- Increasing the capacity of the water treatment works to 134 kl/h
- Construction of 1.5 Ml reservoir
- Rising main pipeline from treatment plant to reservoir

- Pipeline between reservoir 1 and 2
- Installation of a bulk pipeline to Smithfield and Rietpoort
- Installation of a bulk pipeline to Mofulatshepe

The project was initially phased into two phases; however the first phase was down scaled due to lack of funds. The following were done:

- a) The construction of a 1.5 Ml reservoir
- b) The installation of a water rising main
- c) Pipeline between reservoir 1 and 2

Construction

Phethogo Consulting Services were appointed to commence with the design which was approved by November 2006.

Name of Consultant	: Phethogo Consulting
Contract price	: R 580,000.00
Name of Contractor	: Rekaofela Construction
Contract Price	: R 3,368 203.65
Project Award date	: 16 Feb 2007
Commencement date	: 16 Feb 2007
Contract completion date	: 16 June 2007

Due to lack of progress on site Rekaofela ceded its remaining work to Jen's Development, but they however remained accountable for the entire work

Name of contractor	: Jen's Development
Acceptance of work	: 11 July 2007
Revised completion date	: October 2007

Phase 2

Name of contractor	: Set Maks Civils
Contract Price	: R 4 446 000.00
Project Awarded date	: 02 February 2010
Contract Completion date	: 02 August 2010
Actual Completed date	: January 2011

Phase 2 of the project has been completed but the municipality was requested to submit a technical report to allow for additional funding for implementation of the mechanical and electrical works (phase 3).

5. EVALUATION AS PER THE PRACTICE NOTE

PART 1: Progress to date:

- Projects were not implemented according to the approved business plan, resulting in the review of some of the projects.
- Scheduling and phasing was correctly executed.
- Approval of payment certificates for Service Provider was directly handled by PMU unit, this assisted the Municipality to avoid the previously uncounted over-expenditures
- There has been great development in the co-ordination with other stakeholders this was achieved through the PPMU stakeholder meeting.
- Most projects could not be completed due to project stoppages and delay In implementation resulting in escalation of costs .

MANAGEMENT

- Institutional arrangements were made utilizing existing staff within the Directorate: Technical Service department.
- Existing staff were utilized part time to work on the projects in addition to their other tasks.
- Support by other units: Finance Department.
- Capacity building of staff: More capacity building is needed for PMU staff.
- Key challenges: Lack of accountability from Project Managers (Consultants), Inclement Weather, labour issues and materials supply.
- The Mechanical and Electrical Works in Oxidation Ponds project in Smithfield could not be completed as tender prices were too high.
- The Zastron WWTW project stopped as the contractor was not competent and this led to loss of time until a new contractor was appointed.
- Phase 3 of the Caledon Water Scheme Project could not be started during the 2011/2012 financial year as the municipality had no funds. A revised technical report was requested from the municipality to allow for additional funding.
- Other challenges: completion of stages of the projects was dependent on other role players these delayed projects completion i.e. Approval of revised technical report by department of human settlement.

PART 2: Monitoring:

- Monitoring approach:
Construction work was monitored by the consultant, which has to report to the Technical/PMU Manager. The Technical/PMU Manager reported to Council through the Municipal Manger. Financial reports were submitted on monthly basis to the Provincial Government, whereas progress report was done bi-monthly.
- Data analysis and reporting for implementation
Results of planning and investigations have been incorporated into designs for implementation.

Results of tenders received were analyzed/ evaluated by consultants for implementation.
- Data analyzed and reported for performance

Regular tests on material used and achievements of construction results were done (i.e. concrete test cubes, soil lab tests etc.)

Person responsible for data analysis and report generation

- Consulting engineer → Technical/PMU manager → Municipal Manager → Council

Challenges with monitoring and reporting

Financial challenge: full time Manager required for Management of this unit, this will be budgeted within the next financial year PMU business plan.

PART3: What are the results and who benefited?

- All project benefitted local labour and some skills were also transferred in the process.
- EPWP Compliant methods were employed for the Rouxville Access road project as the project is of a labour intensive nature.
- Projects that are currently under construction have created job opportunities for community members within the areas of implementation.

6. CONCLUSIONS:

- A continuous training of PMU unit staff is crucial for proper monitoring and management of projects.
- The Municipality should continue to use stringent measures in the appointment of Professional Service Providers and Contractors.

7. LESSONS LEARNED

- Failure to take ownership of projects by Municipality may result with devastating outcomes (incomplete projects, over expenditures and poor service delivery).
- Reports submitted by the Municipality are to be a true reflection of what has been implemented.
- Cash flow, work schedules, action plans and all other projections are to be realistic.
- All advice and decision taken during the execution of the project are to be done in writing for record keeping purposes.

7. RECOMMENDATIONS

Due to inconsistencies that happen as from 2011/12 financial year in the implementation of the projects the following are proposed:

1. That the Municipality due to its contractual commitments must apply for roll-over of funds for implementation on the 2012/13 financial year.
2. Sector Departments need to assist the Municipality in the drafting and implementation of its Financial Recovery Plan.

5.6. Organisational Development Performance: (Performance Report Part II)

5.5.1 Introduction to the Municipal Personnel

The Municipality manages the workforce guided by legislation and relevant policies and procedures promulgated through the South African constitution, matters of workplace policies that protect the workforce, policies that protect the interest of the employer, policies that manage the employer / employee relations and interaction, the respect of unions in the workplace and processes of bargaining at relevant structures are all taken into consideration by the Municipality

a. Employee totals, Turnover and Vacancies

EMPLOYEES					
Description	2010/11	Ending 30 th June 2012			
	Number of Employees	Number of Posts	Number of Employees	Vacancies	% Variance
Water	46	72	45	27	37.5
Sanitation	30	69	40	29	42.03
Electricity	03	04	03	01	25
Roads & Storm-water	13	27	15	12	44.44
Technical Services (exc the above)	N/A	15	07	08	53.33
Refuse Collection	36	61	38	23	37.7
Human Settlement	04	04	03	01	25
Traffic Safety & Management	04	07	04	03	42.86
Community Services (exc Refuse, Human Settlement & Traffic)	N/A	47	29	18	38.3
Planning	01	05	04	01	50
Local Economic Development	02	03	02	01	33.33
Office of the MM (exc Planning & LED)	N/A	18	03	15	83.33
Finance	N/A	40	21	19	47.5
Corporate Services	12	44	33	11	25
TOTALS	151	416	247	169	40.63

b. Policies (reviewed or adopted during the year).

1. Travelling and Subsistence Policy

2. Communication Strategy and Communication Policy
3. Draft Placement Policy
4. Submission of Employment Equity Plan
5. Draft Staff Retention Policy
6. Risk Management Strategy, Policy Framework
7. Building Procedure Manual/ Policy
8. Review of Paupers Burial Policy

The HR Manual is inclusive of personnel related policies and procedures

c. Suspensions

Number and Period of Suspension				
Position	Nature of Alleged misconduct	Date of Suspension	Details of Disciplinary action taken/ Status of case	Date Finalized
Human Settlement Clerk	Disclosure of privileged information	05 August 2011	Final written warning	19 September 2011
General Worker	Absconding	20 April 2012	10 days suspension without pay	20 April 2012

d. Dismissals

Dismissal Cases				
Position	Nature of Alleged misconduct	Date the alleged offence was committed	Details of Disciplinary action taken/ Status of case	Date Finalized
HR Officer	Giving out interview questions	12 May 2011	Dismissal	18 November 2011
General Worker	Absenteeism	06-13 & 19-31 December 2011	Dismissal	05 April 2012
General Worker	Absconding	01-31 December 2011	Dismissal	05 April 2012
General Worker	Absenteeism & Fraud	13-20 December 2011 & 06 January 2012	Dismissal	20 April 2012

e. Pending Cases

Position	Nature of Alleged misconduct	Date the alleged offence was committed	Reason(s) why the matter is pending/ Status of case
Supervisor	Damage to municipal property	05 May 2012	Awaiting judgement from Presiding Officer.
Tractor Driver	Unauthorized possession of municipal property	25 May 2012	Hearing held on 30 June 2012 and postponed to an unspecified date.

f. Performance Rewards

As earlier mentioned, the Municipality does not have a performance management system, this would also enable the identification of good performance versus poor performance, therefore good performance is currently not recognized, and only long-term service bonus is applicable to all employees of the Municipality

g. Skills Development and Training

SKILLS Development and Training													
SKILLS MATRIX													
Management level	Employees in post as at 30 June 2011	Number of skilled employees required and actual as at 30 June 2012											
		Learner ship			Skills programmes & other short courses			Other forms of training			Total		
	No.	Actual 30 June 11	Actual 30 June 12	Target	Actual 30 June 11	Actual 30 June 12	Target	Actual 30 June 11	Actual 30 June 12	Target	Actual 30 June 11	Actual 30 June 12	Target
	MM& sec 57		1		3	1		2				2	
Councilors, Senior officials & managers		2		3		2	4				8	2	5
Technicians & associate professionals													
Professionals													
Sub total		3		6	1	2	6				10	2	10
Total		3		6	1	2	6				10	2	10

FOR THE FINANCIAL YEAR ENDING 30 JUNE 2012

No	Course Name	Skills Area	Type of Intervention	Start Date	End Date	Target Category	Total trained
1	Water Processing Controller	Life Skills	Learnership	05/03/11	April 12	Labourers	11
2	CPMD	Administration	Certificate	29/08/11	24/04/12	Clerical & Administration	07
3	ODETDP	Administration	Learnership	07/04/11	01/09/12	Clerical & Administration	02
4	LED	Community, LED, Planning,	Learnership	15/08/11	15/04/12	Clerical & Administration	01
5	MFMP	Financial	Learnership	22/08/11	27/04/12	Clerical & Administration	03
6	Record Management	Corporate, Legal	Skills Programme	20/09/11	23/09/11	Clerical & Administration	01
7	Basic Computer Training	Administration	Skills Programme	13/12/11	02/03/12	Clerical & Administration	12
8	LGAC	Financial	Learnership	14/11/11	08/08/12	Clerical & Administration	04
9	LGAC	Financial	Learnership	03/11/11	Oct 13	Clerical & Administration	01
10	Basic Computer Training	Management	Skills Programme	03/12/11	Mar 12	Councillors	07
11	Managing Discipline (LRA)	Administration	Skills Programme	07/03/12	07/03/12	Clerical & Administration	23
12	MFMP	Management	Learnership	29/05/12	Feb 13	Clerical & Administration	03
13	MFMP	Financial	Learnership	22/08/11	Apr 12	Clerical & Administration	03
14	Occupational Health & Safety	OHS	Skills Programme	16/04/12	17/04/12	Labourers	20
15	CPMD	Management	Learnership	21/05/12	31/08/12	Directors	04
16	MFMP	Financial	Learnership	07/05/12	Apr 13+	Clerical & Administration	03
17	Record Management	Administration	Skills Programme	N/A	N/A	N/A	N/A

Skills development for the year 2011/12 was budgeted at R62 927.70 however the budget was adjusted down to R58 778.80. The actual expenditure for the year was R687 300.00.

This represents a 1 096% over expenditure.

The Municipality must begin to prioritise skills development and define it as a base for good performance.

EMPLOYEE EXPENDITURE		
	2010/11	2011/12
Personnel Expenditure	30 691 492.00	38 730 502.15

This represents a 26% increase in the salary bill, but this can be attributed to the appointment of Sec57 Managers.

5.7 FINANCIAL SERVICES



C F O Mr JV Nkosi

5.7 Introduction to Financial Services

5.7.1 Information Technology & Assets

EMPLOYEES: IT & ASSETS					
Job Level	2010/11	Ending 30 th June 2012			
	Number of Posts	Number of Posts	Posts filled	Vacancies	% Variance
0-3					
4-6	01	02	0	02	100
7-9					
10-12	01	03	01	02	66.67
13-15					
16-18					
19-20					
TOTAL	02	05	01	04	80

INFORMATION & TECHNOLOGY: FINANCIAL PERFORMANCE ENDING 30 th JUNE 2012					
Details	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
Total operating revenue	0	2 981 496	840 486	0	840 486
Expenditure:					
Employees	370 509	211 683	549 564	502 827	46 738
Repairs and maintenance	12 907	36 737	42 802	21 255	21 547
Other	227 356	167 706	248 120	258 045	-9 925
Total operating expenditure	610 772	416 126	840 486	782 127	58 360
Net operating revenue/ expenditure	-610 772	2 565 369	0	-782 127	782 127

5.7.3 Summary Employees: Financial Services

SUMMARY EMPLOYEES: FINANCIAL SERVICES					
Job Level	2010/11	Ending 30 th June 2012			
	Number of Posts Filled	Number of Posts	Posts filled	Vacancies	% Variance
Office of the CFO (inc interns)		08	07	01	12.5
Revenue		16	10	06	37.5
Budget & Reporting		02	01	01	50
Expenditure		06	01	05	83.33
IT & Asset		05	01	04	80
SCM		03	01	02	66.67
TOTAL	N/A	40	21	19	47.5

FINANCE (Exc IT): FINANCIAL PERFORMANCE ENDING 30 th JUNE 2012					
Details	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
Total operating revenue	48 616 942	15 178 148	13 349 503	53 160 550	-39 811 048
Expenditure:					
Employees	3 377 939	6 810 038	4 911 988	4 716 068	195 920
Debt Impairment	0	371 154	371 154	0	371 154
Depreciation	0	0	0	0	0
Repairs and maintenance	18 996	39 809	16 709	1 664 105	-1 647 396
Interest Expense	-300	0	0	0	0
Other	13 087 503	10 262 636	11 658 892	8 000 604	3 658 288
Total operating expenditure	16 484 137	17 483 636	16 958 742	14 380 777	2 577 965
Net operating revenue/ expenditure	32 132 805	-2 305 488	-3 609 240	38 779 773	-42 389 013

5.7.4 Debtors Age Analysis

Debtor Age Analysis for 2011/12 After Impairment											
Description	NETT Total Debt	Credit balances	DT Balance	Impairment	Bal After Impair	<30 days	<60 days	<90 days	<120 days	<150 day	<180 days
Rates	6 374 591	-222 876	6 597 467	3 958 264	2 639 204	1 878	25 932	26 033	159 922	155 681	2 269 757
Electricity	166 586	-1 330	167 916	167 916	0	0	0	0	0	0	0
Water	23 440 529	-168 789	23 609 318	23 396 968	212 350	151 780	47 623	12 862	0	0	0
Sewerage	13 830 561	-72 380	13 902 941	13 744 518	158 423	75 740	63 298	19 385	0	0	0
Refuse	10 673 187	-21 026	10 694 214	10 628 594	65 619	31 569	25 322	8 727	0	0	0
Housing	683 349	-13 755	697 103	680 371	16 733	7 257	6 704	2 771	0	0	0
Other	17 819 698	-33 377	17 853 075	17 853 665	4 352	2 514	1 560	279	0	0	0
Total	72 988 501	-533 532	73 522 034	70 430 296	3 096 680	270 739	170 439	70 057	159 923	155 681	2 269 757

5.7.5. Statements of financial performance

Financial Summary				
Description	JUNE 2011		JUNE 2012	
	Actual	Adjusted Budget	Actual	Adjusted Budget
Financial Performance				
Property rates	6 063	4 615	7 231	6 846
Service charges	28 275	23 387	35 847	7 067
Investment revenue	32	68	141	15
Transfers recognized-operational	68 190	56 240	72 711 000	47 922 000
Other own revenue	3 820	2 522	-72 633 962	-47 847 725
Total Revenue (exclude capital transfers and contributions)	106 380	86 832	120 257	88 203

Financial Summary				
Description	JUNE 2011		JUNE 2012	
	Actual	Adjusted Budget	Actual	Adjusted Budget
Employee costs	30 691	33 847	35 363	36 972
Remuneration of Councillors	2 209	2 322	2 600	2 601
Depreciation & asset impairment	21 078	0	21 215	0
Finance charges	2 437	4 797	2 080	78
Materials and bulk purchases	16 136	4 033	14 183	1 426
Transfers and grants	4 156	0	5 169	5 122
Other expenditure	43 493	36 967	56 688	21 564
Total expenditure	120 200	81 966	137 298	67 763
Surplus/ (Deficit)	-13 820	4 866	-17 041	20 440
Transfers recognized- capital	15 308	13 839	24 660	15 308
Contributions recognized-capital and contributed assets	512	0	627	0
Surplus/ (Deficit) after capital transfers and contributions	-29 128	-8 973	-42 328	5 132
Share of surplus/ (deficit)n of associate	0	0	0	0
Surplus/ (Deficit) for the year	-29 128	-8 973	-42 328	5 132

Financial Summary R'000				
Description	JUNE 2011		JUNE 2012	
	Actual	Adjusted Budget	Actual	Adjusted Budget
Capital expenditure and sources of funds				
Capital expenditure	15 307 554	-	25 287	24 117
Transfers recognized- capital	15 308	13 839	24 660	15 308
Public contributions and donations	0	0	0	0
Borrowing	27 003	6 335	627	0
Internally generated funds	3 500	681	0	0
Total sources of funds	56 986	0	25 287	15 308

Financial Summary R'000				
Description	JUNE 2011		JUNE 2012	
	Actual	Adjusted Budget	Actual	Adjusted Budget
Financial position				
Total current assets	31 594		19 520	
Total non-currents	331 187		329 648	
Total current liabilities	34 388		32 726	
Total non-current liabilities	25 175		30 264	
Community wealth/ Equity	6		6	

Financial Summary R'000				
Description	JUNE 2011		JUNE 2012	
	Actual	Adjusted Budget	Actual	Adjusted Budget
Cash flows				
Net cash from (used) operating	24 162		14 688	
Net cash from (used) investing	-29 336		-20 099	
Net cash from (used) financing	4 594		3 337	
Cash/ cash equivalent at year end	-1 553		-3 627	
Cash backing/ surplus reconciliation				
Cash and investments available	114 441		125 423	
Application of cash and investments	-121 232		-132 388	
Surplus/ (Deficit)	-6 791		-6 964	

Financial Summary R'000				
	JUNE 2011		JUNE 2012	
Description	Actual	Adjusted Budget	Actual	Adjusted Budget
Asset management				
Summary of asset register (WDV)	24 850		308 406	
Depreciation and asset impairment	943		334 992	
Renewal of existing assets	0		0	
Repairs and maintenance	1 024		1 723	

	JUNE 2011		JUNE 2012	
Description	Actual	Adjusted Budget	Actual	Adjusted Budget
Free basic services				
Cost of free basic services provided	4 156		1 091	
Revenue of free basic services provided	0		0	
Households below minimum service level				
Water	0		0	
Sanitation/ sewerage	0		0	
Energy	0		0	
Refuse	0		0	

5.7.6. Grants

GRANTS				
	JUNE 2011		JUNE 2012	
Description	Actual	Adjusted Budget	Actual	Adjusted Budget
Operating Transfers and Grants				
National				
Equitable Share	40 862	40 862	45 632	45 632
Financial Management	1 250	1 250	1 500	1 500
MSIG	750	750	790	790
MIG	12 913	12 913	15 532	15 532
Other Transfers				
Provincial Treasury				0
COGTA	10 020		2 775	-
District	0	-	0	0
DWA	2 194	2 194	8 094	10 894
INEPG	0	-	627	627
EPWP	0	-	0	536
Other Grants	-	-	-	-
Total Operating Transfers & Grants	67 989	57 969	74 950	75 511

5.7.7 Financial Ratios based on key performance indicators

Debt Coverage Ratio

	June 2011	June 2012
Rand value of debtors outstanding for less than 30 days	2 040	2 402
Rand value of debtors outstanding for more than 30 days	59 465	2 040
% Debtors older than 60 days	0	0
Amount outstanding more than 60 days	63 908	59 465

Cost Coverage Ratio

	June 2011	June 2012
All available cash	513	289
Investments	0	0
Monthly fixed operating expenditure	67 763	137 298
Ratio	0.01	0.00

Liquidity Ratio

	June 2011	June 2012
Current Assets	29 826 856	19 520
Current Liabilities	29 233 720	32 726
	1.02	0.60

Solvency ratio

	June 2011	June 2012
Non- current assets	331 187	329 648
Long-term liabilities	25 175	30 264
	13	11

5.7.8 Spending Against Capital Budget

Capital expenditure & Source of finance

Source	Expenditure account	
	June 2011	June 2012
MIG	12 222 328	15 532 000
Borrowing (Finance)	6 335 454	8 094 000
Own Funds	681 694	406 843
INEPG	0	627 000



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30 June 2012

MOHOKARE LOCAL MUNICIPALITY
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MOHOKARE LOCAL MUNICIPALITY

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GENERAL INFORMATION

EXECUTIVE MAYOR

M.A. Shasha

SPEAKER

M.A. Shasha

MEMBERS OF THE MAYORAL COMMITTEE

Executive Mayor/Speaker M.A. Shasha

Chief Whip R.J. Thuhlo

Councillors:	O.T. Khasake	L. Lekhula
	S. Pokane	E.T. Backward
	M.J. Sehanka	B.S. Majenge
	M.A. Letele	I.S. Riddle
	I. Mehlomakhu	

GRADING OF THE LOCAL AUTHORITY

Grade 2

AUDITORS

External –	Auditor General	Internal –	Internal Unit
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PRIMARY BANKER

ABSA Bank

REGISTERED OFFICE

Civic Center
Hoofd Street
Zastron
9950

PO Box 20
Zastron
9950

Telephone: (051) 673-9600

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

MUNICIPAL MANAGER

T.C. Panyani

CHIEF FINANCIAL OFFICER

J.V. Nkosi

**MOHOKARE LOCAL
MUNICIPALITY
ANNUAL FINANCIAL
STATEMENTS**

**for the year ended 30 June
2012**

GENERAL INFORMATION (continued)

**APPROVAL OF FINANCIAL
STATEMENTS**

I am responsible for the preparation of these Annual Financial Statements, which are set out on pages 7 to 93, in terms of Section 126(1) of the Municipal Finance Management Act (Act No 56 of 2003) and which I have signed on behalf of the municipality.

These Annual Financial Statements will be presented to the Council for information during September 2012.

TC PANYANI
MUNICIPAL MANAGER
31 August 2012

JV NKOSI
CHIEF FINANCIAL OFFICER
31 August 2012

MOHOKARE LOCAK MUNICIPALITY
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for the year ended 30 June 2012

MEMBERS OF THE COUNCIL

COUNCILLORS

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

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MEMBERS OF THE COUNCIL (continued)

CERTIFICATION OF REMUNERATION OF COUNCILLORS

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

TC PANYANI
MUNICIPAL MANAGER
31 August 2012

MOHOKARE LOCAL MUNICIPALITY
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for the year ended 30 June 2012

FOREWORD

During the 2011/12 financial year the municipality was under severe pressure to ensure compliance to various changes in legislation and continue with implementation of Generally Recognised Accounting Practice (GRAP) standards. The municipality was however able to meet the challenges set by a changing legislative and accounting environment.

The district municipality, as part of improving service delivery to the community, implemented proper communication channels through the local municipalities that have the Ward Committee and Community Development Workers systems at their disposal.

Although capital projects were limited to those financed from external grant funding the municipality has successfully implemented the projects identified in the Integrated Development Plan / Budget for 2009/10 financial year. The municipality will continue in the 2012/13 financial year to implement uncompleted projects for the previous financial year and those projects identified in the IDP / Budget for the current year.

Service delivery and the eradication of infrastructure backlogs remain a serious concern to all in local government. All role-players must ensure that they work together to overcome the legacy of the past and ensure that we uplift the living conditions of our people.

I hereby wish to thank the members of the Mayoral Committee and Council together with staff for their commitment during the year, ensuring that we meet the set targets for the year.

I thank you.

AM SHASHA EXECUTIVE MAYOR

31 August 2012

Mohokare Local Municipality

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2012

	Note	2012 R	2011 R
ASSETS			
Current Assets		19 519 651	31 594 086
Inventories - Consumables	2	626 830	511 904
Inventories - Erven held for transfer	3	4 215 670	4 215 670
Receivables from Exchange Transactions	4	862 467	5 886 949
Receivables from Non-exchange Transactions	5	360	4 126 581
Sundry debtors		1 158 062	1 156 845
VAT Receivable	6	12 367 668	15 183 263
Cash and Cash Equivalents	7	288 595	512 874
Non-Current Assets		329 648 004	331 187 073
Property, Plant and Equipment	8	308 051 336	309 452 919
Intangible Assets	9	534 123	534 123
Investment Property	10	20 519 205	20 519 205
Biological Assets	11	430 680	585 000
Non-current Investments	12	112 660	95 826
Total Assets		349 167 655	362 781 159
LIABILITIES			
Current Liabilities		32 726 430	34 388 287
Consumer Deposits	13	164 402	163 971
Provisions	14	-	-
Payables	15	16 068 867	18 909 436
Unspent Conditional Grants and Receipts	16	12 080 659	12 487 503
Bank Overdraft	7	3 915 357	2 065 666
Current Portion of Long-term Liabilities	17	497 144	761 711
Non-Current Liabilities		30 263 894	25 175 006
Long-term Liabilities	17	13 213 949	9 611 998
Non-current Provisions	18	17 049 945	15 563 009
Total Liabilities		62 990 323	59 563 294
Total Assets and Liabilities		286 177 332	303 217 865
NET ASSETS		286 177 333	303 217 865
Accumulated Surplus / (Deficit)	19	286 177 333	303 217 865
Total Net Assets		286 177 333	303 217 865

Mohokare Local Municipality

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2012

		Actual	
	Note	2012	2011
		R	R
REVENUE			
Revenue from Non-exchange Transactions			
Property Rates	20	7 231 215	6 062 907
Fines		157 143	156 055
Gains on Fair Value adjustments		16 834	1 780 205
Licences and Permits		439	4 153
Government Grants and Subsidies Received	21	75 357 043	68 189 764
Public Contributions and Donations	22	-	20 580
Revenue from Exchange Transactions			
Service Charges	23	35 847 242	28 275 180
Rental of Facilities and Equipment	24	663 136	656 777
Interest Earned - External Investments	25	140 677	31 636
Interest Earned - Outstanding Debtors	25	273 209	226 493
Dividends Received		2 962	1 733
Other Income	26	567 172	974 842
Total Revenue		120 257 072	106 380 325
EXPENDITURE			
Employee Related Costs	27	35 362 981	30 691 492
Remuneration of Councillors	28	2 599 729	2 209 126
Depreciation and Amortisation	29	21 215 435	21 078 163
Impairment Losses	30	32 945 571	15 271 157
Repairs and Maintenance		1 722 911	1 024 249
Finance Costs	31	2 080 323	2 436 791
Bulk Purchases	32	14 183 363	16 136 859
Contracted Services	33	5 169 266	8 020 299
Grants and Subsidies Paid	34	1 091 381	4 155 906
General Expenses	35	20 795 542	19 176 808
Loss on Disposal of Property, Plant and Equipment		131 102	-
Total Expenditure		137 297 604	120 200 851
SURPLUS / (DEFICIT) FOR THE YEAR		(17 040 532)	(13 820 526)

Refer to Appendix E(1) for explanation of budget variances

Mohokare Local Municipality

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2012

Description	Accumulated Surplus / (Deficit)	Total for Accumulated Surplus/(Deficit) Account	Total
	R	R	R
2011			
Balance at 30 June 2010	165 991 138	165 991 138	165 991 138
Change in Accounting Policy (Note 36)	(507 101)	(507 101)	(507 101)
Correction of Error (Note 36)	160 582 188	160 582 188	160 582 188
Restated Balance	326 066 225	326 066 225	326 066 225
Surplus / (Deficit) for the year	(13 820 526)	(13 820 526)	(13 820 526)
Centlec - net equity adjustment	(3 907 834)	(3 907 834)	(3 907 834)
Changes in revaluation of Property, Plant & Equipment	28 523 647	28 523 647	28 523 647
Overstatement of grant debtor	(8 021 756)	(8 021 756)	(8 021 756)
Capitalisation of prior year asset	(13 263 569)	(13 263 569)	(13 263 569)
MIG Liability previously not recognized	(12 373 362)	(12 373 362)	(12 373 362)
Other adjustments directly in equity	15 039	15 039	15 039
Balance at 30 June 2011	303 217 864	303 217 864	303 217 864
2012			
Change in Accounting Policy (Note 36)	-	-	-
Correction of Error (Note 36)	-	-	-
Restated Balance	303 217 865	303 217 864	303 217 864
Surplus / (Deficit) for the year	(17 040 532)	(17 040 532)	(17 040 532)
Balance at 30 June 2012	286 177 332	286 177 331	286 177 331

Details on the movement of the Funds and Reserves are set out in Note 36.

Mohokare Local Municipality

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2012

		Actual	
		2012	2011
		R	R
CASH FLOWS FROM OPERATING ACTIVITIES	Note		
Receipts			
Cash receipts from Ratepayers, Government and Other		126 562 317	115 155 264
Interest Received		413 886	258 129
Payments			
Cash paid to suppliers and Employees		(110 208 287)	(88 814 995)
Interest Paid		(2 080 323)	(2 436 791)
NET CASH FLOWS FROM OPERATING ACTIVITIES	39	14 687 593	24 161 607
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment	7	(20 098 952)	(29 980 227)
Proceeds on Disposal of Property, Plant and Equipment		5	740 308
Decrease / (Increase) in Non-current Investments		-	(95 826)
NET CASH FLOWS FROM INVESTING ACTIVITIES		(20 098 947)	(29 335 745)
CASH FLOWS FROM FINANCING ACTIVITIES			
Borrowings		3 337 384	4 593 703
NET CASH FLOWS FROM FINANCING ACTIVITIES		3 337 384	4 593 703
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		(2 073 970)	(580 434)
Cash and Cash Equivalents at Beginning of Period		(1 552 792)	(972 358)
Cash and Cash Equivalents at End of Period		(3 626 762)	(1 552 792)

BUDGET STATEMENT FOR THE YEAR ENDED 30 JUNE 2012

Description	Original Total Budget	Budget Adjustments	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R
FINANCIAL POSITION									
Current Assets									
Inventories	-	-	-	-	626 830	-	626 830	0.00	0.00
Non-current Assets Held-for-Sale	-	-	-	-	4 215 670	-	4 215 670	0.00	0.00
Receivables from Exchange Transactions	-	-	-	-	862 467	-	862 467	0.00	0.00
Receivables from Non-exchange Transactions	-	-	-	-	360	-	360	0.00	0.00
VAT Receivable	-	-	-	-	12 367 668	-	12 367 668	0.00	0.00
Cash and Cash Equivalents	-	-	-	-	288 595	-	288 595	0.00	0.00
Sundry Debtors	-	-	-	-	1 158 062	-	1 158 062	0.00	0.00
Non-Current Assets									
Property, Plant and Equipment	-	-	-	-	308 051 336	-	308 051 336	0.00	0.00
Intangible Assets	-	-	-	-	534 123	-	534 123	0.00	0.00
Investment Property	-	-	-	-	20 519 205	-	20 519 205	0.00	0.00
Biological Assets	-	-	-	-	430 680	-	430 680	0.00	0.00
Non-current Investments	-	-	-	-	112 660	-	112 660	0.00	0.00
Total Assets	-	-	-	-	349 167 656	-	349 167 656	0.00	0.00
Current Liabilities									
Consumer Deposits	-	-	-	-	164 402	-	164 402	0.00	0.00
Payables	-	-	-	-	16 068 867	-	16 068 867	0.00	0.00
Unspent Conditional Grants and Receipts	-	-	-	-	12 080 659	-	12 080 659	0.00	0.00
Bank Overdraft	-	-	-	-	3 915 357	-	3 915 357	0.00	0.00
Current Portion of Long-term Liabilities	-	-	-	-	497 144	-	497 144	0.00	0.00
Non-Current Liabilities									
Long-term Liabilities	-	-	-	-	13 213 949	-	13 213 949	0.00	0.00
Non-current Provisions	-	-	-	-	17 049 945	-	17 049 945	0.00	0.00
Total Liabilities	-	-	-	-	62 990 324	-	62 990 324	0.00	0.00
Total Assets and Liabilities	-	-	-	-	286 177 332	-	286 177 332	0.00	0.00
Net Assets (Equity)									
Accumulated Surplus / (Deficit)	-	-	-	-	286 177 333	-	286 177 333	0.00	0.00
Total Net Assets	-	-	-	-	286 177 333	-	286 177 333	0.00	0.00

BUDGET STATEMENT FOR THE YEAR ENDED 30 JUNE 2012 (Cont)

Description	Original Total Budget	Budget Adjustments	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R
FINANCIAL PERFORMANCE									
Revenue from Non-exchange Transactions									
Property Rates	6 846 144	-	-	6 846 144	7 231 215	-	385 071	105.62	105.62
Fines	1 210 000	(1 160 000)	-	50 000	157 143	-	107 143	314.29	12.99
Licences and Permits	110	890	-	1 000	439	-	(561)	43.86	398.73
Government Grants and Subsidies Received	63 839 447	8 871 553	-	72 711 000	75 357 043	-	2 646 043	103.64	118.04
Public Contributions and Donations	(28 052)	-	-	(28 052)	-	-	28 052	0.00	0.00
Service Charges	4 711 934	2 355 170	-	7 067 104	35 847 242	-	28 780 138	507.24	760.78
Rental of Facilities and Equipment	524 607	-	-	524 607	663 136	-	138 529	126.41	126.41
Interest Earned - External Investments	478	14 522	-	15 000	140 677	-	125 677	937.84	29 433.34
Interest Earned - Outstanding Debtors	242 201	-	-	242 201	273 209	-	31 008	112.80	112.80
Dividends Received	7 626	-	-	7 626	2 962	-	(4 664)	38.84	38.84
Royalties Received	-	-	-	-	16 834	-	16 834	0.00	0.00
Other Income	265 685	500 182	-	765 868	567 172	-	(198 696)	74.06	213.48
Total Revenue	77 620 181	10 582 318	-	88 202 499	120 257 072	-	32 054 573	136.34	154.93
Expenditure									
Employee Related Costs	40 327 844	(3 355 834)	-	36 972 010	35 362 981	-	(1 609 029)	95.65	87.69
Remuneration of Councillors	2 511 235	90 153	-	2 601 389	2 599 729	-	(1 659)	99.94	103.52
Depreciation and Amortisation	-	-	-	-	21 215 435	21 215 435	21 215 435	0.00	0.00
Impairment Losses	1 595 310	-	-	1 595 310	32 945 571	31 350 261	31 350 261	2 065.15	2 065.15
Repairs and Maintenance	1 221 259	1 393 089	-	2 614 348	1 722 911	-	(891 438)	65.90	141.08
Finance Costs	228 566	(151 068)	-	77 497	2 080 323	2 002 826	2 002 826	2 684.39	910.16
Bulk Purchases	493 097	932 712	-	1 425 809	14 183 363	12 757 554	12 757 554	994.76	2 876.38
Contracted Services	5 150 945	(29 055)	-	5 121 890	5 169 266	47 376	47 376	100.92	100.36
Grants and Subsidies Paid	1 417 410	-	-	1 417 410	1 091 381	-	(326 029)	77.00	77.00
General Expenses	19 902 195	(3 964 487)	-	15 937 708	20 795 542	4 857 834	4 857 834	130.48	104.49
Loss on Disposal of Property, Plant and Equipment	-	-	-	-	131 102	131 102	131 102	0.00	0.00
Total Expenditure	72 847 860	(5 084 490)	-	67 763 370	137 297 604	72 362 388	69 534 234	202.61	188.47
Surplus/(Deficit)	4 772 320	15 666 808	-	20 439 128	(17 040 532)	(72 362 388)	(37 479 660)	0.00	0.00
Surplus/(Deficit) after Capital Transfers and Contributions	4 772 320	15 666 808	-	20 439 128	(17 040 532)	(72 362 388)	(37 479 660)	0.00	0.00
Surplus/(Deficit) for the Year	4 772 320	15 666 808	-	20 439 128	(17 040 532)	(72 362 388)	(37 479 660)	-	-

BUDGET STATEMENT FOR THE YEAR ENDED 30 JUNE 2012 (Cont

Description	Original Total Budget	Budget Adjustments	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
CAPITAL EXPENDITURE PER FUNCTION									
Executive and Council	-	-	-	-	-	-	-	0.00	0.00
Finance and Administration	-	-	-	-	-	-	-	0.00	0.00
Planning and Development	-	-	-	-	-	-	-	0.00	0.00
Health	-	-	-	-	-	-	-	0.00	0.00
Community and Social Services	-	-	-	-	-	-	-	0.00	0.00
Housing	-	-	-	-	-	-	-	0.00	0.00
Public Safety	-	-	-	-	-	-	-	0.00	0.00
Sport and Recreation	-	-	-	-	-	-	-	0.00	0.00
Environmental Protection	-	-	-	-	-	-	-	0.00	0.00
Waste Management	9 616 947	-	-	9 616 947	8 124 886	-	(1 492 061)	84.49	84.49
Roads and Transport	8 990 000	-	-	8 990 000	11 131 874	2 141 874	2 141 874	123.83	123.83
Water	4 300 000	-	-	4 300 000	857 035	-	(3 442 965)	19.93	19.93
Electricity	1 210 000	-	-	1 210 000	1 214 789	4 789	4 789	100.40	100.40
Other	-	-	-	-	-	-	-	0.00	0.00
Total Sources of Capital Funds	24 116 947	-	-	24 116 947	21 328 584	2 146 663	(2 788 363)	88.44	88.44
CASH FLOW									
Cash Flows from/(used in) Operating Activities									
Cash Receipts from Ratepayers, Government and Other	-	-	-	-	126 562 317	126 562 317	126 562 317	0.00	0.00
Cash Paid to Suppliers and Employees	-	-	-	-	(110 208 287)	-	(110 208 287)	0.00	0.00
Dividends received	-	-	-	-	-	-	-	0.00	0.00
Royalties received	-	-	-	-	-	-	-	0.00	0.00
Interest received	-	-	-	-	413 886	413 886	413 886	0.00	0.00
Interest paid	-	-	-	-	(2 080 323)	-	(2 080 323)	0.00	0.00
Cash Flows from/(used in) Investing Activities									
Purchase of Property, Plant and Equipment	-	-	-	-	(20 098 952)	-	(20 098 952)	0.00	0.00
Purchase of Intangible Assets	-	-	-	-	-	-	-	0.00	0.00
Purchase of Investment Property	-	-	-	-	-	-	-	0.00	0.00
Proceeds on Disposal of Property, Plant and Equipment	-	-	-	-	5	5	5	0.00	0.00
Proceeds on Disposal of Intangible Assets	-	-	-	-	-	-	-	0.00	0.00
Proceeds on Disposal of Investment Property	-	-	-	-	-	-	-	0.00	0.00
Profit on Sale of Land	-	-	-	-	-	-	-	0.00	0.00
Decrease / (Increase) in Non-current Investments	-	-	-	-	-	-	-	0.00	0.00
Decrease / (Increase) in Investments in Associates	-	-	-	-	-	-	-	0.00	0.00
Decrease / (Increase) in Long-term Receivables	-	-	-	-	-	-	-	0.00	0.00
Cash Flows from/(used in) Financing Activities									
New Loans raised	-	-	-	-	-	-	-	0.00	0.00
Loans repaid	-	-	-	-	3 337 384	3 337 384	3 337 384	0.00	0.00
Increase / (Decrease) in Short-term Loans	-	-	-	-	-	-	-	0.00	0.00
Cash and Cash Equivalents at End of the Year	-	-	-	-	(2 073 970)	130 313 592	(2 073 970)	0.00	0.00

BUDGET STATEMENT FOR THE YEAR ENDED 30 JUNE 2012 (Cont)

Financial Performance: Explanation of Variances between Approved Budget and Actual

For reasons for Variances greater than 5% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Performance, please refer to Annexure "E (1)".

Capital Expenditure per Function: Explanation of Variances between Approved Budget and Actual

For reasons for Variances greater than 10% between Approved Budget and Actual Amount, please refer to Annexure "E (2)".

30 June 2011

Description	Original Total Budget	Budget Adjustments	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R
FINANCIAL POSITION									
Current Assets									
Inventories	-	-	-	-	511 904	-	511 904	0.00	0.00
Non-current Assets Held-for-Sale	-	-	-	-	4 215 670	-	4 215 670	0.00	0.00
Receivables from Exchange Transactions	-	-	-	-	5 886 949	-	5 886 949	0.00	0.00
Receivables from Non-exchange Transactions	-	-	-	-	4 126 581	-	4 126 581	0.00	0.00
VAT Receivable	-	-	-	-	15 183 263	-	15 183 263	0.00	0.00
Cash and Cash Equivalents	-	-	-	-	512 874	-	512 874	0.00	0.00
Sundry Debtors	-	-	-	-	1 156 845	-	1 156 845	0.00	0.00
Current Portion of Finance Lease Receivables	-	-	-	-	-	-	-	0.00	0.00
Current Portion of Long-term Receivables	-	-	-	-	-	-	-	0.00	0.00
Non-Current Assets									
Property, Plant and Equipment	-	-	-	-	309 452 919	-	309 452 919	0.00	0.00
Intangible Assets	-	-	-	-	534 123	-	534 123	0.00	0.00
Investment Property	-	-	-	-	20 519 205	-	20 519 205	0.00	0.00
Heritage Assets	-	-	-	-	-	-	-	0.00	0.00
Biological Assets	-	-	-	-	585 000	-	585 000	0.00	0.00
Non-current Investments	-	-	-	-	95 826	-	95 826	0.00	0.00
Investments in Associates	-	-	-	-	-	-	-	0.00	0.00
Finance Lease Receivables	-	-	-	-	-	-	-	0.00	0.00
Long-term Receivables	-	-	-	-	-	-	-	0.00	0.00
Total Assets	-	-	-	-	362 781 159	-	362 781 159	0.00	0.00

BUDGET STATEMENT FOR THE YEAR ENDED 30 JUNE 2012 (Cont)

Description	Original Total Budget	Budget Adjustments	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
Current Liabilities									
Consumer Deposits	-	-	-	-	163 971	-	163 971	0.00	0.00
Provisions	-	-	-	-	-	-	-	0.00	0.00
Payables	-	-	-	-	18 909 436	-	18 909 436	0.00	0.00
Unspent Conditional Grants and Receipts	-	-	-	-	12 487 503	-	12 487 503	0.00	0.00
VAT Payable	-	-	-	-	-	-	-	0.00	0.00
Short-term Loans	-	-	-	-	-	-	-	0.00	0.00
Operating Lease Liabilities/Payables	-	-	-	-	-	-	-	0.00	0.00
Liabilities associated with Assets Held-for-Sale	-	-	-	-	-	-	-	0.00	0.00
Bank Overdraft	-	-	-	-	2 065 666	-	2 065 666	0.00	0.00
Current Portion of Long-term Liabilities	-	-	-	-	761 711	-	761 711	0.00	0.00
Non-Current Liabilities									
Long-term Liabilities	-	-	-	-	9 611 998	-	9 611 998	0.00	0.00
Retirement Benefit Liabilities	-	-	-	-	-	-	-	0.00	0.00
Non-current Provisions	-	-	-	-	15 563 009	-	15 563 009	0.00	0.00
Total Liabilities	-	-	-	-	59 563 293	-	59 563 293	0.00	0.00
Total Assets and Liabilities	-	-	-	-	303 217 866	-	303 217 866	0.00	0.00
Net Assets (Equity)									
Statutory Funds	-	-	-	-	-	-	-	0.00	0.00
Reserves	-	-	-	-	-	-	-	0.00	0.00
Accumulated Surplus / (Deficit)	-	-	-	-	303 217 865	-	303 217 865	0.00	0.00
Total Net Assets	-	-	-	-	303 217 865	-	303 217 865	0.00	0.00

BUDGET STATEMENT FOR THE YEAR ENDED 30 JUNE 2012 (Cont)

Description	Original Total Budget	Budget Adjustments	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
FINANCIAL PERFORMANCE									
Revenue from Non-exchange Transactions									
Property Rates	4 615 027	-	-	4 615 027	6 062 907	-	1 447 880	131.37	131.37
Property Rates - Penalties imposed and collection charges	-	-	-	-	-	-	-	0.00	0.00
Fines	710 463	-	-	710 463	156 055	-	(554 408)	21.97	21.97
Licences and Permits	-	-	-	-	4 153	-	4 153	0.00	0.00
Income for Agency Services	-	-	-	-	-	-	-	0.00	0.00
Government Grants and Subsidies Received	56 240 298	-	-	56 240 298	52 882 210	-	(3 358 088)	94.03	94.03
Public Contributions and Donations	-	-	-	-	20 580	-	20 580	0.00	0.00
Revenue from Exchange Transactions	-								
Service Charges	23 386 866	-	-	23 386 866	28 275 180	-	4 888 314	120.90	120.90
Rental of Facilities and Equipment	723 384	-	-	723 384	656 777	-	(66 607)	90.79	90.79
Interest Earned - External Investments	67 893	-	-	67 893	31 636	-	(36 257)	46.60	46.60
Interest Earned - Outstanding Debtors	-	-	-	-	226 493	-	226 493	0.00	0.00
Dividends Received	6 933	-	-	6 933	1 733	-	(5 199)	25.00	25.00
Royalties Received	-	-	-	-	1 780 205	-	1 780 205	0.00	0.00
Other Income	1 081 114	-	-	1 081 114	974 842	-	(106 272)	90.17	90.17
Other Gains on Continued Operations	-	-	-	-	-	-	-	0.00	0.00
Gains on Disposal of Property, Plant and Equipment	-	-	-	-	-	-	-	0.00	0.00
Profit on Sale of Land	-	-	-	-	-	-	-	0.00	0.00
Total Revenue	86 831 978	-	-	86 831 978	91 072 771	-	4 240 793	104.88	104.88
Expenditure									
Employee Related Costs	33 847 343	-	-	33 847 343	30 691 492	-	(3 155 851)	90.68	90.68
Remuneration of Councillors	2 321 993	-	-	2 321 993	2 209 126	-	(112 867)	95.14	95.14
Collection Costs	-	-	-	-	-	-	-	0.00	0.00
Depreciation and Amortisation	-	-	-	-	21 078 163	21 078 163	21 078 163	0.00	0.00
Impairment Losses	1 422 247	-	-	1 422 247	15 271 157	13 848 910	13 848 910	1 073.73	1 073.73
Repairs and Maintenance	1 636 697	-	-	1 636 697	1 024 249	-	(612 449)	62.58	62.58
Finance Costs	4 797 180	-	-	4 797 180	2 436 791	-	(2 360 389)	50.80	50.80
Bulk Purchases	4 033 319	-	-	4 033 319	16 136 859	12 103 540	12 103 540	400.09	400.09
Contracted Services	5 200 000	-	-	5 200 000	8 020 299	2 820 299	2 820 299	154.24	154.24
Grants and Subsidies Paid	-	-	-	-	4 155 906	4 155 906	4 155 906	0.00	0.00
Research and Development Costs	-	-	-	-	-	-	-	0.00	0.00
General Expenses	28 707 660	-	-	28 707 660	19 176 808	-	(9 530 852)	66.80	66.80
Other Losses on Continued Operations	-	-	-	-	-	-	-	0.00	0.00
Loss on Disposal of Property, Plant and Equipment	-	-	-	-	-	-	-	0.00	0.00
Total Expenditure	81 966 439	-	-	81 966 439	120 200 851	54 006 819	38 234 412	146.65	146.65

BUDGET STATEMENT FOR THE YEAR ENDED 30 JUNE 2012 (Cont)

Description	Original Total Budget	Budget Adjustments	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
FINANCIAL PERFORMANCE									
Revenue from Non-exchange Transactions									
Property Rates	4 615 027	-	-	4 615 027	6 062 907	-	1 447 880	131.37	131.37
Fines	710 463	-	-	710 463	156 055	-	(554 408)	21.97	21.97
Licences and Permits	-	-	-	-	4 153	-	4 153	0.00	0.00
Income for Agency Services	-	-	-	-	-	-	-	0.00	0.00
Government Grants and Subsidies Received	56 240 298	-	-	56 240 298	52 882 210	-	(3 358 088)	94.03	94.03
Public Contributions and Donations	-	-	-	-	20 580	-	20 580	0.00	0.00
Revenue from Exchange Transactions									
Service Charges	23 386 866	-	-	23 386 866	28 275 180	-	4 888 314	120.90	120.90
Rental of Facilities and Equipment	723 384	-	-	723 384	656 777	-	(66 607)	90.79	90.79
Interest Earned - External Investments	67 893	-	-	67 893	31 636	-	(36 257)	46.60	46.60
Interest Earned - Outstanding Debtors	-	-	-	-	226 493	-	226 493	0.00	0.00
Dividends Received	6 933	-	-	6 933	1 733	-	(5 199)	25.00	25.00
Royalties Received	-	-	-	-	1 780 205	-	1 780 205	0.00	0.00
Other Income	1 081 114	-	-	1 081 114	974 842	-	(106 272)	90.17	90.17
Other Gains on Continued Operations	-	-	-	-	-	-	-	0.00	0.00
Gains on Disposal of Property, Plant and Equipment	-	-	-	-	-	-	-	0.00	0.00
Profit on Sale of Land	-	-	-	-	-	-	-	0.00	0.00
Total Revenue	86 831 978	-	-	86 831 978	91 072 771	-	4 240 793	104.88	104.88
Expenditure									
Employee Related Costs	33 847 343	-	-	33 847 343	30 691 492	-	(3 155 851)	90.68	90.68
Remuneration of Councillors	2 321 993	-	-	2 321 993	2 209 126	-	(112 867)	95.14	95.14
Collection Costs	-	-	-	-	-	-	-	0.00	0.00
Depreciation and Amortisation	-	-	-	-	21 078 163	21 078 163	21 078 163	0.00	0.00
Impairment Losses	1 422 247	-	-	1 422 247	15 271 157	13 848 910	13 848 910	1 073.73	1 073.73
Repairs and Maintenance	1 636 697	-	-	1 636 697	1 024 249	-	(612 449)	62.58	62.58
Finance Costs	4 797 180	-	-	4 797 180	2 436 791	-	(2 360 389)	50.80	50.80
Bulk Purchases	4 033 319	-	-	4 033 319	16 136 859	12 103 540	12 103 540	400.09	400.09
Contracted Services	5 200 000	-	-	5 200 000	8 020 299	2 820 299	2 820 299	154.24	154.24
Grants and Subsidies Paid	-	-	-	-	4 155 906	4 155 906	4 155 906	0.00	0.00
General Expenses	28 707 660	-	-	28 707 660	19 176 808	-	(9 530 852)	66.80	66.80
Other Losses on Continued Operations	-	-	-	-	-	-	-	0.00	0.00
Loss on Disposal of Property, Plant and Equipment	-	-	-	-	-	-	-	0.00	0.00
Total Expenditure	81 966 439	-	-	81 966 439	120 200 851	54 006 819	38 234 412	146.65	146.65
Surplus/(Deficit)	4 865 539	-	-	4 865 539	(29 128 080)	(54 006 819)	(33 993 619)	0.00	0.00
Transfers Recognised – Capital	-	-	-	-	15 307 554	15 307 554	15 307 554	0.00	0.00
Contributions Recognised - Capital and Contributed Assets	-	-	-	-	-	-	-	0.00	0.00
Surplus/(Deficit) after Capital Transfers and Contributions	4 865 539	-	-	4 865 539	(13 820 526)	(38 699 264)	(18 686 065)	0.00	0.00
Surplus / (Deficit) from Discontinued Operations	-	-	-	-	-	-	-	0.00	0.00
Surplus/(Deficit for the Year	4 865 539	-	-	4 865 539	(13 820 526)	(38 699 264)	(18 686 065)	-	-

BUDGET STATEMENT FOR THE YEAR ENDED 30 JUNE 2012 (Cont)

Description	Original Total Budget	Budget Adjustments	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
CASH FLOW									
Cash Flows from/(used in) Operating Activities									
Cash Receipts from Ratepayers, Government and Other	-	-	-	-	115 155 264	115 155 264	115 155 264	0.00	0.00
Cash Paid to Suppliers and Employees	-	-	-	-	(88 087 205)	-	(88 087 205)	0.00	0.00
Dividends received	-	-	-	-	-	-	-	0.00	0.00
Royalties received	-	-	-	-	-	-	-	0.00	0.00
Interest received	-	-	-	-	258 129	258 129	258 129	0.00	0.00
Interest paid	-	-	-	-	(2 436 791)	-	(2 436 791)	0.00	0.00
Cash Flows from/(used in) Investing Activities									
Purchase of Property, Plant and Equipment	-	-	-	-	(29 980 227)	-	(29 980 227)	0.00	0.00
Purchase of Intangible Assets	-	-	-	-	-	-	-	0.00	0.00
Purchase of Investment Property	-	-	-	-	-	-	-	0.00	0.00
Proceeds on Disposal of Property, Plant and Equipment	-	-	-	-	740 308	740 308	740 308	0.00	0.00
Proceeds on Disposal of Intangible Assets	-	-	-	-	-	-	-	0.00	0.00
Proceeds on Disposal of Investment Property	-	-	-	-	-	-	-	0.00	0.00
Profit on Sale of Land	-	-	-	-	-	-	-	0.00	0.00
Decrease / (Increase) in Non-current Investments	-	-	-	-	(95 826)	-	(95 826)	0.00	0.00
Decrease / (Increase) in Investments in Associates	-	-	-	-	-	-	-	0.00	0.00
Decrease / (Increase) in Long-term Receivables	-	-	-	-	-	-	-	0.00	0.00
Cash Flows from/(used in) Financing Activities									
New Loans raised	-	-	-	-	-	-	-	0.00	0.00
Loans repaid	-	-	-	-	4 593 703	4 593 703	4 593 703	0.00	0.00
Increase / (Decrease) in Short-term Loans	-	-	-	-	-	-	-	0.00	0.00
Cash and Cash Equivalents at End of the Year	-	-	-	-	147 355	120 747 404	147 355	0.00	0.00

Financial Performance: Explanation of Variances between Approved Budget and Actual

For reasons for Variances greater than 5% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Performance, please refer to Annexure "E (1)".

Capital Expenditure per Function: Explanation of Variances between Approved Budget and Actual

For reasons for Variances greater than 10% between Approved Budget and Actual Amount, please refer to Annexure "E (2)".

RECONCILIATION OF BUDGET SURPLUS/(DEFICIT) WITH THE SURPLUS/(DEFICIT) IN THE STATEMENT OF FINANCIAL PERFORMANCE:			
Description	2011/12		2010/11
	R		R
Net surplus/(deficit) per the statement of financial performance	(17 040 532)		(13 820 526)
Revenue from Non-exchange Transactions			
Property Rates	(385 071)		(1 447 880)
Property Rates - Penalties imposed and collection charges	-		-
Fines	(107 143)		554 408
Licences and Permits	561		(4 153)
Revenue for Agency Services	-		-
Government Grants and Subsidies Received	(2 646 043)		(11 949 466)
Public Contributions and Donations	(28 052)		(20 580)
Revenue from Exchange Transactions			
Service Charges	(28 780 138)		(4 888 314)
Rental of Facilities and Equipment	(138 529)		66 607
Interest Earned - External Investments	(125 677)		36 257
Interest Earned - Outstanding Debtors	(31 008)		(226 493)
Dividends Received	4 664		5 199
Royalties Received	-		-
Other Revenue	198 696		106 272
Other Gains on Continued Operations	-		-
Gains on Disposal of Property, Plant and Equipment	-		-
Profit on Sale of Land	-		-
Expenditure			
Employee Related Costs	(1 609 029)		(3 155 851)
Remuneration of Councillors	(1 659)		(112 867)
Collection Costs	-		-
Depreciation and Amortisation	21 215 435		21 078 163
Impairment Losses	31 350 261		13 848 910
Repairs and Maintenance	(891 438)		(612 449)
Finance Costs	2 002 826		(2 360 389)
Bulk Purchases	12 757 554		12 103 540
Contracted Services	47 376		2 820 299
Grants and Subsidies Paid	(326 029)		4 155 906
Research and Development Costs	-		-
General Expenses	4 857 834		(9 530 852)
Other Losses on Continued Operations	-		-
Loss on Disposal of Property, Plant and Equipment	131 102		-
Net surplus/deficit per approved budget	20 455 962		6 645 744

MOHOKARE LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

1. BASIS OF PRESENTATION

The Annual Financial Statements have been prepared on an accrual basis of accounting and are in accordance with the historical cost convention, except where indicated otherwise.

The financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practices (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board and the Municipal Finance Management Act, 2003 (Act No. 56 of 2003).

1. 1 CHANGES IN ACCOUNTING POLICY AND COMPARABILITY

Accounting Policies have been consistently applied, except where otherwise indicated below:

For the years ended 30 June 2011 and 30 June 2012 the municipality has adopted the accounting framework as set out in point 1 above. The details of any resulting changes in accounting policy and comparative restatements are set out below.

The municipality changes an accounting policy only if the following instances:

- (a) is required by a Standard of GRAP; or
- (b) results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the entity's financial position, financial performance or cash flow.

1. 2 CRITICAL JUDGEMENTS, ESTIMATIONS AND ASSUMPTIONS

In the application of the municipality's accounting policies, which are described below, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. 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, apart from those involving estimations, that the management have made in the process of applying the municipality's Accounting Policies and that have the most significant effect on the amounts recognised in Annual Financial Statements:

1. 2. 1 Revenue Recognition

Accounting Policy 10.2 on *Revenue from Exchange Transactions* and Accounting Policy 10.3 on *Revenue from Non-exchange Transactions* describes the conditions under which revenue will be recorded by the management of the municipality.

In making their judgement, the management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GAMAP 9: Revenue, as far as Revenue from Non-Exchange Transactions is concerned (see Basis of Preparation above). 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.

MOHOKARE LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

1. BASIS OF PRESENTATION (continued)

1. 2 CRITICAL JUDGEMENTS, ESTIMATIONS AND ASSUMPTIONS (continued)

1. 2. 2 *Financial Assets and Liabilities*

The classification of financial assets and liabilities, into categories, is based on judgement by management. Accounting Policy 6.1 on *Financial Assets Classification* and Accounting Policy 6.2 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 IAS 32: *Financial Instruments - Presentation* and IAS 39: *Financial Instruments - Recognition and Measurement*.

1. 2. 3 *Impairment of Financial Assets*

Accounting Policy 6.4 on *Impairment of Financial Assets* describes the process followed to determine the value by which financial assets should be impaired. In making the estimation of the impairment, the management of the municipality considered the detailed criteria of impairment of financial assets as set out in IAS 39: *Financial Instruments - Recognition and Measurement*, 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 (If longer than 60 days from billing date the full amount is impaired) 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. The total increase in estimation of the impairment of trade and other receivables from exchange transactions amounted to R41 029 495 and that of trade and other receivable from non exchange transactions to R6 597 107.

1. 2. 4 *Useful lives of Property, Plant and Equipment, Intangible Assets and Investment Property*

As described in Accounting Policies 3.3, 4 and 5 the municipality depreciates / amortises its property, plant and equipment, investment property and intangible assets over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use. The useful lives of assets are based on management's estimation. Management considered the impact of technology, availability of capital funding, service requirements and required return on assets in order to determine the optimum useful life expectation, where appropriate.

The estimation of residual values of assets is based on management's judgement as to whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

1. 2. 5 *Impairment: Write down of Property, Plant and Equipment and Inventories*

Accounting Policy 3.9 on *PPE - Impairment of Assets* and Accounting Policy 4.2 on *Intangible Assets - Subsequent Measurement, Amortisation and Impairment* and Accounting Policy 8.2 on *Inventory - Subsequent measurement* describes the conditions under which non-financial assets are tested for potential impairment losses by the management of the municipality. Significant estimates and judgements are made relating to PPE impairment testing, Intangible assets impairment testing and write down of Inventories to the lowest of Cost and Net Realisable Values (NRV).

MOHOKARE LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

1. BASIS OF PRESENTATION (continued)

1. 2 CRITICAL JUDGEMENTS, ESTIMATIONS AND ASSUMPTIONS (continued)

1. 2. 5 *Impairment: Write down of Property, Plant and Equipment and Inventories (continued)*

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. During the year the estimated impairments to Property plant and equipment amounted to R16 781, whilst no impairments were made to intangible assets or inventory.

1. 2. 6 *Water inventory*

The estimation of the water stock in the reservoirs is based on the measurement of water via dip stick measurements, which determines the depth of water in the reservoirs, which is then converted into volumes based on the total capacity of the reservoir. Refer to Note 10 of the accounting policy notes to the Annual Financial Statements.

1. 2. 7 *Defined Benefit Plan Liabilities*

As described in Accounting Policy 13, the municipality obtains actuarial valuations of its defined benefit plan liabilities. The defined benefit obligations of the municipality that were identified are Post-retirement Health Benefit Obligations and Long-service Awards. The estimated liabilities are recorded in accordance with the requirements of IAS 19. No Liabilities existed at year end.

1. 2. 8 *Provisions and Contingent Liabilities*

Provision for Rehabilitation of Refuse Landfill Sites

The Municipality has an obligation to rehabilitate its landfill sites in terms of its license stipulations. Provision is made for this obligation based on the net present value of cost. The cost factors as determined have been applied and projected at an inflation rate of 6% (2011: 6%) and discounted to the present value:

a) For landfill sites with a remaining operating life of less than 5 years, at the average short term borrowing cost of 12% (2011: 12%).

1. 2. 9 *Budget information*

Deviations between budget and actual amounts are regarded as material differences when a 5% deviation exists. All material differences are explained in the notes to the annual financial statements.

1. 3 PRESENTATION CURRENCY

The Annual Financial Statements are presented in South African Rand, rounded off to the nearest Rand, which is the municipality's functional currency.

1. 4 GOING CONCERN ASSUMPTION

The Annual Financial Statements have been prepared on a going concern basis.

MOHOKARE LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

1. BASIS OF PRESENTATION (continued)

1. 5 OFFSETTING

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

1. 6 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

GRAP 21 Impairment of Non-cash-generating Assets - issued March 2009

The Minister of Finance announced that the application of GRAP 21, GRAP 23, GRAP 24, GRAP 26, GRAP 103 and GRAP 104 will be effective for period starting after 1 April 2012. All other standards as listed above will only be effective when a date is announced by the Minister of Finance.

The ASB Directive 5 paragraph 29 sets out the principles for the application of the GRAP 3 guidelines in the determination of the GRAP Reporting Framework hierarchy, as set out in the standard of GRAP 3 on Accounting Policies, Changes in Accounting Estimates and Errors.

The Municipality applied the principles established in the following Standards of GRAP that have been issued, but is not yet in effect, in developing an appropriate accounting policies dealing with the following transactions, but have not early adopted these Standards:

Impairment of Non-cash-generating Assets (GRAP 21 - issued March 2009)
Impairment of Cash-generating Assets (GRAP 26 - issued March 2009) Revenue
from Non-Exchange Transactions (GRAP 23 - issued February 2008) Financial
Instruments (GRAP 104 Financial Instruments - October 2009)

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

2. ACCUMULATED SURPLUS

Included in the accumulated surplus of the municipality, are the following reserves that are maintained in terms of specific requirements:

2. 1 Other Reserves

The Entity creates and maintains reserves in terms of specific requirements.

MOHOKARE LOCAL MUNICIPALITY

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3. PROPERTY, PLANT AND EQUIPMENT

3. 1 Initial Recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year.

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

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

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

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

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

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

3. 2 Subsequent Measurement

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the entity and the cost 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 property plant and equipment, land and building and including for Infrastructure Assets, are measured at cost, less accumulated depreciation and accumulated impairment losses.

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.

MOHOKARE LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
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3. PROPERTY, PLANT AND EQUIPMENT (continued)

3. 3 Depreciation

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

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

	Years		Years
<i>Infrastructure</i>		<i>Buildings</i>	20 - 100
Roads and Paving	100		
Electricity	45 - 50	<i>Other</i>	
Water	20 - 80	Specialist Vehicles	10
Sewerage	40 - 80	Other Vehicles	7
Landfill Sites	5 - 100	Office Equipment	4 - 7
		Furniture and Fittings	4 - 7
<i>Community</i>		Bins and Containers	4
Recreational Facilities	15 - 80	Specialised Plant and Equipment	10
Security	5		

The assets' residual values, estimated useful lives and depreciation method are reviewed annually, and adjusted prospectively if appropriate, at each reporting date.

3. 4 Incomplete Construction Work

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

3. 5 Finance Leases

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

3. 6 Land

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

3. 7 Infrastructure Assets

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

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3. PROPERTY, PLANT AND EQUIPMENT (continued)

3. 9 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 are not classified as revenue.

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.

Transitional provisions

The estimated useful lives and depreciation methods have been reviewed for the year ended 30 June 2012 (and applied retrospectively where practicable), and any changes therein have been implemented in accordance with the requirements of GRAP 17, GRAP 3 and ASB Directive 4.

4. INTANGIBLE ASSETS

4. 1 Initial Recognition

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

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

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ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS **FOR THE YEAR ENDED 30 JUNE 2012**

4. INTANGIBLE ASSETS (continued)

4. 2 Subsequent Measurement, Amortisation and Impairment

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

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

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

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.

4. 3 Derecognition

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

5. INVESTMENT PROPERTY

5. 1 Initial Recognition

Investment property includes property (land or a building, or part of a building, or both land or buildings held as lease 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.

MOHOKARE LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS **FOR THE YEAR ENDED 30 JUNE 2012**

5. INVESTMENT PROPERTY (Continued)

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

- Property intended for sale in the ordinary course of operations or in the process of construction or development for such sale;
- Property being constructed or developed on behalf of third parties;
- Owner-occupied property, including (among other things) property held for future use as owner-occupied property, property held for future development and subsequent use as owner-occupied property, property occupied by employees such as housing for personnel (whether or not the employees pay rent at market rates) and owner-occupied property awaiting disposal;
- Property that is being constructed or developed for future use as investment property;
- Property that is leased to another entity under a finance lease;
- Property held to provide a social service and which also generates cash inflows, e.g. property rented out below market rental to sporting bodies, schools, low income families, etc; and
- Property held for strategic purposes or service delivery.

5. 2 Subsequent Measurement - Fair Value Model

Investment property is measured using the fair value model. Investment property is carried at fair value, representing open market value determined by external valuers at the date of the last general valuation which will occur yearly. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. A gain or loss arising from a change in the fair value of investment property is included in surplus or deficit for the period in which it arises.

5. 3 Derecognition

An investment property shall be derecognised (eliminated from the statement of financial position) on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

6. IMPAIRMENT OF ASSETS

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

6. 1 Impairment of Cash generating assets

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

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

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

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

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

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

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.

MOHOKARE LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
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6. IMPAIRMENT OF ASSETS (continued)

6. 2 Impairment of Non-Cash generating assets

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.

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.

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.

7. FINANCIAL INSTRUMENTS

The municipality has various types of financial instruments and these can be broadly categorised as either financial assets, financial liabilities or equity instruments 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

Fair value methods and assumptions

The effective interest rate method

Amortised cost

MOHOKARE LOCAL MUNICIPALITY

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7. FINANCIAL INSTRUMENTS (continued)

7. 1 Financial Assets - Classification

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

In accordance with IAS 39.09 the Financial Assets of the municipality are classified as follows into the four categories allowed by this standard:

Loans and Receivables 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. Loans and receivables 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.

Held-to-Maturity Investments are financial assets with fixed or determinable payments and fixed maturity where the municipality has the positive intent and ability to hold the investment to maturity.

Financial assets at fair value through profit or loss are financial assets that meet either of the following conditions:

- they are classified as held for trading; or
- upon initial recognition they are designated as at fair value through the Statement of Financial Performance.

Available for sale investments are financial assets that are designated as available for sale or are not classified as:

- Loans and Receivables;
- Held-to-Maturity Investments; or
- Financial assets at fair value through profit and loss

7. 1 Financial Assets - Classification

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 IAS 39.09
Short-term Investment Deposits – Call	Held-to-maturity investments
Bank Balances and Cash	Loans and receivables
Consumer Debtors	Loans and receivables
Other Debtors	Loans and receivables

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 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: loans and receivables.

MOHOKARE LOCAL MUNICIPALITY

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

7. 2 Financial Liabilities - Classification

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

7. 2 Financial Liabilities - Classification (continued)

▪ Long-term Liabilities	Other financial liabilities (Financial liabilities measured at amortised cost)
▪ Certain Other Creditors	Other financial liabilities (Financial liabilities measured at amortised cost)
▪ Bank Overdraft	Other financial liabilities (Financial liabilities measured at amortised cost)
▪ Consumer Deposits	Financial liabilities at fair value through profit and loss

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

- (i) Fair value through profit or loss; or
- (ii) Other financial liabilities (Financial liabilities measured at amortised cost)
- (iii) Financial guarantee contract

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

Any other financial liabilities are classified as "Other financial liabilities" in accordance with IAS 39.09

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

7. 3 Initial and Subsequent Measurement

7. 3. 1 Financial Assets:

Held-to-maturity Investments 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 revenue recognised on an effective yield basis.

Financial assets at fair value through profit or loss are initially and subsequently recognised at fair value and changes in fair value recognised directly through profit or loss.

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ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS **FOR THE YEAR ENDED 30 JUNE 2012**

7. FINANCIAL INSTRUMENTS (continued)

7. 3. 1 Financial Assets:

Loans and Receivables 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. .

Trade and other receivables (excluding Value Added Taxation, prepayments and operating lease receivables), loans to Municipality entities and loans that have fixed and determinable payments that are not quoted in an active market are classified as loans and receivables.

Available-for-Sale Financial Assets 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 that are measured at fair value through profit or loss are measured at fair value through profit or loss are stated at fair value, with any resulted gain or loss recognised in the Statement of Financial Performance.

Financial Liabilities held 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, 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.

Financial guarantee contract

Financial guarantee contracts represent contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when they are contractually due.

Financial guarantee contract liabilities are initially measured at fair value.

The subsequent measurement of financial guarantee contracts is the higher of the amount determined in accordance with the policy on provisions as set out below, or the amount initially recognised less when appropriate cumulative amortisation.

7. 4 Impairment of Financial Assets

Financial assets, other than those at fair value through profit or loss, 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 IAS 39.

Available-for-sale financial assets

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in net assets and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in net assets shall be removed and recognised in the Statement of Financial Performance even though the financial asset has not been derecognised.

MOHOKARE LOCAL MUNICIPALITY

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7. FINANCIAL INSTRUMENTS (continued)

Financial assets carried at amortised cost

Accounts receivables encompass 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 IAS 39.64 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.

With the exception of Available-for-Sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the Statement of Financial Performance to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

7. 5 Derecognition of Financial Assets

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

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

7. 6 Derecognition of Financial Liabilities

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

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

8. INVENTORIES

8. 1 Initial Recognition

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

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ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
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8. INVENTORIES (Continued)

8. 1 Initial Recognition

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.

8. 2 Subsequent Measurement

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

Consumable stores, raw materials, work-in-progress and finished goods 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). In general, the basis of determining cost is the weighted average cost of commodities. 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, nett 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.

9. NON-CURRENT ASSETS HELD-FOR-SALE

9. 1 Initial Recognition

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

9. 2 Subsequent Measurement

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

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

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

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

MOHOKARE LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS **FOR THE YEAR ENDED 30 JUNE 2012**

10. REVENUE RECOGNITION

10. 1 General

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

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

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

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

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

10. 2 Revenue from Exchange Transactions

10. 2. 1 Service Charges

Service charges relating to solid waste, electricity, 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.

10. 2. 2 Pre-paid Electricity

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

MOHOKARE LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

10. REVENUE RECOGNITION (continued)

10. 2. 3 Finance income

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

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

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

10. 2. 4 Tariff Charges

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

10. 2. 5 Income from Agency Services

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

10. 2. 6 Rentals

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

10. 2. 7 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.

10. 3 Revenue from Non-exchange Transactions

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

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

10. 3. 1 Rates and Taxes

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

10. 3. 2 Fines

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received, together with management's best estimate of the probable inflows from the amounts not yet collected.

MOHOKARE LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

10. REVENUE RECOGNITION (continued)

10. 3 Revenue from Non-exchange Transactions (continued)

10. 3. 3 Public contributions

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

10. 3. 4 Government Grants and receipts

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

Conditional Grants and receipts

Income received from 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. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

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.

10. 3. 5 Revenue from Recovery of Unauthorised, Irregular, Fruitless and Wasteful Expenditure

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

11. 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.

MOHOKARE LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

11. PROVISIONS (Continued)

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.

Provision for Restructuring cost

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

- (a) The municipality has a detailed formal plan for the restructuring identifying at least:
 - the business or part of a business concerned;
 - the principal locations affected;
 - the location, function, and approximate number of employees who will be compensated for terminating their services;
 - the expenditures that will be undertaken;
 - when the plan will be implemented; and;
- (b) The municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

Environmental rehabilitation provisions

Estimated long-term environmental provisions, comprising rehabilitation and landfill site closure, are based on the Entity's policy, taking into account current technological, environmental and regulatory requirements. The provision for rehabilitation is recognised as and when the environmental liability arises. To the extent that the obligations relate to the asset, they are capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are charged to the Statement of Financial Performance.

12. EMPLOYEE BENEFITS

12. 1 Short-term Employee Benefits

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

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

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

12. 2 Post employment benefits

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

12. 2. 1 Defined Contribution Plans

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

MOHOKARE LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

12. EMPLOYEE BENEFITS (Continued)

12. 2. 1 Defined Contribution Plans

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.

12. 3 Defined Benefit Plans

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

12. 3. 1 Post-retirement Health Care Benefits:

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

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

Actuarial gains or losses 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.

12. 3. 2 Long-service Allowance

The municipality has an obligation to provide Long-service Allowance Benefits to all of its employees. According to the rules of the Long-service Allowance Scheme, which the municipality instituted and operates, an employee (who is on the current Conditions of Service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 5, 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.

12. 3. 3 Provincially-administered Defined Benefit Plans

The municipality contributes to various National- and Provincial-administered Defined Benefit Plans on behalf of its qualifying employees. These funds are multi-employer funds (refer to Note 47 of the Annual Financial Statements for details). 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.

12. 3. 4 Defined benefit pension plans

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

MOHOKARE LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

12. EMPLOYEE BENEFITS (Continued)

12. 3. 1 Defined benefit pension plans

A liability will be 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. No such liability existed at 30 June 2012. 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.

13. 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.

13. 1 The Municipality as Lessee

Finance leases

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

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

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.

MOHOKARE LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

13. LEASES (continued)

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

13. 2 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.

14. 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.

15. 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. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

16. 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. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

17. 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. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

18. CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND ERRORS

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

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

MOHOKARE LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

18. CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND ERRORS

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.

19. 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. Key management personnel is defined as the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

20. EVENTS AFTER THE REPORTING DATE

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

21. COMPARATIVE INFORMATION

21.1 Current year comparatives:

Budgeted amounts have, in accordance with GRAP 1, been provided to these financial statements and forms part of the Annual Financial Statements.

21.2 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.

21.3 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.

22. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

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

MOHOKARE LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

23. 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.

24. CAPITAL COMMITMENTS

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

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

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

25 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 2012 in accordance with the requirements of GRAP 5 and ASB Directive 4. 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.

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

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1. GENERAL INFORMATION

Mohokare Local Municipality ("the municipality") is a local government institution in Zastron, Smithfield and Rouxville towns in the Xhariep district, Free State Province. The addresses of its registered office and principal place of business are disclosed under "General Information" included in the Annual Financial Statements and in the introduction of the Annual Report. The principal activities of the municipality are disclosed in the Annual Report and are prescribed by the Municipal Finance Management Act (MFMA).

2. INVENTORIES - CONSUMABLES

Maintenance Materials - at cost	246 950	511 904
Spare Parts - at cost	365 638	-
Water - at cost	14 242	-
Total Inventories	626 830	511 904

Consumable Inventory Expensed during the financial period 405 214

Inventory has been restated to adhere to the recognition provisions for Water Inventory held by the municipality in terms of GRAP 12. Refer to Note 36.5 on "Change in Accounting Policy" for details of the restatement.

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

The cost of water production for the year amounted to R3,51 per kilolitre (2011: R3,51 per kilolitre) in Zastron, R2,88 per kilolitre (2011: R2,88 per kilolitre) in Rouxville and R2,02 per kilolitre (R2,02 per kilolitre) in Smithfield.

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

3. INVENTORIES - ERVEN HELD FOR TRANSFER

Erven held for transfer	4 215 670	4 215 670
Total INVENTORIES - ERVEN HELD FOR TRANSFER	4 215 670	4 215 670
Net INVENTORIES - ERVEN HELD FOR TRANSFER	4 215 670	4 215 670

3.1 Erven Held-for-Transfer

The municipality intends to dispose some of its erven through a transfer to owners in the next financial year. No impairment loss was recognised on reclassification of the property as held-for-sale nor at 30 June 2012.

4. RECEIVABLES FROM EXCHANGE TRANSACTIONS

	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2012			
Service Debtors:	48 986 462	48 145 079	841 383
Electricity	779 990	509 594	270 396
Refuse	10 694 214	10 628 594	65 620
Sewerage	13 902 941	13 744 518	158 423
Water	23 609 318	23 262 374	346 944
Other Receivables	18 555 120	18 534 036	21 084
Housing	697 103	680 371	16 732
Other Debtors	17 858 017	17 853 665	4 352
Total Receivables from Exchange Transactions	67 541 582	66 679 115	862 467

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2 011 R	
	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2011			
Service Debtors:	30 719 519	29 718 861	1 000 659
Electricity	540 134	292 284	247 850
Refuse	6 526 921	6 366 169	160 752
Sewerage	8 350 623	8 144 954	205 669
Water	15 301 841	14 915 453	386 388
Other Receivables	17 470 452	12 584 161	4 886 291
Housing	561 446	547 618	13 828
Other Debtors	16 909 006	12 036 543	4 872 463
Total Receivables from Exchange Transactions	48 189 971	42 303 022	5 886 949

Receivables from Exchange Transactions have been restated to correctly classify amounts held for Assessment Rates Debtors, now included in Receivables from Non-exchange Transactions in terms of GRAP 104. Refer to Note 36.2 on "Change in Accounting Policy" for details of the restatement.

Receivables from Exchange Transactions are billed monthly, latest end of month. No interest is charged on Receivables until the end of the following month. Thereafter interest is charged at a rate determined by council on the outstanding balance.

The municipality receives applications that it processes. Deposits are required to be paid for all electricity and water accounts opened. There are no consumers who represent more than 5% of the total balance of Receivables.

At 30 June 2012, the municipality is owed R1 756 710 (30 June 2011: R623 946) by National and Provincial Government.

The municipality did not pledge any of its Receivables as security for borrowing purposes.

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

The fair value of Receivables was determined after considering the standard terms and conditions of agreements entered into between the municipality and Receivables as well as the current payment ratio's of the municipality's Receivables.

4.1 Ageing of Receivables from Exchange Transactions

As at 30 June 2012

	Current 0 - 30 days	Past Due 31 - 60 Days	61 - 90 Days	+ 90 Days	Total
Electricity:					
Gross Balances	-	-	-	779 990	779 990
Less: Provision for Impairment	-	-	-	509 594	509 594
Net Balances	-	-	-	270 396	270 396
Refuse:					
Gross Balances	331 559	417 633	397 904	9 547 118	10 694 214
Less: Provision for Impairment	299 995	392 309	389 177	9 547 118	10 628 599
Net Balances	31 564	25 324	8 727	-	65 615
Sewerage:					
Gross Balances	513 724	616 246	569 136	12 203 835	13 902 941
Less: Provision for Impairment	437 984	552 948	549 751	12 203 835	13 744 518
Net Balances	75 740	63 298	19 385	-	158 423
Water:					
Gross Balances	2 685 981	1 220 800	931 719	18 770 818	23 609 318
Less: Provision for Impairment	2 555 353	1 019 033	917 170	18 770 818	23 262 374
Net Balances	130 628	201 767	14 549	-	346 944

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

2012
R

2 011
R

Other Receivables:

Gross Balances	102 598	147 667	141 565	18 163 290	18 555 120
Less: Provision for Impairment	92 827	139 404	138 515	18 163 290	18 534 036
Net Balances	9 771	8 263	3 050	-	21 084

As at 30 June 2012 Receivables of R614 759 were past due but not impaired. The age analysis of these Receivables are as follows:

Past Due			Total
31 - 60 Days	61 - 90 Days	+ 90 Days	

All Receivables:

Gross Balances	2 402 346	2 040 324	59 465 050	63 907 720
Less: Provision for Impairment	2 103 694	1 994 613	59 194 654	63 292 961
Net Balances	298 652	45 711	270 396	614 759

As at 30 June 2011

Current	Past Due			Total
0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	

Electricity:

Gross Balances	-	-	-	540 134	540 134
Less: Provision for Impairment	-	-	-	292 284	292 284
Net Balances	-	-	-	14 575	247 850

Refuse:

Gross Balances	202 358	254 891	242 850	5 826 822	6 526 921
Less: Provision for Impairment	41 606	254 891	242 850	5 826 822	6 366 169
Net Balances	160 752	-	-	-	160 752

Sewerage:

Gross Balances	308 562	370 140	341 844	7 330 077	8 350 623
Less: Provision for Impairment	169 966	303 067	341 844	7 330 077	8 144 954
Net Balances	138 596	67 073	-	-	205 669

Water:

Gross Balances	1 740 857	791 234	603 872	12 165 878	15 301 841
Less: Provision for Impairment	1 354 470	791 234	603 872	12 165 878	14 915 453
Net Balances	386 388	-	-	-	386 388

Other Receivables:

Gross Balances	1 197 578	575 873	513 440	15 183 560	17 470 452
Less: Provision for Impairment	843 811	416 756	442 328	10 881 266	12 584 161
Net Balances	353 767	159 116	71 113	4 302 294	4 886 291

As at 30 June Receivables of R4 847 447 were past due but not impaired. The age analysis of these Receivables are as follows:

Past Due			Total
31 - 60 Days	61 - 90 Days	+ 90 Days	

All Receivables:

Gross Balances	1 992 138	1 702 007	41 046 471	44 740 616
Less: Provision for Impairment	1 765 948	1 630 894	36 496 327	39 893 169
Net Balances	226 189	71 113	4 550 145	4 847 447

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

2012
R **2 011**
R

4.2 Summary of Receivables from Exchange Transactions by Customer Classification

	Household	Industrial/ Commercial	National and Provincial Government	Other
	R	R	R	R
As at 30 June 2012				
<u>Current:</u>				
0 - 30 days	3 525 925	53 406	54 152	381
<u>Past Due:</u>				
31 - 60 Days	2 266 418	74 238	61 191	499
61 - 90 Days	1 947 923	53 702	38 202	495
+ 90 Days	55 029 783	2 815 697	1 603 165	16 405
Sub-total	62 770 048	2 997 043	1 756 710	17 780
Less: Provision for Impairment	62 002 584	2 937 387	1 721 364	17 780
Total Trade Receivables by Customer Classification	767 464	59 656	35 346	-

	Household	Industrial/ Commercial	National and Provincial Government	Other
	R	R	R	R
As at 30 June 2011				
<u>Current:</u>				
0 - 30 days	2 566 601	30 374	8 143	-
<u>Past Due:</u>				
31 - 60 Days	1 566 945	31 012	10 470	-
61 - 90 Days	1 371 526	27 961	9 670	-
+ 90 Days	39 786 653	2 184 953	595 663	-
Sub-total	45 291 725	2 274 300	623 946	-
Less: Provision for Impairment	40 416 540	2 022 658	-	-
Total Trade Receivables by Customer Classification	4 875 185	251 642	623 946	-

2012
R **2011**
R

4.3 Reconciliation of the Provision for Impairment

Balance at beginning of year	42 303 022	37 650 446
<i>All Consumer Debtors</i>	42 303 022	37 650 446
Impairment Losses recognised	24 376 093	12 421 479
<i>All Consumer Debtors</i>	24 376 093	12 421 479
Amounts written off as uncollectable	-	(7 768 903)
<i>All Consumer Debtors</i>	-	(7 768 903)
Balance at end of year	66 679 115	42 303 022

The transactions for *Provision for Impairment* have been restated to correctly classify amounts held for Assessment Rates Debtors, now included in Trade Receivables from Non-exchange Transactions, in terms of GRAP 104. Refer to Note 36.2 on "Change in Accounting Policy" for details of the restatement.

In determining the recoverability of a Receivable, the municipality considers any change in the credit quality of the Receivable from the date credit was initially granted up to the reporting date. Furthermore, the municipality has also placed a strong emphasis on verifying the indigent status of consumers. The concentration of credit risk is limited due to the customer base being spread over a large number of consumers and is not concentrated in any particular sector or geographical area. Accordingly, management believe that there is no further credit provision required in excess of the Provision for Impairment.

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

2012
R

2 011
R

4.4 Ageing of impaired Receivables from Exchange Transactions

Current:

0 - 30 Days	3 386 159	2 409 852
-------------	-----------	-----------

Past Due:

31 - 60 Days	2 103 694	1 765 948
--------------	-----------	-----------

61 - 90 Days	1 994 613	1 630 894
--------------	-----------	-----------

+ 90 Days	59 194 654	36 496 327
-----------	------------	------------

Total	66 679 120	42 303 022
--------------	-------------------	-------------------

4.5 Derecognition of Financial Assets

No Financial Assets have been transferred to other parties during the year.

5. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2012			
Assessment Rates Debtors	6 597 467	6 597 107	360
Total Receivables from Non-exchange Transactions	6 597 467	6 597 107	360

	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2011			
Assessment Rates Debtors	4 126 581	-	4 126 581
Total Receivables from Non-exchange Transactions	4 126 581	-	4 126 581

Receivables from Non-exchange Transactions have been restated to correctly classify amounts held for Assessment Rates Debtors in terms of GRAP 104, previously included in Receivables from Exchange Transactions. Refer to Note 36.2 on "Change in Accounting Policy" for details of the restatement.

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.

5.1 Ageing of Receivables from Non-exchange Transactions

As at 30 June 2012

	Current 0 - 30 days	Past Due 31 - 60 Days	61 - 90 Days	+ 90 Days	Total
Assessment Rates:					
Gross Balances	3 131	43 099	43 268	6 507 969	6 597 467
Less: Provision for Impairment	3 131	42 919	43 088	6 507 969	6 597 107
Net Balances	-	180	180	-	360

As at 30 June Receivables of R360 were past due but not impaired. The age analysis of these Receivables are as follows:

	Past Due 31 - 60 Days	61 - 90 Days	+ 90 Days	Total
All Receivables:				
Gross Balances	43 099	43 268	6 507 969	6 594 336
Less: Provision for Impairment	42 919	43 088	6 507 969	6 593 976
Net Balances	180	180	-	360

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

2012
R

2 011
R

As at 30 June 2011

	Current	Past Due			Total
	0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	
Assessment Rates:					
Gross Balances	11 263	11 137	13 194	4 090 987	4 126 581
Less: Provision for Impairment	-	-	-	-	-
Net Balances	11 263	11 137	13 194	4 090 987	4 126 581

As at 30 June Receivables of R4 115 318 were past due but not impaired. The age analysis of these Receivables are as follows:

	Past Due			Total
	31 - 60 Days	61 - 90 Days	+ 90 Days	
All Receivables:				
Gross Balances	11 137	13 194	4 090 987	4 115 318
Less: Provision for Impairment	-	-	-	-
Net Balances	11 137	13 194	4 090 987	4 115 318

5.2 Summary of Assessment Rates Debtors by Customer Classification

Household

R

As at 30 June 2012

Current:

0 - 30 days

3 131

Past Due:

31 - 60 Days

43 099

61 - 90 Days

43 268

+ 90 Days

6 507 969

Sub-total

6 597 467

Less: Provision for Impairment

6 597 107

Total Rates Debtors by Customer Classification

360

Household

R

As at 30 June 2011

Current:

0 - 30 days

11 263

Past Due:

31 - 60 Days

11 137

61 - 90 Days

13 194

+ 90 Days

4 090 987

Sub-total

4 126 581

Less: Provision for Impairment

-

Total Rates Debtors by Customer Classification

4 126 581

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

2012
R

2 011
R

5.3 Reconciliation of Provision for Impairment

Balance at beginning of year	-	-
<i>Other Debtors</i>	-	-
<i>Assessment Rates Debtors</i>	-	-
Impairment Losses recognized	6 597 107	-
<i>Other Debtors</i>	6 597 107	-
<i>Assessment Rates Debtors</i>	-	-
Balance at end of year	6 597 107	-

The transactions for *Provision for Impairment* have been restated to correctly classify amounts held for Assessment Rates Debtors, previously included in Receivables from Exchange Transactions, in terms of GRAP 104. Refer to Note 36.2 on "Change in Accounting Policy" for details of the restatement.

6. VAT RECEIVABLE / (PAYABLE)

Vat Payable.	(6 673 414)	(2 428 492)
Vat Receivable.	19 041 082	17 611 756
Vat Receivable / (Payable)	12 367 668	15 183 263

Vat is payable on the receipts basis. Only once payment is received from debtors, VAT is paid over to SARS.

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

7. CASH AND CASH EQUIVALENTS

Current Investments	271 207	299 229
Bank Accounts	16 209	212 465
Bank Overdraft	(3 915 357)	(2 065 666)
Cash and Cash Equivalents	1 180	1 180
Total Bank, Cash and Cash Equivalents	(3 626 762)	(1 552 792)

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.

7.1 Current Investment Deposits

Call Deposits	271 207	299 229
Deposits available for Operations	271 207	299 229
Total Deposits attributable to Commitments of the Municipality	271 207	299 229

7.2 Bank Accounts

Cash in Bank	16 209	212 465
Bank Overdraft	(3 915 357)	(2 065 666)
Total Bank Accounts	(3 899 148)	(1 853 201)

The Municipality has the following bank accounts:

Primary Bank Account

ABSA Bank - Zastron Branch, Zastron - ChequeAccount Number 4052654487:

Cash book balance at beginning of year	(2 065 666)	(1 494 654)
Cash book balance at end of year	(3 915 357)	(2 065 666)
Bank statement balance at beginning of year	193 464	358 584
Bank statement balance at end of year	610 138	193 464

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2 011 R
Other Bank Accounts		
<i>ABSA Bank - Zastron Branch, Zastron - Savings Account Number 2810000018:</i>		
Cash book balance at beginning of year	18 052	91 780
Cash book balance at end of year	<u>730</u>	<u>18 052</u>
Bank statement balance at beginning of year	18 052	69 518
Bank statement balance at end of year	<u>730</u>	<u>18 052</u>
<i>Standard Bank - Zastron Branch, Zastron - ChequeAccount Number 041952766:</i>		
Cash book balance at beginning of year	107 085	70 926
Cash book balance at end of year	<u>8 711</u>	<u>107 085</u>
Bank statement balance at beginning of year	107 085	69 518
Bank statement balance at end of year	<u>8 711</u>	<u>107 085</u>
<i>First National Bank - Zastron Branch, Zastron - ChequeAccount Number 53593549308:</i>		
Cash book balance at beginning of year	87 328	69 809
Cash book balance at end of year	<u>6 768</u>	<u>87 328</u>
Bank statement balance at beginning of year	87 327	69 809
Bank statement balance at end of year	<u>6 768</u>	<u>87 327</u>

An amount of R12 086 909 (2011: R12 487 503) is attributable to Unspent Conditional Grants.

The municipality does not have any overdrawn current account facilities with its banker and therefore does not incur interest on overdrawn current accounts. Interest is earned at different rates per annum on favourable balances.

7.3 Cash and Cash Equivalents

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

The municipality did not pledge any of its Cash and Cash Equivalents as collateral for its financial liabilities.

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

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

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

8 PROPERTY, PLANT AND EQUIPMENT

30 June 2012

Reconciliation of Carrying Value

Description	Land and Buildings	Infra-structure	Community	Other	Leased Assets	Total
R	R	R	R	R	R	R
Carrying values at 01 July 2011	19 276 022	224 654 872	59 928 332	4 927 211	666 482	309 452 919
Cost	43 055 128	481 745 721	125 090 596	6 734 182	1 291 611	657 917 239
- Completed Assets	43 055 128	451 673 665	125 090 596	6 734 182	1 291 611	627 845 183
- Under Construction	-	30 072 056	-	-	-	30 072 056
Accumulated Depreciation:	(23 779 106)	(257 090 849)	(65 162 264)	(1 806 971)	(625 129)	(348 464 320)
- Cost	(23 779 106)	(257 090 849)	(65 162 264)	(1 806 971)	(625 129)	(348 464 320)
Acquisitions	-	-	-	-	-	-
Capital under Construction - Additions:	-	20 098 952	-	-	-	20 098 952
- Cost	-	20 098 952	-	-	-	20 098 952
Depreciation:	(1 007 344)	(15 111 731)	(3 939 669)	(829 247)	(327 445)	(21 215 435)
- Based on Cost	(1 007 344)	(15 111 731)	(3 939 669)	(829 247)	(327 445)	(21 215 435)
Carrying value of Disposals:	(131 104)	-	-	-	-	(131 104)
- Cost	(230 376)	-	-	-	-	(230 376)
- Accumulated Depreciation	99 272	-	-	-	-	99 272
- Based on Cost	99 272	-	-	-	-	99 272
Impairment Losses	(137 214)	-	-	(16 781)	-	(153 995)
Carrying values at 30 June 2012	18 000 361	229 642 092	55 988 663	4 081 183	339 037	308 051 336
Cost	42 824 752	501 844 673	125 090 596	6 734 182	1 291 611	677 785 814
- Completed Assets	42 824 752	451 673 665	125 090 596	6 734 182	1 291 611	627 614 807
- Under Construction	-	50 171 007	-	-	-	50 171 007
Accumulated Impairment Losses	(137 214)	-	-	(16 781)	-	(153 995)
Accumulated Depreciation:	(24 687 178)	(272 202 581)	(69 101 933)	(2 636 218)	(952 574)	(369 580 483)
- Cost	(24 687 178)	(272 202 581)	(69 101 933)	(2 636 218)	(952 574)	(369 580 483)

30 June 2011

Reconciliation of Carrying Value

Description	Land and Buildings	Infra-structure	Community	Other	Leased Assets	Total
R	R	R	R	R	R	R
Carrying values at 01 July 2010	13 786 854	216 281 706	63 868 001	6 360 676	993 927	301 291 163
Cost	36 555 128	458 265 494	125 090 596	7 474 490	1 291 611	628 677 320
- Completed Assets	36 555 128	445 941 496	125 090 596	7 474 490	1 291 611	616 353 322
- Under Construction	-	12 323 998	-	-	-	12 323 998
Accumulated Depreciation:	(22 768 275)	(241 983 788)	(61 222 596)	(1 113 814)	(297 684)	(327 386 157)
- Cost	(22 768 275)	(241 983 788)	(61 222 596)	(1 113 814)	(297 684)	(327 386 157)
Acquisitions	6 500 000	5 732 169	-	-	-	12 232 169
Capital under Construction - Additions:	-	17 748 058	-	-	-	17 748 058
- Cost	-	17 748 058	-	-	-	17 748 058
Additions	-	18 655 483	-	-	-	18 655 483
Transfer in	-	(907 425)	-	-	-	(907 425)
Depreciation:	(1 010 831)	(15 107 061)	(3 939 669)	(693 157)	(327 445)	(21 078 163)
- Based on Cost	(1 010 831)	(15 107 061)	(3 939 669)	(693 157)	(327 445)	(21 078 163)
Carrying value of Disposals:	-	-	-	(740 308)	-	(740 308)
- Cost	-	-	-	(740 308)	-	(740 308)
Carrying values at 30 June 2011	19 276 022	224 654 872	59 928 332	4 927 211	666 482	309 452 919
Cost	43 055 128	481 745 721	125 090 596	6 734 182	1 291 611	657 917 239
- Completed Assets	43 055 128	451 673 665	125 090 596	6 734 182	1 291 611	627 845 183
- Under Construction	-	30 072 056	-	-	-	30 072 056
Accumulated Depreciation:	(23 779 106)	(257 090 849)	(65 162 264)	(1 806 971)	(625 129)	(348 464 320)
- Cost	(23 779 106)	(257 090 849)	(65 162 264)	(1 806 971)	(625 129)	(348 464 320)

The municipality has identified and measured all Property, Plant and Equipment in terms of GRAP 17 for the financial year ended 30 June 2012. The balances of the Property, Plant and Equipment have accordingly been restated retrospectively.

Furthermore, *Property, Plant and Equipment* has been restated to correctly disclose the properties held in terms of GRAP 16. Refer to Note 37.1 on

"Correction of Error" for details of the restatement.

Refer to Appendices "B, C and E (2)" for more detail on Property, Plant and Equipment, including those in the course of construction.

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
8 PROPERTY, PLANT AND EQUIPMENT (Continued)		
8.1 Gross Carrying Amount of Property, Plant and Equipment that is fully depreciated and still in use		
There are no Property, Plant and Equipment that is fully depreciated at year-end and still in use by the municipality.		
8.2 Carrying Amount of Property, Plant and Equipment held for disposal/Transfer		
No Property, Plant and Equipment were retired from active use and held for disposal during the financial year.		
8.3 Assets pledged as security		
The municipality did not pledge any of its assets as security.		
8.4 Impairment of Property, Plant and Equipment		
The amount of R153 995 (2011: R0) disclosed for impairment losses on Property, Plant and Equipment is in respect of buildings and it's content that were damaged during riots.		
Land and Buildings	137 214	-
Other Assets: Office Equipment	16 781	-
Total Impairment of Property, Plant and Equipment	153 995	-
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.		

9 INTANGIBLE ASSETS

At Cost less Accumulated Amortisation and Accumulated Impairment Losses	534 123	534 123
The movement in Intangible Assets is reconciled as follows:		
		Total
Carrying values at 01 July 2011		534 123
Cost	534 123	
Accumulated Amortisation	-	
Carrying values at 30 June 2012		534 123
Cost	534 123	
Accumulated Amortisation	-	
		Total
Carrying values at 01 July 2010		534 123
Cost	534 123	
Accumulated Amortisation	-	
Carrying values at 30 June 2011		534 123
Cost	534 123	
Accumulated Amortisation	-	

-534 123.09

The municipality has identified and measured all Intangible Assets in terms of GRAP 102 for the financial year ended 30 June 2012. The balances of the Intangible Assets have accordingly been restated retrospectively.

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

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

Refer to Appendix "B" for more detail on Intangible Assets.

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

2012
R

2011
R

2012
R

2011
R

9.1 Intangible Assets with Indefinite Useful Lives

The following classes of Intangible Assets are not amortised as they are regarded as having indefinite useful lives:

Carrying Value of Servitudes: Electricity Distribution	101 143	101 143
Carrying Value of Servitudes: Sewerage Distribution	72 221	72 221
Carrying Value of Servitudes: Water Reticulation	360 760	360 760

Total Carrying Amount of Intangible Assets with Indefinite Useful Lives	534 124	534 124
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Servitudes are regarded as having Indefinite Useful Lives as they are registered permanently, the agreements not having a maturing date.

9.2 Impairment of Intangible Assets

No impairment losses have been recognised on Intangible Assets of the municipality at the reporting date.

10 INVESTMENT PROPERTY

The movement in Investment Property is reconciled as follows:

Carrying values at 1 July	20 519 205	18 739 000
Fair Value	20 519 205	18 739 000
Net Gains / (Losses) from Fair Value Adjustments	-	1 780 205
Carrying values at 30 June	20 519 205	20 519 205
Fair Value	20 519 205	20 519 205
Estimated Fair Value of Investment Property at 30 June	20 519 205	20 519 205

The municipality has identified and measured all Investment Property in terms of GRAP 16 for the financial year ended 30 June 2012. The balances of the Investment Property have been accordingly restated retrospectively. In 2010/11 the following classes of assets were not recognised/measured in accordance with GRAP 16:

- Land;
- Buildings.

Investment Property has been restated to correctly disclose the properties held as Investment Property in terms of GRAP 16. Refer to Note 37 on "Correction of Error" for details of the restatement.

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

Rental Revenue earned from Investment Property	663 136	656 777
Direct Operating Expenses - incurred to generate rental revenue	-	-

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

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

There are no contractual obligations on Investment Property.

Refer to Appendix "B" for more detail on Investment Property.

10.1 Investment Property carried at Fair Value

The following assumptions were used:

Discount Rate	9.50%	9.50%
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10.2 Impairment of Investment Property

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

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
11 BIOLOGICAL ASSETS		
At Cost less Accumulated Amortisation and Accumulated Impairment Losses	<u>430 680</u>	<u>585 000</u>

The movement in Biological Assets is reconciled as follows:

	Cattle	Horses	Total
Carrying values at 01 July 2011	573 300	11 700	585 000
Fair Value	573 300	11 700	585 000
Acquisitions during the Year (Calves born)	115 500	-	115 500
Gains from Changes in Fair Value	-	270	270
Losses during the Year	(109 350)	(3 990)	(113 340)
Decreases due to consumption	(92 250)	-	(92 250)
Losses from Changes in Fair Value	(64 500)	-	(64 500)
Carrying values at 30 June 2012	422 700	7 710	430 410
Cost	422 700	7 710	430 410
	Cattle	Horses	Total
Carrying values at 01 July 2010	553 602	11 298	564 900
Fair Value	553 602	11 298	564 900
Gains from Changes in Fair Value	19 698	402	20 100
Carrying values at 30 June 2011	573 300	11 700	585 000
Fair Value	573 300	11 700	585 000

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

No restrictions apply to any of the Biological Assets of the municipality.
Refer to Appendix "B" for more detail on Biological Assets.

11.1 Biological Assets carried at Fair Value

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

The following assumptions were used:

Rand per kg on the open market
The average weight of cattle per class

11.2 Non-financial Information

Quantities of each Biological Asset:

Cattle	85	108
Horses	6	9

12 NON-CURRENT INVESTMENTS

Unlisted

Local Authority Stock	112 660	95 826
	<u>112 660</u>	<u>95 826</u>

Total Investments

All Investments	112 660	95 826
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Total Non-current Investments

	<u>112 660</u>	<u>95 826</u>
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Council's valuation of Unlisted Investments

Local Authority Stock	112 660	95 826
	<u>112 660</u>	<u>95 826</u>

Unlisted Investments comprise the following:

Local Authority Stock are shares held in OVK Operations Limited. 10 354 Ordinary Shares valued at R6.98 (2011: R4.40) per share and 9 948 Holding Shares valued at R4.06 (2011: R3.30) per share

The management of the municipality is of the opinion that the carrying value of Investments recorded at amortised cost in the Annual Financial Statements approximate their fair values.

The fair value of Investments was determined after considering the standard terms and conditions of agreements entered into between the municipality and financial institutions.

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
13 CONSUMER DEPOSITS		
Electricity and Water	164 402	163 971
Total Consumer Deposits	164 402	163 971

Consumer Deposits are paid by consumers on application for new water and electricity connections. The deposits are repaid when the water and electricity connections are terminated. In cases where consumers default on their accounts, the municipality can utilise the deposit as payment for the outstanding account.

No interest is paid on Consumer Deposits held.

14 PROVISIONS

Current Portion of Non-Current Provisions (See Note 18):	-	-
Rehabilitation of Land-fill Sites	-	-
Total Provisions	-	-
	2012 R	2011 R

15 PAYABLES

Trade Creditors	8 502 473	14 117 074
Payments received in Advance	586 245	239 711
Staff Bonuses	834 728	689 433
Long Service Bonus Accrual	135 461	-
Staff Leave Accrued	2 147 944	2 147 944
Staff Salaries	2 719 737	1 402 051
Unknown Deposits	1 041 707	236 574
Other Creditors	100 571	76 648
Total Creditors	16 068 867	18 909 436

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 is 30 days from the receipt of the invoice, as determined by the MFMA, except when the liability is disputed. No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the municipality deals with. The municipality has policies in place to ensure that all payables are paid within the credit timeframe.

The municipality did default on payment of its Creditors. However, no terms for payment have been re-negotiated by the municipality.

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

16 UNSPENT CONDITIONAL GRANTS AND RECEIPTS

16.1 Conditional Grants from Government

National Government Grants	12 080 659	12 487 503
Total Conditional Grants and Receipts	12 080 659	12 487 503

See Note 21 for the reconciliation of Grants from Government. The Unspent Grants are cashbacked by term deposits. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.

Refer to Appendix "F" for more detail on Conditional Grants.

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
17 LONG-TERM LIABILITIES		
Finance Lease Liabilities	650 326	1 108 599
Government Loans	1 411 710	1 728 451
Other Loans (Centlec Capital Loans)	1 214 262	1 337 755
Centlec Payable	10 434 795	6 198 905
Sub-total	<u>13 711 093</u>	<u>10 373 709</u>
Less: Current Portion transferred to Current Liabilities:-	497 144	761 711
Finance Lease Liabilities	<u>313 217</u>	<u>458 273</u>
Government Loans	183 927	303 438
Other Loans	<u>-</u>	<u>-</u>
Total Long-term Liabilities (Neither past due, nor impaired)	<u>13 213 949</u>	<u>9 611 998</u>

17.1 Summary of Arrangements

Finance Lease Liabilities relates to IT Equipment with lease terms of 3 years. The effective interest rate on Finance Leases is between 8% and 11% (2011: 8% to 11%). Capitalised Lease Liabilities are secured over the items of vehicles and equipment leased.

Other Loans are repaid over a period of 20 years and at an interest rate of 10% annum. Other Loans are secured over assets used to produce electricity.

The management of the municipality is of the opinion that the carrying value of Long-term Liabilities recorded at amortised cost in the Annual Financial Statements approximate their fair values.

The fair value of Long-term Liabilities was determined after considering the standard terms and conditions of agreements entered into between the municipality and the relevant financing institutions.

Refer to Appendix "A" for more detail on Long-term Liabilities.

17.2 Obligations under Finance Lease Liabilities

The Municipality as Lessee:

Finance Leases relate to IT Equipment with lease terms not more than 5 years (2011: 5 years). The effective interest rate on Finance Leases is between 8% and 11% (2011: 8% and 11%).

The risks and rewards of ownership in respect of the IT Equipment will transfer to the municipality at the conclusion of the agreement. The total lease liability of the mayor's car confine a material amount of the fair value of the vehicle.

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

The obligations under Finance Leases are as follows:

	Minimum Lease Payments		Present Value of Minimum Lease Payments	
	2012 R	2011 R	2012 R	2011 R
Amounts payable under finance leases:				
Within one year	351 377	528 386	351 377	528 386
In the second to fifth years, inclusive	352 831	704 208	352 831	704 208
Over five years	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	704 208	1 232 594	704 208	1 232 594
Less: Future Finance Obligations	53 882	123 995	53 882	123 995
Present Value of Minimum Lease Obligations	<u>650 326</u>	<u>1 108 599</u>	<u>650 326</u>	<u>1 108 599</u>
Less: Amounts due for settlement within 12 months (Current Portion)			(313 217)	(458 273)
Finance Lease Obligations due for settlement after 12 months (Non-current Portion)			<u>337 109</u>	<u>650 326</u>

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

- Office Equipment
- Vehicles

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
Included in these classes are the following significant leases:		
(i) Gestetner (IT Equipment)		
- Installments are payable monthly in advance		
- Average period outstanding	36 months	36 months
- Average effective interest rate	9.43%	9.43%
- Average monthly installment	R 16 850.00	R 16 850.00
(ii) Sharp (IT Equipment)		
- Installments are payable monthly in advance		
- Average period outstanding	60 months	60 months
- Average effective interest rate, based on prime	9.43%	9.43%
- Average monthly installment	R 16 811.00	R 16 811.00

	2012 R	2011 R
18 NON-CURRENT PROVISIONS		
Provision for Rehabilitation of Land-fill Sites	17 049 945	15 563 009
Total Non-current Provisions	17 049 945	15 563 009

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

	Land-fill Sites R
30 June 2012	
Balance at beginning of year	15 563 009
Increase due to discounting	1 486 936
	<u>17 049 945</u>
Transfer to current provisions	-
Balance at end of year	<u>17 049 945</u>
	Land-fill Sites R
30 June 2011	
Balance at beginning of year	14 205 749
Increase due to discounting	1 357 260
	<u>15 563 009</u>
Transfer to current provisions	-
Balance at end of year	<u>15 563 009</u>

18.1 Rehabilitation of Land-fill Sites

In terms of the licencing of the landfill refuse site, the municipality will incur rehabilitation costs of R17 million to restore the site at the end of its useful life, estimated to be in 2015. Provision has been made for the net present value of this cost, using the the average cost of borrowing interest rate.

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
19 ACCUMULATED SURPLUS		
The Accumulated Surplus consists of the following Internal Funds and Reserves:		
Accumulated Surplus / (Deficit) due to the results of Operations	286 177 333	303 217 865
Total Accumulated Surplus	286 177 333	303 217 865

Accumulated Surplus has been restated to correctly classify amounts held by the municipality as indicated below. Refer to Note 36.1 "Change in Accounting Policy" for details of the restatements.

Reclassification of Assets - Note 37.1
 Restatement of Creditors Balances - Note 37
 Recognition of Inventory - Note 36.5
 Reclassification of Receivables from Non-exchange Transactions for Services Rendered - Note 36.2
 Reclassification of Unspent Conditional Grants - Note 37.2
 Reclassification of Provision for Landfill Sites - Note 37.5

Furthermore, *Accumulated Surplus* has been restated to correctly classify amounts held for Unspent Conditional Grants and Receipts. Refer to Note 37.2 on "Correction of Error" for details of the restatement.

Refer to Statement of Changes in Net Assets for more detail and the movement on Accumulated Surplus.

20 PROPERTY RATES

	Property Valuations		Actual Levies	
	July 2012 R000's	July 2011 R000's		
Residential	299 182	299 182	3 766 621	2 673 458
Commercial	58 595	58 595	411 281	394 657
Agricultural	2 307 525	2 307 525	2 978 961	2 712 828
State	204 314	204 314	74 352	281 964
Total Property Rates	2 869 615	2 869 615	7 231 215	6 062 907

Property Rates are levied on the value of land and improvements, which valuation is performed every four years. The last valuation came into effect on 1 July 2009.

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

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

Residential Properties: 0,5700 c/R (2010/11: 0,5700 c/R)
 Commercial Properties: 0,7722 c/R (2010/11: 0,7722 c/R)
 State Properties: 0,2695 c/R (2010/11: 0,2695 c/R)
 Agricultural Properties: 0,1231 c/R (2010/11: 0,1231 c/R)

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

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
	2012 R	2011 R
21 GOVERNMENT GRANTS AND SUBSIDIES RECEIVED		
National Equitable Share	45 632 000	40 862 000
Operational Grants	45 632 000	40 862 000
Conditional / Unconditional Grants	29 318 200	27 126 886
National: FMG	1 500 000	1 250 000
National: MIG	15 532 000	12 913 000
National: MSIG	790 000	750 000
National: DWAF	8 094 000	2 193 676
National: INEPG	627 000	-
GOGTA Grant	2 775 200	10 020 210
Total Government Grants and Subsidies	74 950 200	67 988 886
Government Grants and Subsidies:		
Conditional Grants - Capital	15 532 000	12 913 000
Conditional Grants - Operational	-	-
Unconditional Grants - Capital	8 721 000	2 193 676
Unconditional Grants - Operational	50 697 200	52 882 210
Total Government Grants and Subsidies	74 950 200	67 988 886
Summary of Transfers:		
Conditions met - transferred to Revenue: Operating Expenses	50 697 200	52 882 210
Conditions met - transferred to Revenue: Capital Expenses	24 659 843	15 307 554
Total Transfers	75 357 043	68 189 764
<i>Government Grants and Subsidies have been restated to correctly classify revenue to be included in the category of Government Grants and Subsidies. Refer to Note 36.1 on "Change in Accounting Policy" for details of the restatement.</i>		
Operational Grants:		
21.1 National: Equitable Share (Unconditional)	45 632 000	40 862 000
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. No funds have been withheld.		
21.2 National: FMG Grant (Unconditional)		
Balance unspent at beginning of year	-	-
Current year receipts	1 500 000	1 250 000
Conditions met - transferred to Revenue: Operating Expenses	(1 500 000)	(1 250 000)
Conditions still to be met - transferred to Liabilities	-	-
The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial management reforms required by the Municipal Finance Management Act (MFMA), 2003. No funds have been withheld.		

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
21.3 National: MIG Funds (Conditional)		
Balance unspent at beginning of year	12 487 503	12 688 381
Current year receipts	15 532 000	12 913 000
Interest allocated	-	-
Conditions met - transferred to Revenue: Operating Expenses	-	-
Conditions met - transferred to Revenue: Capital Expenses	(15 979 892)	(13 113 878)
Conditions still to be met - transferred to Liabilities	<u>12 039 610</u>	<u>12 487 503</u>

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

21.4 National: MSIG Funds (Unconditional)

Balance unspent at beginning of year	-	-
Current year receipts	790 000	750 000
Interest allocated	-	-
Conditions met - transferred to Revenue: Operating Expenses	(790 000)	(750 000)
Conditions met - transferred to Revenue: Capital Expenses	-	-
Conditions still to be met - transferred to Liabilities	<u>-</u>	<u>-</u>

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

21.5 National: Department Water Affairs and Forestry (DWAF) (Unconditional)

Balance unspent at beginning of year	-	-
Current year receipts	8 094 000	2 193 676
Interest allocated	-	-
Conditions met - transferred to Revenue: Operating Expenses	-	-
Conditions met - transferred to Revenue: Capital Expenses	(8 094 000)	(2 193 676)
Conditions still to be met - transferred to Liabilities	<u>-</u>	<u>-</u>

This grant was used for the operation and maintenance of sewerage and water schemes transferred from DWAF to the municipality, the refurbishment of water infrastructure and the payment of salaries of staff transferred from DWAF. No funds have been withheld.

21.6 National: Integrated National Electrification Programme Grant (INEPG) (Conditional)

Balance unspent at beginning of year	-	-
Current year receipts	627 000	-
Interest allocated	-	-
Conditions met - transferred to Revenue: Operating Expenses	-	-
Conditions met - transferred to Revenue: Capital Expenses	(585 951)	-
Conditions still to be met - transferred to Liabilities	<u>41 049</u>	<u>-</u>

Expenses were incurred to promote rural development and upgrade electricity infrastructure. No funds have been withheld.

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

Balance unspent at beginning of year
21.7 COGTA Grant (Unconditional)

	2012 R	2011 R
Current year receipts	2 775 200	10 020 210
Interest allocated	-	-
Conditions met - transferred to Revenue: Operating Expenses	(2 775 200)	(10 020 210)
Conditions met - transferred to Revenue: Capital Expenses	-	-
Conditions still to be met - transferred to Liabilities	-	-

21.9 Changes in levels of Government Grants

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

22 PUBLIC CONTRIBUTIONS AND DONATIONS

Other Donations	-	20 580
Total Public Contributions and Donations	-	20 580

23 SERVICE CHARGES

Sale of Electricity	16 685 637	12 040 738
Sale of Water	8 588 844	6 719 753
Refuse Removal	4 221 848	3 786 978
Sewerage and Sanitation Charges	6 350 914	5 727 711
Total Service Charges	35 847 242	28 275 180

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.

24 RENTAL OF FACILITIES AND EQUIPMENT

Operating Lease Rental Revenue:		
- Investment Property	358 202	447 060
Rental Revenue from Buildings	25 478	22 492
Rental Revenue from Halls	8 570	8 820
Rental Revenue from Other Facilities	270 887	178 405
Total Rental of Facilities and Equipment	663 136	656 777

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

25 INTEREST EARNED

External Investments:

Bank Account	574	343
Investments	75 059	30 993
External Loans	-	300
Centlec Interest received	65 043	-
	140 677	31 636

Outstanding Debtors:

Outstanding Billing Debtors	273 209	226 493
	273 209	226 493

Total Interest Earned

413 886	258 129
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Interest Earned on Financial Assets, analysed by category of asset, is as follows:

Held-to-Maturity Investments	140 677	31 636
Loans and Receivables	273 209	226 493
	413 886	258 129

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
26 OTHER REVENUE		
Building Plan Fees	2 350	584
Cemetery Fees	27 370	45 514
Centlec Sundry Income	108 674	-
Gravel Sales	208	1 412
Photostats	78	296
Pound Fees	1 171	639
Rates Certificates	10 944	37 454
Skills Development Levy	-	14 155
Cattle additions	115 500	-
Sundry Income	300 876	874 789
Total Other Revenue	567 172	974 842

The amounts disclosed above for Other Revenue are in respect of services, other than described in Notes 20 to 25, rendered which are billed to or paid for by the users as the services are required according to approved tariffs.

27 EMPLOYEE RELATED COSTS

Employee Related Costs - Salaries and Wages	23 887 813	21 904 552
Basic Salaries and Wages	23 555 769	20 250 014
Long Service Bonuses	135 461	-
Contribution to Leave Fund	196 583	1 654 538
Employee Related Costs - Contributions for UIF, Pensions and Medical Aids Bonus fund	5 742 359	5 694 805
Medical	1 423 361	1 230 031
Pension	3 707 997	3 994 905
Bonus fund	27 108	20 179
Industrial Council Levy	34 627	13 566
Skills Development Levy	279 811	225 809
UIF	269 455	210 316
Travel, Motor Car, Accommodation, Subsistence and Other Allowances	1 735 610	553 972
Allowances	1 735 610	553 972
Housing Benefits and Allowances	48 111	72 922
Overtime Payments	1 812 413	1 575 317
Annual Bonuses	1 937 165	1 381 686
Temporary Employees - Salaries and Wages	199 511	(491 763)
Total Employee Related Costs	35 362 981	30 691 492

No advances were made to employees.

Remuneration of Section 57 Employees:

Remuneration of the Municipal Manager

Annual Remuneration	474 548	396 198
Performance Bonus	-	-
Travel Allowances	190 293	73 758
Company Contributions to UIF, Medical and Pension Funds	31 561	1 496
Other	55 058	40 956
Total	751 460	512 408

The post was vacant during September 2011 until October 2011. No Acting Allowance was paid for the period.

Remuneration of the Chief Financial Officer

Annual Remuneration	365 445	220 444
Annual Bonus	-	34 177
Travel Allowances	135 000	4 223
Company Contributions to UIF, Medical and Pension Funds	14 578	54 476
Acting Allowance	28 753	121 587
Other	3 739	62 191
Total	547 515	497 098

The post was vacant during July 2011 until September 2011. The Acting Allowance that was paid for the period is included in the above costs..

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

2011
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Remuneration of the Manager: Community Services

Annual Remuneration	-	169 178
Annual Bonus	-	14 098
Travel Allowances	-	30 000
Company Contributions to UIF, Medical and Pension Funds	-	54 612
Acting allowance	-	149 254
Total	-	417 142

The post was vacant for the whole financial year. No Acting Allowance was paid during the year.

Remuneration of the Manager: Corporate Services

Annual Remuneration	309 765	291 782
Annual Bonus	-	24 315
Travel Allowances	112 500	30 000
Company Contributions to UIF, Medical and Pension Funds	66 648	83 502
Acting allowance	16 609	30 987
Other	3 922	-
Total	509 444	460 586

The post was vacant during July 2011 until August 2011. The Acting Allowance that was paid for the period is included in the above costs.

Remuneration of the Manager: Technical Services

Annual Remuneration	383 580	169 178
Performance Bonus	-	14 098
Travel Allowances	-	-
Company Contributions to UIF, Medical and Pension Funds	70 167	36 652
Acting allowance	44 432	152 656
Other	3 585	-
Total	501 764	372 584

The post was vacant from July 2011 until September 2011. The Acting Allowance that was paid for the period is included in the above costs.

No compensation was payable to key management personnel in terms of IAS 19 as at 30 June.

28 Mayor	408 818	343 369
Chief Whip - RJ Thuhlo	125 025	105 009
Councillors	1 107 001	929 778
Company Contributions to UIF, Medical and Pension Funds	215 567	156 651
Medical Aid	51 995	17 653
Pension Fund	130 132	109 299
UIF	10 981	9 223
Skills Development Levy	22 459	20 476
Other Allowances (Cellular Phones, Housing, Transport, etc)	743 318	674 319
Housing Subsidy	47 746	-
Telephone Allowance	136 320	117 107
Travelling Allowance	559 252	557 212
Total Councillors' Remuneration	2 599 729	2 209 126

In-kind Benefits

The Councillor occupying the positions of Mayor/Speaker of the municipality serve in a full-time capacity. They are provided with office accommodation and secretarial support at the expense of the municipality in order to enable them to perform their official duties.

The Mayor has use of a vehicle leased from the Government Garage for official duties.

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
29 DEPRECIATION AND AMORTISATION		
Depreciation: Property, Plant and Equipment	21 215 435	21 078 163
Total Depreciation and Amortisation	21 215 435	21 078 163
30 IMPAIRMENT LOSSES		
<i>30.1 Impairment Losses on Fixed Assets</i>		
Impairment Losses Recognised:	153 995	-
Property, Plant and Equipment	153 995	-
	153 995	-
<i>30.2 Impairment Losses on Financial Assets</i>		
Impairment Losses Recognised:	30 973 200	12 421 479
Receivables from Exchange Transactions	24 376 093	12 421 479
Receivables from Non-exchange Transactions	6 597 107	-
	30 973 200	12 421 479
<i>30.3 Impairment of Revenue</i>		
Impairment Losses Recognised:	1 818 376	2 849 678
Assessment Rates Rebates	1 818 376	2 849 678
	1 818 376	2 849 678
Total Impairment Losses	32 945 571	15 271 157
31 FINANCE COSTS		
DBSA Loan	187 530	167 857
Creditors Overdue	201 397	813 828
Finance Leases	70 114	97 847
Landfill Provision	1 486 937	1 357 260
Bank overdraft	570	-
Finance costs incurred by Centlec	133 775	-
Total Interest Expense	2 080 323	2 436 791
Total Interest Paid on External Borrowings	2 080 323	2 436 791
32 BULK PURCHASES		
Electricity (Centlec)	14 183 363	16 136 859
Total Bulk Purchases	14 183 363	16 136 859
33 CONTRACTED SERVICES		
Professional Fees	4 978 872	4 893 309
Security Services	130 856	36 672
Valuation Services	59 539	3 090 318
Total Contracted Services	5 169 266	8 020 299
<i>Contracted Services</i> have been restated to correctly classify expenditure incurred during the previous financial year, previously accrued for in General Expenses. Refer to Note 36.5 on "Change in Accounting Policy" for details of the restatement.		
34 GRANTS AND SUBSIDIES PAID		
Free Basic Services	1 091 381	4 155 906
Total Grants and Subsidies	1 091 381	4 155 906
Free Basic Services are in respect of assistance to and providing basic service levels to indigent households.		

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
35 GENERAL EXPENSES		
Included in General Expenses are the following:		
Advertising	157 892	441 774
Audit Fees	1 597 457	2 175 075
Bank Charges	77 876	1 047 581
Cattle Feed	431	3 168
Cattle Consumption	92 250	-
Cattle Losses	113 340	-
Cattle Fair Value adjustment Loss	64 230	-
Centlec General Expenses	3 119 188	-
Centlec Service Expenses	1 661 644	-
Chemicals and Poison	2 092 087	961 832
Cleaning Material	99 945	112 049
Computer Software Licenses	189 174	108 114
Consumables	405 214	-
Entertainment	182 165	142 282
Fines & Penalties	94 808	19 315
Fuel & Oil	1 355 963	1 707 687
Insurance	432 314	532 618
Lease Charges	1 180 582	6 393 142
Legal Costs	353 638	519 146
Levies: SALGA	88 414	3 000
Magazines, books and periodicals	38 558	33 019
Medical Expenses	50 366	29 374
Motor vehicle expenses	20 917	31 086
Pauper burials	14 840	18 826
Postage and Courier	604 652	316 722
Printing & Stationary	549 945	463 620
Royalties and license fees	110 351	189 254
Software expenses	80 922	72 245
Special Programmes	301 826	523 170
Subscription Fees	341 630	80 127
Telephone Cost	1 705 360	1 439 525
Training Costs	668 174	29 767
Transport Costs	16 508	17 038
Travelling and Subsistence	2 759 353	1 675 716
Uniforms and Protective Clothing	173 531	90 536
Total General Expenses	20 795 542	19 176 808

The amounts disclosed above for Other General Expenses are in respect of costs incurred in the general management of the municipality and not direct attributable to a specific service or class of expense. Inter-departmental Charges are charged to other trading and economic services for support services rendered.

35.1 Material Losses

Distribution Losses:

Electricity Losses

106 436 681	-
106 436 681	-

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

No other extra-ordinary expenses were incurred.

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
36 CHANGE IN ACCOUNTING POLICY		
<p>The municipality adopted the exempted portions of the following International Accounting Standards for the first time during the financial year 2011/12 in order to comply with the basis of preparation of the Annual Financial Statements as disclosed in Accounting Policy 1. These have been implemented retrospectively as at 30 June 2012:</p> <ul style="list-style-type: none"> - GAMAP 9 Revenue (sections applicable to Non-exchange Transactions) - GRAP 03 Accounting Policies, Changes in Accounting Estimates and Errors - GRAP 09 Revenue from Exchange Transactions - GRAP 12 Inventories - GRAP 13 Leases - GRAP 16 Investment Property - GRAP 17 Property, Plant and Equipment - GRAP 23 Revenue from Non-exchange Transactions - GRAP 24 Presentation of Budget Information in Financial Statements - GRAP 25 Employee Benefits - GRAP 101 Agriculture - GRAP 102 Intangible Assets - GRAP 104 Financial Instruments - IFRS 7 Financial Instruments: Disclosures - IAS 19 Employee Benefits - IAS 32 Financial Instruments: Presentation - IAS 36 Impairment of Assets - IAS 39 Financial Instruments: Recognition and Measurement 		
36.1 Reclassification of Accumulated Surplus		
<p>The prior year figures of Accumulated Surplus has been restated to correctly disclose the monies held by the municipality in terms of the disclosure notes indicated below.</p>		
The effect of the changes are as follows:		Accumulated Surplus
Balances published as at 30 June 2011		163 352 810
Change in Accounting Policy:-		
Reclassification of Amounts accounted for as "Grants Receivable" - GRAP 23	(10 215 500)	
Reclassification of amounts accounted for as "Unknown Grants Received" - GRAP 23	9 708 399	
Reclassification of General Expenses to Inventory for 2010-2011: GRAP 12	83 566	(423 535)
Correction of Error:-		
Reclassify Lease expenses	166 339	
Reclassify Lease expenses for 2010-2011	361 619	
DBSA Loan Opening balance adjustment	(7 320)	
Adjustment for SALA Creditor not recorded	(1 402 051)	
Adjustment relating to Centlec capital loan amounts	(513 730)	
Write off of "VAT differences account" against prior periods	5 135 150	
Write off of VAT payable from prior periods	6 111 939	
Recognition of Revaluation of Investment property during 2010-2011	1 780 205	
Recognition of interest expense on Landfill sites provision	(1 357 260)	
Provision for Landfill site rehabilitation	(14 205 749)	
Correction of Investment Property Value	(10 665 500)	
Correction of Trade payable opening balance	2 118 311	
Correction of erven held for transfer to Inventory	4 215 670	
Correction of Intangible assets balance	534 123	
Correction of PPE balances	171 385 662	
Recognition of depreciation for the year	(21 078 163)	
Centlec consolidated results for 2010-2011	(3 166 349)	
Restating of the leave accrual	875 692	140 288 589
Restated Balances as at 30 June 2011		303 217 865

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

2012
R

2011
R

GRAP 104 - Financial Instruments

The municipality opted to develop an Accounting Policy based on GRAP 104, Financial Instruments.

36.2 Reclassification of Trade Receivables from Exchange Transactions and Trade to Receivables from Non-exchange Transactions

The prior year figures of Trade Receivables from Exchange Transactions together with the Provision for Impairment and Trade Receivables from Non-exchange Transactions together with the Provision for Impairment have been restated to correctly disclose the monies held by the municipality in terms of GRAP 104.

The effect of the Change in Accounting Policy is as follows:

	Receivables Exchange Transactions	Exchange Provision for Impairment	Receivables Non-exchange Transactions	Non-exchange Provision for Impairment
Balances published as at 30 June 2010	59 504 915	(45 661 072)	-	-
Reclassification of Debtors: Assessment Rates	(4 676 435)	-	4 676 435	-
Restated Balances as at 30 June 2010	54 828 480	(45 661 072)	4 676 435	-
Transactions incurred for the Year 2009/10:				
Debtors Transactions for the Year	(7 557 814)	3 494 226	-	-
Reclassification of Debtors: Assessment Rates	549 854	-	(549 854)	-
Restated Balances as at 30 June 2011	47 820 520	(42 166 846)	4 126 581	-

36.3 Reclassification of Financial Instruments

The municipality opted to develop an Accounting Policy based on GRAP 104, Financial Instruments. The effect of this change in Accounting Policy is summarised in the following table that indicates the effect of the classification and measurement adjustments to the municipality's Financial Instruments as at 01 July 2011.

	Old Classification as per IAS 39	Classification per GRAP 104	Old Carrying Amount	New Carrying Amount
FINANCIAL ASSETS:				
Non-current Investments				
Investment in Stock	Held to maturity	Amortised cost	95 826	95 826
Receivables from Exchange Transactions				
Electricity	Loans and receivables	Amortised cost	247 850	247 850
Refuse	Loans and receivables	Amortised cost	160 752	160 752
Sewerage	Loans and receivables	Amortised cost	205 669	205 669
Water	Loans and receivables	Amortised cost	386 388	386 388
Other Debtors	Loans and receivables	Amortised cost	4 886 291	4 886 291
Receivables from Non-exchange Transactions				
Assessment Rates Debtors	Loans and receivables	Amortised cost	4 126 581	4 126 581
Cash and Cash Equivalents				
Call Deposits	Available for sale	Fair value	299 229	299 229
Bank Balances	Available for sale	Fair value	212 465	212 465
Cash Floats and Advances	Available for sale	Fair value	1 180	1 180
FINANCIAL LIABILITIES:				
Long-term Liabilities				
Finance Lease Liabilities	Financial liabilities at amortised cost	Amortised cost	650 326	650 326
Government Loans	Financial liabilities at amortised cost	Amortised cost	1 425 013	1 425 013
Other Loans	Financial liabilities at amortised cost	Amortised cost	1 337 755	1 337 755
Payables				
Trade Creditors	Financial liabilities at amortised cost	Amortised cost	14 117 074	14 117 074
Payments received in Advance	Financial liabilities at fair value	Fair value	239 711	239 711
Sundry Deposits	Financial liabilities at amortised cost	Amortised cost	236 574	236 574
Other Creditors	Financial liabilities at amortised cost	Amortised cost	76 648	76 648
Bank Overdraft				
Bank Overdraft	Financial liabilities at amortised cost	Fair value	2 065 666	2 065 666
Current Portion of Long-term Liabilities				
Finance Lease Liabilities	Financial liabilities at amortised cost	Amortised cost	458 273	458 273
Government Loans	Financial liabilities at amortised cost	Amortised cost	303 438	303 438

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
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36.4 Reclassification of Revenue and Expenditure

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

The effect of the changes are as follows:

	Revenue for the Year	Expenditure for the Year	Surplus for the Year
Total as per AFS previously published for 2010/11	101 750 443	95 360 935	6 389 508
Adjustment for Inventory - Note 36.5	-	(83 566)	83 566
Adjustment for Revenue Rebates - Note 30	2 849 678	2 849 678	-
Adjustment for Finance Lease Payments - Note 36.5	-	(361 619)	361 619
Adjustment for Assets - Note 37.1	1 780 205	21 078 163	(19 297 958)
Adjustment for Provision for Landfill Sites - Note 37.5	-	1 357 260	(1 357 260)
Restated Total as per AFS currently disclosed for 2010/11	106 380 326	120 200 851	(13 820 525)

GRAP 12 - Inventory

The Accounting Standard for *Inventory* was not recognised in the Annual Financial Statements of the municipality as at 30 June 2010 in terms of GRAP 12. The full net liabilities have been recognised retrospectively in the Annual Financial Statements. The comparative amounts have been restated. The effect of the change in Accounting Policy is as follows:

36.5 Reclassification of Inventory, General Expenses and Accumulated Surplus

The prior year figures of Inventory and Accumulated have been restated to correctly disclose Water Inventory held by the municipality in terms of GRAP 12.

The effect of the Change in Accounting Policy is as follows:

	Inventory Consumable Stores	General Expenses
Balances published as at 30 June 2011		28 426 292
Recognition of Consumable Stores from General Expenses	83 566	(83 566)
Reclassification to contracted services		(8 020 299)
Reclassification of rental expenses for Finance leases		(361 619)
Reclassification of expenses to Interest expenses on Creditors		(813 827)
Reclassification of interest on finance lease charges to Rental expenses		29 828
Restated Balances as at 30 June 2011	83 566	19 176 809

GRAP 13 - Leases

The Accounting Standard for *Leases* has been recognised in the Annual Financial Statements of the municipality as at 30 June 2010 in terms of GRAP 13. The full net liabilities have been recognised retrospectively in the Annual Financial Statements. The comparative amounts have been restated. The effect of the change in Accounting Policy is as follows:

36.6 Reclassification of Finance Lease Liabilities, and Accumulated Surplus

The prior year figures of Finance Lease Liabilities and Accumulated Surplus have been restated to correctly disclose the monies held by the municipality in terms of GRAP 13.

The effect of the Change in Accounting Policy is as follows:

	Finance Lease Liabilities
Balances published as at 30 June 2011	1 636 434
Recognition of Current Portion	575 744
Recognition of Non-Current Portion	1 060 690
Restatement of Current Portion	(255 401)
Restatement of Non-Current Portion	(680 897)
Restated Balances as at 30 June 2011	700 136

GRAP 17 - Property, Plant and Equipment

Property, Plant and Equipment of the municipality are now recognised in terms of GRAP 17, *Property, Plant and Equipment*, and implemented as at 30 June 2010. As a result of the process of identifying, componentising and measuring assets, the values of the municipality's assets were adjusted to disclose the outcome of the physical verification.

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

2012 **2011**
R **R**

IAS 39 - Financial Instruments: Recognition and Measurement

Arrangement Debtors, previously recognised in Consumer Debtors, have now been recognised in the Annual Financial Statements of the municipality as at 30 June 2010 at amortised cost in terms of IAS 39, *Financial Instruments: Recognition and Measurement*. The full net liabilities have been recognised retrospectively in the Annual Financial Statements.

The comparative amounts have been restated. The effect of the change in Accounting Policy is as follows:

Effect of the Change in Accounting Policy:

The effect of the above-mentioned changes in Accounting Policies on the accumulated surplus is a decrease of R423 525 in the surplus for the financial year 2010/11 and the nature of the changes in the Accounting Policies is as follows:

- GRAP 12 Inventories	-	83 566
- GRAP 23 Revenue from Non-exchange Transactions (Taxes and Transfers)	-	(507 101)
Total Decrease / (Increase) in Surplus as at 30 June	-	(423 535)

37 CORRECTION OF ERROR

Corrections were made during the previous financial years. Details of the corrections are described below:

37.1 Reclassification of Property, Plant & Equipment, Investment Property, Depreciation Charges and Accumulated Surplus

The effect of the Correction of Error is as follows:

	Property, Plant and Equipment	Investment Property	Depreciation Charges
Balances published as at 30 June 2010	168 770 562	880 853	
Restatement of cost	459 906 758	-	
Revaluation of assets through accumulated surplus	-	-	
Recognition of Accumulated Depreciation	(327 386 157)	-	
Restated Balances as at 30 June 2010	301 291 163	880 853	
Amount per AFS previously published for 2010/11	155 975 629	28 523 647	-
Amount included in fixed assets reclassified to Inventory	(428 339)	-	
Correction of opening balance through Accumulated Surplus	171 385 662	(10 665 500)	
Revaluation recognised for the 2010/2011 period	-	1 780 205	
Asset additions accounted for in the incorrect period	3 598 130		
Recognition of Depreciation for 2010/11	(21 078 163)	-	(21 078 163)
Restated Balances as at 30 June 2011	309 452 919	20 519 205	(21 078 163)

37.2 Reclassification of Creditors, Other Debtors, Repairs & Maintenance, Contracted Services, Employee Related Costs and Accumulated Surplus

The opening balances of the Leave Accrual and Accumulated Surplus have been restated to correctly disclose Employee Related Costs incurred in previous financial years.

The effect of the Correction of Error is as follows:

	Leave Accrual
Amount per AFS previously published for 2010/11	
Transactions incurred for the Year 2010/11	(3 023 637)
Adjustment for Leave Accruals	875 692
Restated Amount currently disclosed for 2010/11	2 147 945

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
37.3 Reclassification of Other Debtors, Creditors, Unspent Conditional Grants and Accumulated Surplus		
The prior year figures of Creditors have been restated to correctly classify the outstanding balance as at 30 June 2012.		
The prior year figures of Unspent Conditional Grants and Accumulated Surplus have been restated to correctly classify the monies held by the municipality with no conditions attached to them for Own and Public Contributions in terms of ASB Directive 4.05.144 and to adhere to the provisions of GAMAP 9 (paragraphs 42 - 46), <i>Revenue</i> on revenue from non-exchange transactions.		
The effect of the Correction of Error is as follows:		
	Creditors	Unspent Grants
Balances published as at 30 June 2010	12 133 518	10 688 892
Restated Balances as at 30 June 2010	12 133 518	10 688 892
Transactions incurred for the Year 2010/11	-	11 507 010
Adjustment of Trade Payables through accumulated surplus	(2 048 764)	-
Asset additions recorded in incorrect period	4 585 253	-
Adjustment of Grants Received through accumulated surplus	-	(9 708 399)
Restated Balances as at 30 June 2011	14 670 007	12 487 503
37.4 Opening Balances have been restated as follows		
Intangible Assets:-		
Balance per Ledger as at 1 July	534 123	-
Adjustment - Historical Costs	-	534 123
Restated Balance as at 1 July	534 123	534 123
Inventory:-		
Balance per Ledger as at 1 July	511 904	-
Adjustment - Recognition of Inventory	114 926	511 904
Restated Balance as at 1 July	626 830	511 904
37.5 Landfill sites provision		
Liability as at 1 July	15 563 009	-
Liability raised for the year to Accumulated Surplus	-	14 205 749
Finance cost expensed for the period	1 486 936	1 357 260
Closing balance as 30 June	17 049 945	15 563 009
37.6 VAT		
Receivable as at 1 July	15 183 263	6 528 332
Adjustment to Accumulated Surplus	-	8 654 931
VAT payable for the year	(2 815 596)	-
VAT receivable for the year	-	-
Closing balance as 30 June	12 367 667	15 183 263

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
	2012 R	2011 R
38 CHANGE IN ACCOUNTING ESTIMATES		
38.1 Depreciation Expenditure:		
The residual values, estimated useful lives and depreciation method were reviewed at 30 June 2012. Adjustments to the residual values and useful lives affect the amount of depreciation for the current year and is expected to affect future periods as well. The adjustments are as follows:		
21 215 435 21 078 163		
Increase / (Decrease) in Depreciation of PPE	21 215 435	21 078 163
39 CASH GENERATED BY OPERATIONS		
Surplus / (Deficit) for the Year	(17 040 532)	(13 820 526)
Prior Period Adjustments:	-	151 047 251
Depreciation and Amortisation	21 215 435	21 078 163
Fair value adjustments on Property, Plant and Equipment	-	(1 780 205)
Impairment losses on Property, Plant and Equipment	153 995	-
Other Movements on Property, Plant and Equipment	-	(132 520 601)
Other Movements on Intangible Assets	-	(534 123)
Other Movements on Investment Properties	(16 834)	(17 858 147)
Other Movements on Biological Assets	154 320	(20 100)
Loss on Disposal of Buildings	131 102	-
Contribution to Provisions - Non-current	1 486 936	15 563 009
Operating surplus before working capital changes	6 084 422	21 154 721
Decrease/(Increase) in Inventories - Consumables	(114 926)	(511 904)
Decrease/(Increase) in Inventories - Erven held for transfer	-	(4 215 670)
Decrease/(Increase) in Consumer Debtors	5 024 482	7 956 893
Decrease/(Increase) in Other Debtors	4 126 220	5 848 561
Decrease/(Increase) in Sundry Debtors	(1 216)	958 326
Decrease/(Increase) in VAT Receivable	2 815 596	(11 580 342)
Increase/(Decrease) in Consumer Deposits	431	22 263
Increase/(Decrease) in Payables	(2 840 569)	2 730 148
Increase/(Decrease) in Conditional Grants and Receipts	(406 843)	1 798 611
Cash generated by / (utilised in) Operations	14 687 597	24 161 607
40 NON-CASH INVESTING AND FINANCING TRANSACTIONS		
The municipality did not enter into any Non-cash Investing and Financing Transactions during the 2010/11 financial year.		
41 FINANCING FACILITIES		
The municipality did not have any Financing Facilities available at any time during the two financial years.		
42 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION		
Long-term Liabilities (See Note 17)	13 711 093	10 373 709
Used to finance Property, Plant and Equipment - at cost	(13 711 093)	(10 373 709)
Sub-total	-	-
Long-term Liabilities have been utilised in accordance with the Municipal Finance Management Act. Sufficient cash is available to ensure that Long-term Liabilities can be repaid on the scheduled redemption dates		

43 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED					
43.1 Unauthorised Expenditure					
Reconciliation of Unauthorised Expenditure:					
Opening balance			15 118 443	-	
Unauthorised Expenditure current year			43 860 803	12 147 439	
Approved by Council or condoned			-	2 971 004	
To be recovered – contingent asset (see Note 51)			-	-	
Transfer to receivables for recovery (see Note 5)			-	-	
Unauthorised Expenditure awaiting authorisation			58 979 246	15 118 443	
Incident		Disciplinary Steps / Criminal Proceedings			
Bulk Purchases of electricity exceeding budget(R2 453 960)		None			
43.2 Fruitless and Wasteful Expenditure					
Reconciliation of Fruitless and Wasteful expenditure:					
Opening balance			2 086 252	1 253 110	
Fruitless and Wasteful Expenditure current year			276 929	833 142	
Condoned or written off by Council			-	-	
To be recovered – contingent asset (see Note 51)			-	-	
Transfer to receivables for recovery (see Note 5)			-	-	
Fruitless and Wasteful Expenditure awaiting condonement			2 363 181	2 086 252	
Incident		Disciplinary Steps / Criminal Proceedings			
Laeseof vehicle resulting in fruitless & Wastefull expenses(R158 769)		None			
Employee travel claim not economical (R3 187)		None			
Salaries paid above minimum salary scales(R95 061)		None			
Bulk purchases, Interest paid (R6 759)		None			
Interest on late payment - Loan account (R13 153)		None			
43.3 Irregular Expenditure					
Reconciliation of Irregular Expenditure:					
Opening balance			108 703 920	63 144 064	
Irregular Expenditure current year			21 997 094	45 559 856	
Condoned or written off by Council			-	-	
To be recovered – contingent asset (see Note 51)			-	-	
Transfer to receivables for recovery (see Note 5)			-	-	
Irregular Expenditure awaiting condonement			130 701 014	108 703 920	
Incident		Disciplinary Steps / Criminal Proceedings			
Lease agreement entered into for more tha three years (R700 514)		Contract has been cancelled after three years ending 30 June 2012 and will be reviewed by Management			
Prepayment of assets purchased (R404 000)		None			
Deviation from tender process (Various) (R12 416 471)		None			
Deviation from quotation process (R8 440 429)		None			
Contract Management (R35 680)		None			
44 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT					
44.1 Contributions to organised local government - SALGA					
Opening Balance			-	-	
Council Subscriptions			88 414	3 000	
Amount Paid - current year			(88 414)	(3 000)	
Amount Paid - previous years			-	-	
Balance Unpaid (included in Creditors)			-	-	
44.2 Audit Fees					
Opening Balance			593 219	1 364 684	
Current year Audit Fee			1 597 456	3 186 895	
Credit Notes received - current year			-	(2 614 656)	
Amount Paid - current year			(775 389)	-	
Amount Paid - previous years			(593 219)	(1 343 704)	
Balance Unpaid (included in Creditors)			822 067	593 219	

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
44.3 VAT		
The net of VAT input payables and VAT output receivables are shown in Note 6. All VAT returns have been submitted by the due date throughout the year.		
44.4 PAYE, Skills Development Levy and UIF		
Opening Balance	277 842	-
Current year Payroll Deductions	3 717 963	3 717 963
Amount Paid - current year	(3 107 331)	(3 440 121)
Amount Paid - previous years	(277 842)	-
Balance Unpaid (included in Creditors)	610 632	277 842

The balance represents PAYE and UIF deducted from the May and June 2012 payroll. These amounts were paid during July 2012.

44.5 Pension and Medical Aid Deductions		
Opening Balance	-	-
Current year Payroll Deductions and Council Contributions	4 144 829	5 587 343
Amount Paid - current year	(3 628 791)	(5 587 343)
Amount Paid - previous years	-	-
Balance Unpaid (included in Creditors)	516 038	-

The balance represents Pension and Medical Aid contributions deducted from employees and councillors in the May 2012 payroll, as well as the municipality's contributions to these funds. These amounts were paid during July 2012.

44.6 Councillor's arrear Consumer Accounts

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

	Total	Outstanding up to 90 days	Outstanding more than 90 days
30 June 2012			
Councillor Lekhula L	1 914	477	1 437
Councillor Letele MA	1 721	336	1 385
Councillor Thuhlo RJ	6 638	1 456	5 182
Councillor Majenge BS	3 161	466	2 695
Councillor Sehanka MJ	8 108	532	7 576
Councillor Riddle IS	2 503	420	2 083
Total Councillor Arrear Consumer Accounts	24 044	3 687	20 358
30 June 2011			
Councillor Shasha AM	22 592	2 393	20 199
Councillor Thuhlo RJ	7 333	980	6 353
Councillor Letele MA	878	744	134
Councillor Sehanka MJ	1 815	365	1 450
Councillor Majenge BS	11 141	496	10 645
Total Councillor Arrear Consumer Accounts	43 759	4 978	38 781

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
During the year the following Councillors had arrear accounts outstanding for more than 90 days:		
30 June 2012	Highest amount outstanding	Ageing
Councillor Lekhula L	1 437	> 90 Days
Councillor Letele MA	1 385	> 90 Days
Councillor Thuhlo RJ	5 182	> 90 Days
Councillor Majenge BS	2 695	> 90 Days
Councillor Sehanka MJ	7 576	> 90 Days
Councillor Riddle IS	2 083	> 90 Days
30 June 2011	Highest amount outstanding	Ageing
Councillor Shasha AM	20 199	> 90 Days
Councillor Thuhlo RJ	6 353	> 90 Days
Councillor Letele MA	134	> 90 Days
Councillor Sehanka MJ	1 450	> 90 Days
Councillor Majenge BS	10 645	> 90 Days

44.7 Non-Compliance with Chapter 11 of the Municipal Finance Management Act

The municipality has developed a supply chain management policy which was only approved by Council in November 2011.

No known matters existed at reporting date.

44.8 Deviation from, and ratification of minor breaches of, the Procurement Processes

In terms of section 36(2) of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved / condoned by the Municipal Manager and noted by Council.

The following deviations from the tender stipulations in terms of the municipality's Supply Chain Management Policy were ratified by the Municipal Manager and will be reported to Council:

Department	Date	Successful Tenderer	Reason	Amount
Procurement	Year 2011/2012	2 Occasions	Only two quotes were obtained	33 313.60
2 Occasions during the year amounting to R33 313.60				
Procurement	14 July 2011	Marwin Marketing	Tender was awarded to the highest bidder.	107 781.30
1 Occasion during the year amounting to R107 781.30				
Procurement	Year 2011/2012	30 Occasions	No quotation obtained	336 049.56
30 Occasions during the year amounting to R336 049.56				
Procurement	Year 2011/2012	32 Occasions	Only one quote obtained	308 886.42
32 Occasions during the year amounting to R308 886.42				

	2012 R	2011 R
44.9 Bulk Electricity and Water Losses in terms of Section 125 (2)(d)(i) of the MFMA		
Material Electricity and Water Losses were as follows and are not recoverable:		
Electricity:		
Purchased during the year	units (kWh) 1 834 140 696	-
Sold during the year	units (kWh) (1 630 393 374)	-
Unaccounted	units (kWh) 203 747 322	-
Normal distribution losses - % of electricity purchases	5.00% units (kWh) (91 707 035)	-
Loss	units (kWh) 112 040 287	-
Loss %	6%	0.00%
Loss (R):	-	-

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

			2012 R	2011 R
<i>Calculated as follows :</i>				
	%	Lost Units	Tariff	Value
30 June 2012				
Total Electricity Losses	100.00%	112 040 287	@	106 436 681
- Residential	97.43%	109 160 851	0.9450	103 157 005
- Business	2.57%	2 879 435	1.1390	3 279 677

30 June 2011				
Total Electricity Losses	0.00%	0	@	0
- Residential	0.00%	0	0.0000	-
- Business	0.00%	0	0.0000	-

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

Water:

		Lost Units	Tariff	Value
30 June 2012				
	Unaccounted Water Losses	0	0.0000	-
30 June 2011				
	Unaccounted Water Losses	0	0.0000	-

Water Losses occur due to *inter alia*, leakages, the tampering of meters, the incorrect ratios used on bulk meters, faulty meters and illegal water connections. The municipality is currently busy with an audit of bulk meters to find faulty meters and repair them. The problem with tampered meters and illegal connections is an ongoing process, with regular action being taken against defaulters. Faulty meters and leakages are replaced/repared as soon as they are reported. The Loss on water distribution can not be calculated due to the fact that there are no zonal meters to determine the kilo-litres distributed.

45 COMMITMENTS FOR EXPENDITURE

45.1 Capital Commitments

Commitments in respect of Capital Expenditure:

- Approved and Contracted for:-	2 333 908	2 346 453
Infrastructure	2 333 908	2 346 453
- Approved but Not Yet Contracted for:-	42 739 744	12 407 994
Infrastructure	42 739 744	12 407 994
Total Capital Commitments	45 073 652	14 754 447
This expenditure will be financed from:		
Government Grants	45 073 652	14 754 447
	45 073 652	14 754 447

45.2 Lease Commitments

Finance Lease Liabilities are disclosed in Note 16.

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

		2012 R	2011 R
46 FINANCIAL INSTRUMENTS			
46.1 Classification			
FINANCIAL ASSETS:			
In accordance with GRAP 104.13 the Financial Assets of the municipality are classified as follows:			
	<u>Financial Assets</u>	<u>Classification</u>	
Non-current Investments			
Investment in OVK Shares	Amortised cost	112 660	95 826
Receivables from Exchange Transactions			
Electricity	Amortised cost	270 396	247 850
Refuse	Amortised cost	65 620	160 752
Sewerage	Amortised cost	158 423	205 669
Water	Amortised cost	346 944	386 388
Other Receivables	Amortised cost	21 084	4 886 291
Receivables from Non-exchange Transactions			
Assessment Rates Debtors	Amortised cost	360	4 126 581
Cash and Cash Equivalents			
Call Deposits	Fair value	271 207	299 229
Bank Balances	Fair value	16 209	212 465
Cash Floats and Advances	Fair value	1 180	1 180
SUMMARY OF FINANCIAL ASSETS			
Financial Assets at Amortised Cost:			
Non-current Investments	Shares in OVK	112 660	95 826
Non-current Investments	Fixed Deposits		
Receivables from Exchange Transactions	Electricity	270 396	247 850
Receivables from Exchange Transactions	Refuse	65 620	160 752
Receivables from Exchange Transactions	Sewerage	158 423	205 669
Receivables from Exchange Transactions	Water	346 944	386 388
Sundry Debtors	Sundry Debtors	348 161	348 161
Receivables from Exchange Transactions	Other Debtors	21 084	4 886 291
Receivables from Non-exchange Transactions	Assessment Rates Debtors	360	4 126 581
		<u>1 323 648</u>	<u>10 457 516</u>
Financial Assets at Fair Value:			
Cash and Cash Equivalents	Call Deposits	271 207	299 229
Cash and Cash Equivalents	Bank Balances	16 209	212 465
Cash and Cash Equivalents	Cash Floats and Advances	1 180	<u>1 180</u>
		<u>288 595</u>	<u>512 874</u>
Total Financial Assets		<u>1 612 244</u>	<u>10 970 390</u>
		348 161	348 161

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

		2012 R	2011 R
FINANCIAL LIABILITIES:			
In accordance with GRAP 104.13 the Financial Liabilities of the municipality are classified as follows:			
	<u>Financial Liabilities</u>		<u>Classification</u>
Long-term Liabilities			
Finance Lease Liabilities	Amortised cost	337 109	650 326
Government Loans	Amortised cost	1 227 783	1 425 013
Other Loans	Amortised cost	1 214 262	1 337 755
Payables			
Trade Creditors	Amortised cost	8 502 473	14 117 074
Payments received in Advance	Fair value	586 245	239 711
Sundry Deposits	Amortised cost	1 041 707	236 574
Consumer Deposits	Fair value	164 402	163 971
Other Creditors	Amortised cost	100 571	76 648
Bank Overdraft			
Bank Overdraft	Fair value	3 915 357	2 065 666
Current Portion of Long-term Liabilities			
Finance Lease Liabilities	Amortised cost	313 217	458 273
Government Loans	Amortised cost	183 927	303 438
SUMMARY OF FINANCIAL LIABILITIES			
Financial Liabilities at Amortised Cost:			
Long-term Liabilities	Finance Lease Liabilities	337 109	650 326
Long-term Liabilities	Government Loans	1 227 783	1 425 013
Long-term Liabilities	Other Loans	1 214 262	1 337 755
Payables	Trade Creditors	8 502 473	14 117 074
Payables	Sundry Deposits	1 041 707	236 574
Payables	Other Creditors	100 571	76 648
Current Portion of Long-term Liabilities	Finance Lease Liabilities	313 217	458 273
Current Portion of Long-term Liabilities	Government Loans	183 927	303 438
		<u>12 921 049</u>	<u>18 605 101</u>
Financial Liabilities at Fair Value:			
Payables	Payments received in Advance	586 245	239 711
Consumer Deposits	Consumer deposits	164 402	163 971
Bank Overdraft	Bank Overdraft	3 915 357	2 065 666
		<u>4 666 005</u>	<u>2 469 348</u>
Total Financial Liabilities		<u>17 587 054</u>	<u>21 074 448</u>

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

2012 **2011**
R **R**

46.2 Fair Value

The following methods and assumptions were used to estimate the Fair Value of each class of Financial Instrument for which it is practical to estimate such value:

Cash and Short-term Investments

The carrying amount approximates the Fair Value because of the short maturity of these instruments.

Long-term Investments

The Fair Value of some Investments are estimated based on quoted market prices of those or similar investments. Unlisted Equity Investments are estimated using the discounted cash flow method.

Loan Receivables/Payables

Interest-bearing Borrowings and Receivables are generally at interest rates in line with those currently available in the market on a floating-rate basis, and therefore the Fair Value of these Financial Assets and Liabilities closely approximates their carrying values. Fixed interest-rate instruments are fair valued based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

Trade and Other Receivables/Payables

The Fair Value of Trade and Other Payables is estimated at the present value of future cash flows.

The management of the municipality is of the opinion that the carrying value of Trade and Other Receivables recorded at amortised cost in the Annual Financial Statements approximate their fair values. The Fair Value of Trade Receivables were determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties as well as the the current payment ratio's of the municipality's debtors.

Other Financial Assets and Liabilities

The Fair Value of Other Financial Assets and Financial Liabilities (excluding Derivative Instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

Long-term Liabilities

The Fair Value of Long-term Liabilities was determined after considering the standard terms and conditions of agreements entered into between the municipality and the relevant financing institutions.

Management considers the carrying amounts of Financial Assets and Financial Liabilities recorded at amortised cost in the Annual Financial Statements to approximate their Fair Values on 30 June 2011, as a result of the short-term maturity of these assets and liabilities.

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

	30 June 2012		30 June 2011	
	Carrying Amount R	Fair Value R	Carrying Amount R	Fair Value R
FINANCIAL ASSETS				
Measured at Amortised Cost:	1 323 648	1 323 648	10 457 516	10 457 516
OVK Shares	112 660	112 660	95 826	95 826
Trade Receivables from Exchange Transactions	1 210 628	1 210 628	6 235 110	6 235 110
Trade Receivables from Non-exchange Transactions	360	360	4 126 581	4 126 581
Measured at Fair Value	288 595	288 595	512 874	512 874
Call Deposits	271 207	271 207	299 229	299 229
Bank Balances and Cash	17 389	17 389	213 645	213 645
Total Financial Assets	1 612 244	1 612 244	10 970 390	10 970 390
FINANCIAL LIABILITIES				
Measured at Amortised Cost:	12 921 049	12 921 049	18 605 101	18 605 101
Finance Lease Liabilities	337 109	337 109	650 326	650 326
Government Loans	1 227 783	1 227 783	1 425 013	1 425 013
Other Loans	1 214 262	1 214 262	1 337 755	1 337 755
Trade and Other Payables:				
- Creditors	9 644 751	9 644 751	14 430 297	14 430 297
- Short-term Loans	-	-		
- Current Portion of Long-term Liabilities	497 144	497 144	761 711	761 711
Measured at Fair Value	4 666 005	4 666 005	2 469 348	2 469 348
Payments Received in Advance	586 245	586 245	239 711	239 711
Consumer Deposits	164 402	164 402	163 971	163 971
Bank Overdraft	3 915 357	3 915 357	2 065 666	2 065 666
Total Financial Liabilities	17 587 054	17 587 054	21 074 448	21 074 448
Total Financial Instruments	(15 974 810)	(15 974 810)	(10 104 058)	(10 104 058)
Unrecognised Gain / (Loss)		-		-

The Financial Instruments of the municipality have been reclassified as disclosed in Note 35.3, Change in Accounting Policy.

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

2012 **2011**
R **R**

Assumptions used in determining Fair Value of Financial Assets and Financial Liabilities

The table below analyses Financial Instruments carried at Fair Value at the end of the reporting period by the level of fair-value hierarchy as required by GRAP 104. The different levels are based on the extent to which quoted prices are used in the calculation of the Fair Value of the Financial Instruments. The levels have been defined as follows:

Level 1:-

Fair Values are based on quoted market prices (unadjusted) in active markets for an identical instrument.

Level 2:-

Fair Values are calculated using valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments, quoted prices for identical or similar instruments in markets that are considered less than active, or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3:-

Fair Values are based on valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. Also, this category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

30 June 2012

	Level 1	Level 2	Level 3	Total
	R	R	R	R
FINANCIAL ASSETS				
Financial Instruments at Fair Value:				
OVK Shares	-	112 660	-	112 660
Call Deposits	-	271 207	-	271 207
Bank Balances and Cash	-	17 389	-	17 389
Total Financial Assets	<u>-</u>	<u>401 255</u>	<u>-</u>	<u>401 255</u>
FINANCIAL LIABILITIES				
Financial Instruments at Fair Value:				
Finance Lease Liabilities	-	337 109	-	337 109
Government Loans	-	1 227 783	-	1 227 783
Other Loans	-	1 214 262	-	1 214 262
Bank Overdraft	-	3 915 357	-	3 915 357
Total Financial Liabilities	<u>-</u>	<u>7 280 756</u>	<u>-</u>	<u>7 280 756</u>
Total Financial Instruments	<u>-</u>	<u>(6 879 501)</u>	<u>-</u>	<u>(6 879 501)</u>

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

			2012 R	2011 R
30 June 2011				
	Level 1 R	Level 2 R	Level 3 R	Total R
FINANCIAL ASSETS				
Financial Instruments at Fair Value:				
OVK Shares	-	95 826	-	95 826
Call Deposits	-	299 229	-	299 229
Bank Balances and Cash	-	213 645	-	213 645
Total Financial Assets	<u>-</u>	<u>608 700</u>	<u>-</u>	<u>608 700</u>
FINANCIAL LIABILITIES				
Financial Instruments at Fair Value:				
Finance Lease Liabilities	-	650 326	-	650 326
Government Loans	-	1 425 013	-	1 425 013
Other Loans	-	1 337 755	-	1 337 755
Payments Received in Advance	-	239 711	-	239 711
Bank Overdraft	-	2 065 666	-	2 065 666
Total Financial Liabilities	<u>-</u>	<u>5 718 470</u>	<u>-</u>	<u>5 718 470</u>
Total Financial Instruments	<u>-</u>	<u>(5 109 770)</u>	<u>-</u>	<u>(5 109 770)</u>

46.3 Capital Risk Management

The municipality manages its capital to ensure that the municipality will be able to continue as a going concern while delivering sustainable services to consumers through the optimisation of the debt and equity balance. The municipality's overall strategy remains unchanged from 2010/2011.

The capital structure of the municipality consists of debt, which includes the Long-term Liabilities disclosed in Note 16, Cash and Cash Equivalents and Equity, comprising Funds, Reserves and Accumulated Surplus as disclosed in Note 19 and the Statement of Changes in Net Assets.

Gearing Ratio

The debt-to-equity ratio, is reflected at 3,16%, increasing to 3,76%. This low ratio is as a result of the Municipality not entering in a large number of Loans and making full use of Government Grants received.

	2012 R	2011 R
The gearing ratio at the year-end was as follows:		
Debt	7 191 655	6 240 470
Cash and Cash Equivalents	(17 389)	(213 645)
Net Debt	<u>7 174 266</u>	<u>6 026 825</u>
Equity	<u>286 177 333</u>	<u>303 217 865</u>
Net debt to equity ratio	<u>2.51%</u>	<u>1.99%</u>

Debt is defined as Long- and Short-term Liabilities, as detailed in Note 16

Equity includes all Funds and Reserves of the municipality, disclosed as Net Assets in the Statement of Financial Performance and Net Debt as described above.

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

2012	2011
R	R

46.4 Financial Risk Management Objectives

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

The Department 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. 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.

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.

46.5 Significant Risks

It is the policy of the municipality to disclose information that enables the user of its Annual Financial Statements to evaluate the nature and extent of risks arising from Financial Instruments to which the municipality is exposed on the reporting date.

The municipality has exposure to the following risks from its operations in Financial Instruments:

- Credit Risk;
- Liquidity Risk; and
- Market Risk.

Risks and exposures are disclosed as follows:

Market Risk

Market Risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the municipality's income or the value of its holdings in Financial Instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Credit Risk

Credit Risk is the risk of financial loss to the municipality if a customer or counterparty to a Financial Instrument fails to meet its contractual obligations and arises principally from the municipality's receivables from customers and investment securities.

Liquidity Risk

Liquidity Risk is the risk that the municipality will encounter difficulty in meeting the obligations associated with its Financial Liabilities that are settled by delivering cash or another financial asset. The municipality's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the municipality's reputation.

Liquidity Risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

A maturity analysis for Financial Liabilities (where applicable) that shows the remaining undiscounted contractual maturities is disclosed in Notes 46.8 and 46.9 to the Annual Financial Statements.

46.6 Market Risk

The municipality's activities expose it primarily to the financial risks of changes in interest rates (see Note 46.7 below). No formal policy exists to hedge volatilities in the interest rate market.

There has been no change to the municipality's exposure to market risks or the manner in which it manages and measures the risk.

46.6.1 Foreign Currency Risk Management

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

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

2012	2011
R	R

46.6.2 Interest Rate Risk Management

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

Financial Assets and Liabilities that are sensitive to interest rate risk are cash and cash equivalents, investments, and loan payables. The municipality is not exposed to interest rate risk on these financial instruments as the rates applicable are fixed interest rates.

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

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

Consumer Debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Consumer debtors are presented net of a provision for impairment.

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

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

The municipality's exposures to interest rates on Financial Assets and Financial Liabilities are detailed in the Credit Risk Management section of this note.

Interest Rate Sensitivity Analysis

The municipality had no floating rate long-term financial instruments at year-end requiring an Interest Rate Sensitivity Analysis.

46.7 Credit Risk Management

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

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

Investments/Bank, Cash and Cash Equivalents

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

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

2012 **2011**
R **R**

Trade and Other Receivables

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

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

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

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

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

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

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

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

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

2012 **2011**
R **R**

Except as detailed in the following table, the carrying amount of financial assets recorded in the Annual Financial Statements, which is net of impairment losses, represents the municipality's maximum exposure to credit risk without taking account of the value of any collateral obtained:

The maximum credit and interest risk exposure in respect of the relevant financial instruments is as follows:

Investments	112 660	95 826
Consumer Debtors	67 541 582	48 189 971
Other Debtors	6 597 467	4 126 581
Bank, Cash and Cash Equivalents	(3 626 762)	(1 552 792)
Maximum Credit and Interest Risk Exposure	70 624 948	50 859 585

The major concentrations of credit risk that arise from the municipality's receivables in relation to customer classification are as follows:

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
	%	%
Consumer Debtors:		
- Household	93.56%	94.46%
- Industrial / Commercial	4.04%	4.35%
- National and Provincial Government	2.39%	1.19%
Total Credit Risk	100.02%	100.00%
Bank and Cash Balances		
ABSA Bank Ltd	(3 820 263)	(1 925 228)
First National Bank	62 958	143 518
Old Mutual	120 653	120 653
Standard Bank	8 711	107 085
Cash Equivalents	1 180	1 180
Total Bank and Cash Balances	(3 626 762)	(1 552 792)
Credit quality of Financial Assets:		
The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:		
Receivables from Exchange Transactions		
Counterparties without external credit rating:-		
Group 1	216 443	869 681
Group 2	31 260	169 822
Group 3		
	<u>247 703</u>	<u>1 039 503</u>
Total Receivables from Exchange Transactions	247 703	1 039 503
Receivables from Non-exchange Transactions		
Group 1		11 263
Group 2		
Group 3		
Total Receivables from Non-exchange Transactions		<u>11 263</u>

Credit quality Groupings:

Group 1 - High certainty of timely payment. Liquidity factors are strong and the risk of non-payment is small.

Group 2 - Reasonable certainty of timely payment. Liquidity factors are sound, although ongoing funding needs may enlarge financing requirement. The risk of non-payment is small.

Group 3 - Satisfactory liquidity factors and other factors which qualify the entity as investment grade. However, the risk factors of non-payment are larger.

None of the financial assets that are fully performing have been renegotiated in the last year.

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

46 FINANCIAL INSTRUMENTS (Continued)

46.8 Liquidity Risk Management

Ultimate responsibility for liquidity risk management rests with the Council, which has built an appropriate liquidity risk management framework for the management of the municipality's short, medium and long-term funding and liquidity management requirements. The municipality manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Liquidity and Interest Risk Tables

The municipality ensures that it has sufficient cash on demand or access to facilities to meet expected operational expenses through the use of cash flow forecasts.

The following tables detail the municipality's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the municipality can be required to pay. The table includes both interest and principal cash flows.

Description	Note ref in AFS	Average effective Interest Rate	Total	0 Months or less	0 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
	#	%	R	R	R	R		R
30 June 2012								
Non-interest Bearing			17 480 577	16 169 966	90 387	361 548	542 322	316 354
- Creditors		0%	16 068 867	16 068 867	-	-	-	-
- DBSA		0%	1 411 710	101 099	90 387	361 548	542 322	316 354
Variable Interest Rate Instruments			3 915 357	3 915 357	-	-	-	-
- Bank Overdraft		10%	3 915 357	3 915 357	-	-	-	-
Fixed Interest Rate Instruments			1 864 588	175 701	137 517	337 108	-	1 214 262
- Centlec Capital Loans			1 214 262	-	-	-	-	1 214 262
- Finance lease liability		10%	650 326	175 701	137 517	337 108		
			23 260 522	20 261 024	227 904	698 656	542 322	1 530 616
30 June 2011								
Non-interest Bearing			20 637 886	19 146 501	90 387	361 548	542 322	497 128
- Creditors		0%	18 909 436	18 909 436	-	-	-	-
- DBSA		0%	1 728 450	237 065	90 387	361 548	542 322	497 128
Variable Interest Rate Instruments			2 065 666	2 065 666	-	-	-	-
- Bank Overdraft		10%	2 065 666	2 065 666	-	-	-	-
Fixed Interest Rate Instruments			2 202 322	221 314	236 958	406 295	-	1 337 755
- Centlec Capital Loans			1 337 755	-	-	-	-	1 337 755
- Finance lease liability		10%	864 567	221 314	236 958	406 295		
			24 905 874	21 433 481	327 345	767 843	542 322	1 834 883

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

The following table details the municipality's expected maturity for its non-derivative financial assets. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the municipality anticipates that the cash flow will occur in a different period.

Description	Note ref in AFS	Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
	#	%	R	R	R	R		R
30 June 2012								
Non-interest Bearing			976 667	976 667	-	-	-	-
- OVK Shares			112 660	112 660	-	-	-	-
- Trade Receivables from Exchange Transactions			862 467	862 467	-	-	-	-
- Trade Receivables from Non-exchange Transactions			360	360	-	-	-	-
- Cash and Cash Equivalents			1 180	1 180	-	-	-	-
Variable Interest Rate Instruments			287 416	287 416	-	-	-	-
- Call Deposits		10%	271 207	271 207	-	-	-	-
- Bank Account		10%	16 209	16 209	-	-	-	-
			-					
			1 264 083	1 264 083	-	-	-	-
			(348 161.00)					
30 June 2011								
Non-interest Bearing				10 110 535	-	-	-	-
- OVK Shares			95 826	95 826	-	-	-	-
- Trade Receivables from Exchange Transactions			5 886 949	5 886 949	-	-	-	-
- Trade Receivables from Non-exchange Transactions			4 126 581	4 126 581	-	-	-	-
- Cash and Cash Equivalents			1 180	1 180	-	-	-	-
Variable Interest Rate Instruments			511 694	511 694	-	-	-	-
- Call Deposits		10%	299 229	299 229	-	-	-	-
- Bank Account		10%	212 465	212 465	-	-	-	-
			10 622 229	10 622 229	-	-	-	-
			(348					

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

46.9 Effective Interest Rates and Repricing Analysis

In accordance with IAS 32.67(a) and (b) the following tables indicate the average effective interest rates of Income-earning Financial Assets and Interest-bearing Financial Liabilities at the reporting date and the periods in which they mature or, if earlier, reprice:

30 June 2012

Description	Note ref in AFS	Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
	#	%	R	R	R	R		R
VARIABLE RATE INSTRUMENTS								
Short-term Investment Deposits	6		271 207	271 207	-	-	-	-
Bank Balances and Cash	6		(3 897 968)	(3 897 968)	-	-	-	-
Total Fixed Rate Instruments			(3 626 762)	(3 626 762)	-	-	-	-

30 June 2011

Description	Note ref in AFS	Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
	#	%	R	R	R	R		R
VARIABLE RATE INSTRUMENTS								
Short-term Investment Deposits	6		299 229	299 229	-	-	-	-
Bank Balances and Cash	6		(1 852 021)	(1 852 021)	-	-	-	-
Total Fixed Rate Instruments			(1 552 792)	(1 552 792)	-	-	-	-

46.10 Other Price Risks

The municipality is not exposed to equity price risks arising from equity investments as the municipality does not trade these investments.

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

2012
R

2011
R

47 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 total expense recognised in the Statement of Financial Performance of R3,8 million (2011: R4,1 million) represents contributions payable to these plans by the municipality at rates specified in the rules of the plans. These contributions have been expensed.

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

DEFINED CONTRIBUTION SCHEMES

Cape Joint Pension Fund:

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 30 June 2011.

The statutory valuation performed as at 30 June 2011 revealed that the investment reserve of the fund amounted to R67,977 (30 June 2010: R190,464) million, with a funding level of 98,1% (30 June 2010: 100,0%). The contribution rate paid by the members (9,00%) and the municipalities (18,00%) is sufficient to fund the benefits accruing from the fund in the future.

Cape Joint Retirement Fund:

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

The statutory valuation performed as at 30 June 2010 revealed that the assets of the fund amounted to R7 740,205 (30 June 2009: R6 419,440) million, with funding levels of 99,9% and 100,3% (30 June 2009: 100,8% and 131,9%) for the Share Account and the Pensions Account respectively. The contribution rate paid by the members (9,00%) and the municipalities (18,00%) is sufficient to fund the benefits accruing from the fund in the future.

Municipal Councillors Pension Fund:

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

The statutory valuation performed as at 30 June 2010 revealed that the assets of the fund amounted to R1 483, 786 381 (30 June 2009: R1 341, 935 205) million. The contribution rate paid by the members (13,75%) and the municipalities (15,00%) is sufficient to fund the benefits accruing from the fund in the future.

SALA Pension Fund:

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

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

SAMWU Pension Fund:

No details could be provided for the fund and of any valuation performed.

The contribution rate paid by the members (7,50%) and Council (18,00%) is sufficient to fund the benefits accruing from the fund in the future.

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

2012 **2011**
R **R**

48 RELATED PARTY TRANSACTIONS

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

48.1 Interest of Related Parties

Councillors and/or management of the municipality have relationships with businesses as indicated below:

Name of Related Person	Designation	Description of Related Party Relationship
Lekula L	Councillor	Lekhula Constructions
Backward ET	Councillor	Matlakeng Charcoal Project
Riddle IS	Councillor	EBRI Properties
Tsoamotse MN	Director (TS)	Moedi Trading & Reahlomela Construction
Nqoko LV	Director (CS)	Info Com Biz Center & Sabbath Business Consultancy
Nkosi JV	Official (CFO)	Cebisa Stationary and Supplies & Sbusiso Printing and Stationary
Panyani TC	Official (MM)	Uhlosi Trading, Uhlosi Guest House, PC Training and Business College & Platinum Campus

48.2 Services rendered to Related Parties

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

The services rendered to Related Parties are charged at approved tariffs that were advertised to the public.

The amounts outstanding are unsecured and will be settled in cash. Consumer Deposits were received from Councillors, the Municipal Manager and Section 57 Personnel.

48.3 Loans granted to Related Parties

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

48.4 Compensation of Related Parties

Compensation of Key Management Personnel and Councillors is set out in Notes 27 and 28 respectively, to the Annual Financial Statements.

2012 **2011**
R **R**

48.5 Purchases from Related Parties

The municipality used services rendered by the following companies, which are considered to be Related Parties:

Company Name	Related Person	Company Capacity	Municipal Capacity	Purchases for the Year	Purchases for the Year
Uhlosi Guest House	Panyani TC		Official (MM)	8 735	-
Sikhula Mo Trading CC	Ms Buyeye		Official	29 780	
Ke Ya Hola Trading	Mr Ntseno		Official	5 900	
PC Training and Business College	Panyani TC		Official (MM)	4 540	-
Total Purchases				48 955	-

The transactions were concluded in full compliance with the municipality's Supply Chain Management Policy and the transactions are considered to be at arm's length.

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
49 CONTINGENT LIABILITIES		
49.2 Court Proceedings:	3 423 455	2 250 477
(i) Unfair Dismissal Claim: Unfair Dismissal Claims has been issued against the Municipality. The claims are being handled by N.P. Voyi Attorneys. The possible losses regarding these cases amount to R100 000.	100 000	-
(ii) Dispute with SARS. A dispute with SARS existed at the financial year end. This relates to tax payable for the 2006 and 2007 financial year ends.	2 250 477	2 250 477
(iii) Professional services rendered Judgement taken against client for professional services rendered	270 000	-
(iv) Legal Services Legal services against the Municipality for services rendered	75 000	-

51 IN-KIND DONATIONS AND ASSISTANCE

The municipality did not receive any In-kind Donations and Assistance during the year under review.

52 PRIVATE PUBLIC PARTNERSHIPS

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

53 EVENTS AFTER THE REPORTING DATE

No events having financial implications requiring disclosure occurred subsequent to 30 June 2012.

54 COMPARATIVE FIGURES

The comparative figures were restated as a result of the effect of Changes in Accounting Policies (Note 36) and Prior Period Errors (Note 37).

55 MANAGEMENT'S GOING CONCERN ASSESSMENT

Management considered the following matters relating to the Going Concern:

(i) On 30 May 2012 the Council adopted the 2012/13 to 2015/16 Budget. This four-year Medium Term Revenue and Expenditure Framework (MTREF) to support the ongoing delivery of municipal services to residents reflected that the Budget was cash-backed over the three-year period.

(ii) The municipality's Budget is subjected to a very rigorous independent assessment process to assess its cash-backing status before it is ultimately approved by Council.

(iii) Strict daily cash management processes are embedded in the municipality's operations to manage and monitor all actual cash inflows and cash outflows in terms of the cash-flow forecast supporting the Budget. The cash management processes is complemented by monthly reporting, highlighting the actual cash position, including the associated risks and remedial actions to be instituted. The bank overdraft position of the Municipality at year end is due to the cashbook reconciliation being in overdraft while the actual bank account has a positive balance.

(iv) As the municipality has the power to levy fees, tariffs and charges, this will result in an ongoing inflow of revenue to support the ongoing delivery of municipal services. Certain key financial ratios, such as liquidity, cost coverage, debtors' collection rates and creditors' payment terms are closely monitored and the necessary corrective actions instituted.

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

APPENDIX A

Mohokare Local Municipality

SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2012

Details	Original Loan Amount	Interest Rate	Loan Number	Redeemable	Balance at 30 June 2011	Received during the Period	Redeemed/ Written Off during Period	Balance at 30 June 2012
CAPITAL LEASE LIABILITIES	R				R	R	R	R
Gestetner & Sharp	-	Prime		2014	864 567	-	214 241	650 326
Total Capital Lease Liabilities	-				864 567	-	214 241	650 326
GOVERNMENT LOANS								
DBSA Loan	2 730 000		1	2015	1 728 450	42 247	358 987	1 411 710
Total Government Loans	2 730 000				1 728 450	42 247	358 987	1 411 710
OTHER LOANS								
Centlec Capital Loan	-	0.00%	40021201 to 40027483	2024	1 337 755	-	123 493	1 214 262
Total Other Loans	-				1 337 755	-	123 493	1 214 262
TOTAL EXTERNAL LOANS	2 730 000				3 930 772	42 247	696 721	3 276 298

APPENDIX B
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2012

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying
	Openin g	Additions	Under Construction	Transfe r	Disposals	Closin g	Openin g	Additions	Transfers	Disposals	Closin g	Value
Land and Buildings	R	R	R	R	R	R	R	R	R	R	R	R
Housing	18 341 175	-	-	-	-	18 341 175	6 895 363	285 501	-	-	7 180 865	11 160 311
Operational buildings Total	24 713 953	-	-	-	(230 376)	24 483 577	16 883 743	859 056	-	(99 274)	17 643 524	6 840 052
	43 055 128	-	-	-	(230)	42 824 752	23 779 106	1 144 557	-	(99)	24 824 389	18 000 363
Infrastructure												
<i>Electricity:</i>												
Network	63 615 725	1 214 788	605 342	-	-	65 435 855	25 753 061	1 707 367	-	-	27 460 429	37 975 427
<i>Roads and Transport:</i>												
Roads & Stormwater	121 234 548	11 131 874	3 105 568	-	-	135 471 990	74 539 435	5 747 431	-	-	80 286 866	55 185 124
<i>Sanitation:</i>												
Sanitation network	130 873 296	8 124 884	2 193 676	-	-	141 191 856	78 695 245	3 223 854	-	-	81 919 100	59 272 756
<i>Water:</i>												
Supply network	135 950 096	857 035	22 937 838	-	-	159 744 969	78 103 108	4 433 079	-	-	82 536 187	77 208 782
	451 673 665	21 328 580	28 842 424	-	-	501 844 670	257 090 849	15 111 731	-	-	272 202 581	229 642 089
Community Assets												
Community facilities	54 617 584	-	-	-	-	54 617 584	30 420 019	2 042 415	-	-	32 462 434	22 155 150
Sport and Recreational Facilities	35 730 767	-	-	-	-	35 730 767	1 897 254	-	-	-	1 897 254	33 833 514
	90 348 351	-	-	-	-	90 348 351	32 317 273	2 042 415	-	-	34 359 688	55 988 663
Leased Assets												
Office furniture	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets												
<i>Emergency Equipment:</i>												
Emergency / rescue equipment	81 260	-	-	-	-	81 260	20 112	14 627	-	-	34 739	46 521
Fire fighting equipment / fire hoses	19 183	-	-	-	-	19 183	4 097	3 849	-	-	7 946	11 237
<i>Furniture and Fittings:</i>												
Tables & desks	798 145	-	-	-	-	798 145	151 850	60 992	-	-	212 842	585 303
Chairs and couches	731 587	-	-	-	-	731 587	364 383	99 098	-	-	463 481	268 106
Cabinets & cupboards	410 915	-	-	-	-	410 915	128 781	53 756	-	-	182 537	228 378
Other furniture and fittings	137 027	-	-	-	-	137 027	46 726	22 777	-	-	69 503	67 524
Shelving and bookcases	37 375	-	-	-	-	37 375	13 196	4 805	-	-	18 001	19 374
Headboards	656	-	-	-	-	656	325	118	-	-	443	213
<i>Motor Vehicles:</i>												
Trailers and accessories	331 200	-	-	-	-	331 200	75 733	15 898	-	-	91 631	239 569
Trucks, buses and ldv's	367 800	-	-	-	-	367 800	41 170	12 969	-	-	54 139	313 661
Tractors	707 750	-	-	-	-	707 750	80 510	22 648	-	-	103 158	604 592
Passenger vehicles	859 600	-	-	-	-	859 600	167 506	58 944	-	-	226 450	633 150

APPENDIX B Cont.

ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2012

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying Value
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	R	R	R
<i>Office Equipment:</i>												
Domestic equipment	64 438	-	-	-	-	64 438	28 011	12 192	-	-	40 203	24 235
Computer hardware	2 042 460	-	-	-	-	2 042 460	761	505 727	-	-	1 267 695	774
Office machines	133	-	-	-	-	133	968	24 895	-	-	52	765
Office equipment - other	185	-	-	-	-	185	27 671	6 788	-	-	566	80 619
Audiovisual equipment	36 892	-	-	-	-	36 892	11 761	7 924	-	-	18 549	18 343
Air conditioners	43 064	-	-	-	-	43 064	14 703	13 627	-	-	22 627	20 437
Musical instruments	59	-	-	-	-	59	17 267	2 116	-	-	30	28 355
	249	-	-	-	-	249	15 341		-	-	894	17 043
	34	-	-	-	-	34			-	-	17	
	500	-	-	-	-	500		57 412	-	-	457	
		-	-	-	-		49 325	118 938	-	-		148
<i>Plant and Equipment:</i>												
Lawnmowers / gardening equipment	255	-	-	-	-	255	317 145	6 286	-	-	106	427
Plant and equipment - other	164	-	-	-	-	164	11 508	3 213	-	-	737	488 990
Workshop equipment and tools		-	-	-	-		13 611	1 743	-	-	456 982	17 126
Compressors	8 380 182	-	-	-	-	8 380 182	2 432 099	1 173 474	-	-	3 605 573	4 774 609
Radio equipment	593 457 327	21 328 580	28 842 424	-	(230)	643 397 955	315 619 327	19 472 177	-	(99)	334 992 230	308 405 725

ANALYSIS OF INVESTMENT PROPERTIES AS AT 30 JUNE 2012

Description	Cost / Revaluation						Accumulated Depreciation /					Carrying
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	R	R	R
Investment Properties	20 519 205	-	-	-	-	20 519 205	-	-	-	-	-	20 519 205
	20 519 205	-	-	-	-	20 519 205	-	-	-	-	-	20 519 205

ANALYSIS OF INTANGIBLE ASSETS AS AT 30 JUNE 2012

Description	Cost / Revaluation						Accumulated Depreciation /					Carrying
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	R	R	R
Intangible Assets												
Servitudes	534 123	-	-	-	-	534 123	-	-	-	-	-	534 123
	534 123	-	-	-	-	534 123	-	-	-	-	-	534 123

APPENDIX C

SEGMENTAL ANALYSIS OF CAPITAL ASSETS AS AT 30 JUNE 2012

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carryin g
	Openin g	Additions	Under Constructio	Transf rs e	Disposals	Closing Balance	Openin g	Additions	Transf rs e	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	R	R	R
Executive and Council	788 123	-	-	-	-	788 123	298 617	114 215	-	-	412 832	375 291
Finance and Administration	27 234 826	-	-	-	(230 376)	27 358 836	17 801 710	1 407 173	-	(99	19 109 609	8 249 227
Planning and Development	42 428	-	-	-	-	42 428	7 788	7 608	-	-	15 396	27 032
Health	1 199 588	-	-	-	-	1 199 588	756 135	37 919	-	-	794 054	405 534
Community and Social Services	48 911 127	-	-	-	-	48 911 127	27 856 264	1 985 136	-	-	29 841 400	19 069 727
Housing	18 387 414	-	-	-	-	18 387 414	6 907 222	294 242	-	-	7 201 464	11 185 950
Public Safety	267 999	-	-	-	-	267 999	48 733	41 485	-	-	90 218	177 781
Sport and Recreation	74 215 160	-	-	-	-	74 215 160	36 103 910	2 023 767	-	-	38 127 677	36 087 483
Waste Management	134 095 541	-	10 318 562	-	-	144 414 103	79 604 099	3 475 404	-	-	83 079 503	61 334 600
Waste Water Management	131 567 736	-	10 318 562	-	-	141 886 298	78 903 300	3 299 666	-	-	82 202 966	59 683 332
Sewerage Works	-	-	-	-	-	-	-	-	-	-	-	-
Waste Management	2 527 805	-	-	-	-	2 527 805	700 799	175 738	-	-	876 537	1 651 268
	-	-	-	-	-	-	-	-	-	-	-	-
Roads and Transport	106 961 379	-	14 237 442	-	-	121 198 821	65 968 873	5 444 635	-	-	71 413 508	49 785 313
Roads and Transport	106 254 163	-	14 237 442	-	-	120 491 605	65 498 703	5 419 787	-	-	70 918 490	49 573 115
Other	707 216	-	-	-	-	707 216	470 170	24 848	-	-	495 018	212 198
Licences	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-
Water	136 742 262	-	23 794 872	-	-	160 537 134	78 267 447	4 488 621	-	-	82 756 068	77 781 066
Water Purchase	-	-	-	-	-	-	-	-	-	-	-	-
Water Distribution	89 419 441	-	23 794 872	-	-	113 214 313	52 259 105	3 178 810	-	-	55 437 915	57 776 398
Water Storage	47 322 821	-	-	-	-	47 322 821	26 008 342	1 309 811	-	-	27 318 153	20 004 668
Water Exploitation	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-
Electricity	78 999 336	-	1 820 131	-	-	80 819 467	34 843 521	2 049 225	-	-	36 892 746	43 926 721
Street Lighting	15 383 610	-	-	-	-	15 383 610	9 090 460	341 858	-	-	9 432 318	5 951 292
Electricity Meter Reading	-	-	-	-	-	-	-	-	-	-	-	-
Electricity Purchase	-	-	-	-	-	-	-	-	-	-	-	-
Electricity Distribution	63 615 726	-	1 820 131	-	-	65 435 857	25 753 061	1 707 367	-	-	27 460 428	37 975 429
Electricity Workshop	-	-	-	-	-	-	-	-	-	-	-	-
Major Spare Parts	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-
Tourism	-	-	-	-	-	-	-	-	-	-	-	-
Intergovernmental & Special Projects	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-
Total	627 845 183	-	50 171 007	-	(230 376)	678 140 200	348 464 319	21 369 430	-	(99	369 734 475	308 405 725

APPENDIX D

SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2012

2011 Actual Income	2011 Actual Expenditure	2011 Surplus/ (Deficit)	Description	2012 Actual Income	2012 Actual Expenditure	2012 Surplus/ (Deficit)
R	R	R		R	R	R
-	27 282 131	(27 282 131)	Executive and Council	-	30 736 533	(30 736 533)
-	26 349 296	(26 349 296)	Office of the Mayor & Speaker	-	27 538 846	(27 538 846)
-	932 835	(932 835)	Municipal Manager	-	3 197 687	(3 197 687)
932 529	8 080 556	(7 148 027)	Finance and Administration	1 085 373	13 380 336	(12 294 963)
-	1 004 626	(1 004 626)	Human Resources	-	1 597 350	(1 597 350)
-	63 348	(63 348)	Other Human Resources	-	782 127	(782 127)
-	610 772	(610 772)	IT Support	-	124 863	170 510
198 266	569 289	(371 023)	Property Service	295 373	10 875 995	(10 085 995)
734 263	5 832 521	(5 098 257)	Other Administration	790 000	1 502 526	(1 502 526)
-	884 119	(884 119)	Planning and Development	-	1 502 526	(1 502 526)
-	884 119	(884 119)	Planning & Development	-	2 839 131	(2 804 994)
54 907	692 350	(637 443)	Community and Social Services	34 137	451 751	(445 062)
9 326	(1 387 353)	1 396 679	Community Halls	6 689	7 208	20 162
45 514	9 706	35 808	Cemetery	27 370	951 046	(950 968)
67	935 921	(935 854)	Library	78	1 429 126	(1 429 126)
-	1 134 077	(1 134 077)	Other Community services	-	360 990	(330 291)
451 797	692 472	(240 674)	Housing	360 990	691 281	(330 291)
451 797	692 472	(240 674)	Housing	360 990	691 281	(330 291)
156 694	1 727 585	(1 570 891)	Public Safety	158 314	1 339 086	(1 180 771)
156 055	1 561 521	(1 405 465)	Police & Traffic	157 143	1 091 657	(934 514)
-	11 502	(11 502)	Fire Services	-	-	-
639	154 562	(153 923)	Public Safety	1 171	247 428	(246 257)
629	2 667 035	(2 666 407)	Sport and Recreation	2 493	17 211 797	(17 209 304)
629	2 667 035	(2 666 407)	Sport and Recreation	2 493	17 211 797	(17 209 304)
-	(113 614)	113 614	Environmental Protection	-	177 570	(177 570)
-	(113 614)	113 614	Environmental Health	-	177 570	(177 570)
9 521 845	13 432 988	(3 911 143)	Waste Management	10 590 928	18 906 447	(8 315 519)
3 786 978	5 600 119	(1 813 141)	Waste Management	4 221 848	3 378 543	843 305
5 734 867	7 832 868	(2 098 002)	Water Waste Management	6 369 080	15 527 904	(9 158 824)
2 564	8 398 166	(8 395 602)	Roads and Transport	208	(1 464 603)	1 464 811
2 564	8 398 166	(8 395 602)	Roads and Transport	208	(1 464 603)	1 464 811
19 826 475	18 714 962	1 111 513	Water	24 659 243	43 491 543	(18 832 300)
19 826 475	18 714 962	1 111 513	Water Distribution	24 659 243	43 491 543	(18 832 300)
11 969 475	16 813 184	(4 843 709)	Electricity	16 295 707	1 350 817	14 944 890
11 969 475	16 813 184	(4 843 709)	Electricity Distribution External	16 295 707	1 350 817	14 944 890
53 443 199	21 621 771	31 821 428	Other	65 882 749	17 123 454	48 759 295
53 443 199	21 621 771	31 821 428	Budget & Treasury	65 882 749	17 123 454	48 759 295
96 360 115	120 893 705	(24 533 589)	Sub-Total Revenue Foregone	119 070 145	147 285 917	(28 215 773)
			Total			
96 360 115	120 893 705	(24 533 589)		119 070 145	147 285 917	(28 215 773)

APPENDIX E(1)

ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2012

Description	2011/12 Actual	2011/12 Budget	2011/12 Variance	2011/12 Variance	Explanation of Significant Variances
REVENUE	R	R	R	%	
Property Rates	7 231	6 846	385	5.62	
Fines	157	50	107	214.2	More fines issued than anticipated
Licences and Permits	439	1	(561)	(56.1)	Less licences/permits issued than anticipated
Government Grants and Subsidies	75 357	72 711	2 646	3.64	
Public Contributions and Donations	-	(28)	28	(100.0)	
Service Charges	35 847	7 067	28 780	407.2	Water services billed incorrectly & Electricity sales not budgeted
Rental of Facilities and Equipment	663	524	138	26.41	More rental of facilities than expected
Interest Earned - External investments	140	15	125	837.8	
Interest Earned - Outstanding debtors	273	242	31	12.80	Budgeted only for anticipated recoverable interest
Dividends Received	2	7	(4)	(61.1)	
Gain on Fair value adjustment	16	-	16	100.0	Fair value gains not budgeted for
Other Income	567	765	(198)	(25.9)	VAT payments were received that were not budgeted for
	172	868	696)	4)	
Total Revenue	120 257	88 202	32 054	36.34	
EXPENDITURE					
Employee Related Costs	35 362	36 972	(1 609)	(4.35)	
Remuneration of Councillors	2 599	2 601	(1)	(0.06)	
Depreciation	21 215	-	21 215	100.0	Depreciation not budgeted for
Impairment Losses	32 945	1 595	31 350	1	Change in accounting policy regarding Debt Impairment
Repairs and Maintenance	1 722	2 614	(891)	(34.1)	Less repairs & Maintenance required than budgeted for
Interest Paid	2 080	77	2 002	2	Interest charge on Landfill sites provision not budgeted for
Bulk Purchases	14 183	1 425	12 757	894.7	Centlec Purchases not budgeted for
Contracted Services	5 169	5 121	47	0.92	
Grants and Subsidies Paid	1 091	1 417	(326)	(23.0)	Increase in electricity costs provided to indigents
General Expenses	20 795	15 937	4 857	30.48	Centlec General expenses not budgeted for
Loss on disposal of Property, Plant and	131	-	131	100.0	Loss of building due to vandalism not expected
Total Expenditure	137 297	67 763	69 534	102.6	
NET SURPLUS / (DEFICIT) FOR THE YEAR	(17 040)	20 439	(37 479)	(183.3)	

APPENDIX E(1) (Cont)

ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 June 2011

Description	2010/11 Actual	2010/11 Budget	2010/11 Variance	2010/11 Variance
	R	R	R	%
REVENUE				
Property Rates	6 062 907	4 615 027	1 447 880	31.37
Fines	156 055	710 463	(554 408)	(78.03)
Licences and Permits	4 153	-	4 153	100.00
Government Grants and Subsidies	68 189 764	56 240 298	11 949 466	21.25
Public Contributions and Donations	20 580	-	20 580	100.00
Service Charges	28 275 180	23 386 866	4 888 314	20.90
Rental of Facilities and Equipment	656 777	723 384	(66 607)	(9.21)
Interest Earned - External investments	31 636	67 893	(36 257)	(53.40)
Interest Earned - Outstanding debtors	226 493	-	226 493	100.00
Dividends Received	1 733	6 933	(5 199)	(75.00)
Gain on Fair value adjustment	1 780 205	-	1 780 205	100.00
Other Income	974 842	1 081 114	(106 272)	(9.83)
Total Revenue	106 380 325	86 831 978	19 548 347	22.51
EXPENDITURE				
Employee Related Costs	30 691 492	33 847 343	(3 155 851)	(9.32)
Remuneration of Councillors	2 209 126	2 321 993	(112 867)	(4.86)
Depreciation	21 078 163	-	21 078 163	100.00
Impairment Losses	15 271 157	1 422 247	13 848 910	973.73
Repairs and Maintenance	1 024 249	1 636 697	(612 449)	(37.42)
Interest Paid	2 436 791	4 797 180	(2 360 389)	(49.20)
Bulk Purchases	16 136 859	4 033 319	12 103 540	300.09
Contracted Services	8 020 299	5 200 000	2 820 299	54.24
Grants and Subsidies Paid	4 155 906	-	4 155 906	100.00
General Expenses	19 176 808	28 707 660	(9 530 852)	(33.20)
Total Expenditure	120 200 851	81 966 439	38 234 412	46.65
NET SURPLUS / (DEFICIT) FOR THE YEAR	(13 820 526)	4 865 539	(18 686 065)	(384.05)

APPENDIX F

DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

Grants and Subsidies Received

Name of Grant	Name of Organ of State or Municipal Entity	Quarterly Receipts				Quarterly Expenditure				Grants and Subsidies Delayed / Withheld				Reason for Delay / Withholding of Funds	Compliance to Revenue Act (*) See below	Reason for Non-compliance
		Sept	Dec	March	June	Sept	Dec	March	June	Sept	Dec	March	June			
Equitable Share	Nat Treasury	19 013 000	12 236 000	14 383 000	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
FMG	Nat Treasury	0	0	0	0	815 947	362 624	225 728	111 649	N/A	N/A	N/A	N/A	N/A	Yes	N/A
INEPG	Nat Treasury	1 500 000	0	0	0	0	0	585 951	0	N/A	N/A	N/A	N/A	N/A	Yes	N/A
MIG Projects	MIG	0	0	0	6 704	4 318 623	3 967 141	3 280 518	4 413 611	N/A	N/A	N/A	N/A	N/A	Yes	N/A
Bulk Infrastructure Grant	DWAF	627 000	1 169 000	0	0	1 085 758	0	5 771 080	1 237 161	N/A	N/A	N/A	N/A	N/A	Yes	N/A
MSIG	DPLG	7 659 000	790 000	1 597 891	5 480 369	259 484	88 380	85 498	363 116	N/A	N/A	N/A	N/A	N/A	Yes	N/A
		855		0	0											
Total Grants and Subsidies Received		29	14 355	15 980	12 184	6 479	4 418	9 948	6 125	0	0	0	0			

FINAL
2011 - 2012
PERFORMANCE REPORT

Compiled and submitted by:

A handwritten signature in black ink, consisting of several loops and a trailing flourish, enclosed within a large, irregular oval shape.

T. C. Panyani
Municipal Manager

Date: 03 September 2012

1. INTRODUCTION

Mohokare Local Municipality established in December 1999 during the amalgamation process of the then Transitional Local Councils.

The Local Government Municipal Systems act 32 of 2000 and more specifically the municipal planning and performance regulations management regulations of 2001, regulation 12; states that:

"A municipality must, for each financial year, set performance targets for each of the key performance indicators set by it"

Mohokare was through the compilation of the 2011-2012 Integrated development plan, able to set annual targets for service delivery, as required by the local government systems act.

The local government municipal finance management act, further states the following:

- 1) *Every municipality and every municipal entity must for each financial year prepare an annual report in accordance with this Chapter. The council of a municipality must within nine months after the end of a financial year deal with the annual report of the municipality and of any municipal entity under the municipality's sole or shared control in accordance with section 129.*
- 2) *The purpose of an annual report is—*
 - to provide a record of the activities of the municipality or municipal entity during the financial year to which the report relates;*
 - a) to provide a report on performance against the budget of the municipality or municipal entity for that financial year; and*
 - b) to promote accountability to the local community for the decisions made throughout the year by the municipality or municipal entity*
- 3) *Annual report of a municipality must include -*
 - a) the annual financial statements of the municipality, and in addition, if section 122(2) applies, consolidated annual financial statements, as submitted to the Auditor-General for audit in terms of section 126(1);*
 - b) the Auditor-General's audit report in terms of section 126(3) on those financial statements;*
 - c) the annual performance report of the municipality prepared by the municipality in terms of section 46 of the Municipal Systems Act;*
 - d) the Auditor-General's audit report in terms of section 45(b) of the Municipal Systems Act;*
 - e) an assessment by the municipality's accounting officer of any arrears on municipal taxes and service charges;*
 - f) an assessment by the municipality's accounting officer of the municipality's performance against the measurable performance objectives referred to in section 17(3)(b) for revenue collection from each revenue source and for each vote in the municipality's approved budget for the relevant financial year;*
 - g) particulars of any corrective action taken or to be taken in response to issues raised in the audit reports referred to in paragraphs (b) and (d);*
 - h) any explanations that may be necessary to clarify issues in connection with the financial statements;*
 - i) any information as determined by the municipality;*
 - j) any recommendations of the municipality's audit committee; and*
 - k) any other information as may be prescribed.*

Outlined below is the mohokare local municipality annual performance report for the 2011 - 2012 financial year, this report is part of the main 2011 - 2012 annual report.

KEY PERFORMANCE AREA: INSTITUTIONAL DEVELOPMENT

IDP ref	National KPA	Strategic objectives	Measurable objectives	Performance measure	Baseline (Prev year)		Current year		Variance	Planned measure of intervention	Annexure / Supporting documentation
					Target	Actual	Target	Actual			
I&F 01	Good governance and administration	Develop internal human capital	Transformation of human resource development function	Implementation of a phased transformation plan for Human Resource function	5 HR trainings planned for 10/11	0 HR trainings undertaken	100% implementation of the phased transformation plan	VIP system capacity building training undertaken	Other aspects of HR not included in the training, i.e. Wellness	100% implementation of the Work Place Skills plan for HR division	A*
I&F 02	Good governance and administration	Develop internal human capital	Transformation of human resource development function	100% Implementation of the Work Place Skills plan	43 trainings planned	17 trainings undertaken (39.5% implemented)	100% implementation of the WSP	WSP implemented Skills Audit conducted	Budget over expenditure by 1169% Budget was R62 927, adjusted to R58 778, actual expenditure R687 000	Budget sufficiently for trainings	A, A1, A2
I&F 03	Good governance and administration	Develop internal human capital	Transformation of human resource development function	Implementation of the institutional employment equity plan	100% implementation of the EE plan over a 2 year period	Employment Equity plan did not have set targets	100% implementation of the EE plan over a 2 year period	Employment Equity plan did not have set targets	Not done due to technical capacity	Review EE policy to be practical to implement	B, B1, B2

I&F 04	Good governance and administration	Develop internal human capital	Capacity building in support of the IDP& Batho-Pele principles	Developed & implemented course designed to support the IDP & Batho-pele principles	-	-	Designed & implemented course in the support of the IDP & batho-pele principles	Not done	Not done due to technical capacity	Incorporation of IDP implementation training	None
I&F 05	Good governance and administration	Develop internal human capital	Render strategic labor relations services.	1 annual employment workshop convened	-	-	1 annual employment workshop convened	In-house training (Managing Discipline in the workplace) was conducted.	None	Training will be held annually	C, C1
I&F 06	Good governance and administration	Develop internal human capital	Introduction and maintenance of a formal Knowledge management system	Established and operationalized central knowledge resource for the municipality.	-	-	Knowledge management, central knowledge resource implemented	Registry unit established, Registry policy developed & adopted	Electronic filing not implemented due to financial constraints	Will be budgeted for during 2012 - 1013 financial year	D
I&F 07	Good governance and administration	Develop internal human capital	Render proper legal service	Established legal office. Reduction of legal related queries. & enforced compliance	-	-	Established legal office& reduced legal related queries	Legal office not established, utilising the labour relations office & external lawyers	No legal office, financial constraints	Capacitate the Labour relations officer on legal matters	E

KEY PERFORMANCE AREA: INSTITUTIONAL DEVELOPMENT
SUB-PROGRAMME: PERFORMANCE MANAGEMENT

IDP ref	National KPA	Strategic objectives	Measurable objectives	Performance measure	Baseline (Prev year)		Current year		Variance	Planned measure of intervention	Annexure / Supporting documentation
					Target	Actual	Target	Actual			
I&F08	Good governance and administration	Performance management	Developed Municipal performance management system and reviews undertaken	Complete assessment and compile performance reports	4 quarterly reports compiled	No reports compiled	4 Quarterly performance reports per municipal department & reviews	4 quarterly reports compiled	None	Improved quarterly report structure by 12/13 financial year	F, F1
								2 quarterly performance reviews conducted	Incomplete / insufficient information on quarterly reports	Compile reports accordingly and reviews conducted for all quarters	
I&F09	Good governance and administration	Performance management	Development and review the SDBIP aligned to the IDP	12 Departmental monthly progress reports informed by the SDBIP	-	-	12 Departmental monthly progress reports compiled	12 Departmental monthly progress reports not informed by the SDBIP	Report not compiled in accordance to the SDBIP	Ensure compliance SDBIP reporting	H, H1
I&F10	Good governance and administration	Performance management	Performance management contracts of section 57 employees aligned to the SDBIP, informed by the IDP.	Performance agreements signed and reviewed	All performance contracts signed	All performance contracts signed	All performance contracts signed and a review undertaken	All performance contracts signed. No review was undertaken	Review not undertaken due to technical capacity	Performance management capacity building trainings implemented as per the WSP	I
I7&F11	Good governance and administration	Performance management	Developed framework for performance review of	Adopted performance framework and plans for middle	-	-	Adopted performance framework and plans for middle	Note done	Framework for middle managers not developed due to technical	Build capacity to be able to develop and undertake PMS for middle	None

IDP ref	National KPA	Strategic objectives	Measurable objectives	Performance measure	Baseline (Prev year)		Current year		Variance	Planned measure of intervention	Annexure / Supporting documentation
					Target	Actual	Target	Actual			
			middle managers	managers			managers		capacity	managers in 2012-2013	
I&F12	Good governance and administration	Performance management	Developed framework for performance review of middle managers	Signed performance agreements for middle managers and 100% performance reviews conducted	-	-	All middle managers sign performance contracts& reviews undertaken	Not done	No technical capacity	Build capacity to be able to develop and undertake PMS for middle managers in 2012-2013	None

KEY PERFORMANCE AREA: INSTITUTIONAL DEVELOPMENT
SUB-PROGRAMME: GOVERNANCE AND ADMINISTRATION

IDP ref	National KPA	Strategic objectives	Measurable objectives	Performance measure	Baseline (Prev year)		Current year		Variance	Planned measure of intervention	Annexure / Supporting documentation
					Target	Actual	Target	Actual			
I&F13	Good governance and administration	Functional Administration	Accountable administration	percentage queries responded to	-	-	90% of lodged queries responded to	75% of complaints received were resolved	Lack of sufficient machinery & equipment for repairs and maintenance	Recording & monitoring of lodged queries through a practical customer service charter	J
I&F 14	Good governance and administration	Functional Administration	Accountable administration	Improved information technology system	Upgraded telephonic & switchboard system	Not done	Upgraded telephonic & switchboard system	Not done	Not done due to financial constraints	Review of existing system & upgrade	None
I&F 15	Good governance and administration	Functional Administration	Accountable administration	Improved information technology system	Upgrade to intranet	Not done	Upgrade to intranet	Not done	Not done due to financial constraints	Review the relevance of upgrading to intranet	None
I&F 16	Public participation	Functional Administration	Accountable administration	Communication plan in place	-	-	12 ward meetings held (2011-2012)	Ward meetings held (Annexure K)	Some evidence of held ward meetings was destroyed during community uprising	Controlled implementation of the communications plan and safe keeping of evidence of held meetings	K

I&F 17	Good governance and administration	Public participation	Accountable administration	Quarterly newsletter development and distribution	Quarterly newsletter development and distribution	Not done	4 quarterly municipal newsletters developed & distributed	Not done	Newsletter design not yet approved by Council	Launching the newsletter and distributing quarterly during 2012/2013	None
I&F 18	Good governance and administration	Public participation	Accountable administration	Interactive & monthly updated website	Interactive & monthly updated website	Updated on an ad hoc basis	Monthly updated municipal website (interactive)	Website updated on an ad hoc basis	Ensure updated & interactive website	Capacity building for municipal staff to ensure constant and timeous update of the municipal website	L
IDP ref	National KPA	Strategic objectives	Measurable objectives	Performance measure	Baseline (Prev year)		Current year		Variance	Planned measure of intervention	Annexure / Supporting documentation
					Target	Actual	Target	Actual			
I&F 19	Good governance and administration	Functional administration	Management systems / processes	Institutional development policies in place	-	-	Developed & adopted all outstanding policies	Outstanding policies were developed and adopted	-	Monitoring and implementation	M
I&F 20	Good governance and administration	Functional administration	Management systems / processes	Compilation & implementation of by – laws.	-	-	All by-laws compiled and adopted	By-laws compiled but not adopted due to community protests that hampered the public consultation leg	By - laws not yet adopted by council	(Consultations) final leg of public consultation in all 3 towns	N, N1, N2
I&F 21	Good governance and administration	Functional administration	Management systems / processes	Delegation system for all section 57 and other employees	Development of delegation system	Delegation developed	Reviewed delegation system and adopted by council	Delegation system reviewed and adopted by Council	-	Implementation and monitoring if the system	O, O1

I&F 22	Intergovernmental relations	Promotion of IGR	100% attendance to IGR meetings	Attendance register for all attended IGR meetings	-	-	Attend all IGR meetings	All IGR meetings were attended to	-	-	P
I&F 23	Public participation	Increased public participation in the process of decision making& service delivery	Level of participation by stakeholders & the community in decision making processes	Stakeholder attendance to municipal public participation processes for planning & decision making	-	-	80% participation by stakeholders& the community	Stakeholder meetings were held , attached are the registers		Development of a structured public participation model for stakeholders	Q

KEY PERFORMANCE AREA: INSTITUTIONAL DEVELOPMENT& FINANCIAL VIABILITY
SUB-PROGRAMME: FINANCIAL SERVICES

IDP ref	National KPA	Strategic objectives	Measurable objectives	Performance measure	Baseline (Prev year)		Current year		Variance	Planned measure of intervention	Annexure / Supporting documentation
					Target	Actual	Target	Actual			
I&F 24	Financial viability	Budget& Expenditure	Compliant municipal budget development	Developed municipal budget compliant to the MFMA	Budget developed and adopted	Done	Budget developed and adopted	Done	-	Increased alignment with the IDP	R, R1
I&F 25	Financial viability	Budget& Expenditure	Capacitated non-financial managers and officials	4 quarterly Workshops for non-financial officials on MFMA held	-	-	4 MFMA workshops for non-financial officials held	Not done		Develop & budget for the workshops	None
I&F 26	Financial viability	Reporting and Credit control	Regular finance reports submitted	12 reports submitted	-	-	12 financial reports submitted	All financial reports submitted	-	Sustainable reporting	S, S1
I&F 27	Financial viability	Reporting and Credit control	effective credit control system	Reviewed credit control policy	-	-	Reviewed credit control policy by June 2012	Policy was not reviewed	-	Review f the policy during 2012/13 financial year	None
I&F 28	Financial viability	Reporting and Credit control	effective credit control system	Increased debt re-payment rate by consumers	-	-	60% debt re-payment	Low debt payment by households	High household indigence rate	Development and implementation of an effective credit control system	Attached, debtors age analysis (Page 114 of draft Annual Report)

I&F 29	Financial viability	Revenue & billing	Growth in revenue & the Billing system	Accurate monthly bills issued before the 25 th of every month	-	-	100% accurate timeous billing	The monthly bills are issued on the last week of the month. Due to the unit being short staffed so the target of 25 th every month is not met. A sample is attached	Human Capital	Improved, efficient billing implemented	None
I&F 30	Financial viability	Revenue & billing	Growth in revenue & the Billing system	100% servicing of current accounts	-	-	All household current accounts serviced	Not all households are servicing their current accounts	Varying monthly payments	Improved debt management and credit control	None

IDP ref	National KPA	Strategic objectives	Measurable objectives	Performance measure	Baseline (Prev year)		Current year		Variance	Planned measure of intervention	Annexure / Supporting documentation
					Target	Actual	Target	Actual			
I&F 31	Financial viability	Assets management	Efficient management of municipal assets	Asset register in place	Asset register in place	Not done	Complete asset register	Asset register compiled and complete	-	Continuous updating of the asset register	-
I&F 32	Good governance and administration	Risk management	Identification, assessment and management of municipal risk	Risk assessment performed	Risk assessment performed	Done	Reviewed risk assessment for 2011-2012	Complete risk assessment	-	Monitoring & evaluation	T
I&F 33	Good governance and administration	Risk management	Strategic risk assessment plan in place	Risk based operational plan & audit plan in place	-	-	Complete risk based operational plan and audit action plan	Done	-	Monitoring & evaluation	T1, T2
I&F 34	Good governance and administration	Internal auditing	Compliance to municipal legislation	Risk based operational plan and the Audit action plan with the progress on the findings.	-	-	Risk based audit plan developed & Audit action plan in place	Done	-	Monitoring & evaluation	U

KEY PERFORMANCE AREA: ECONOMIC DEVELOPMENT PLANNING & ENVIRONMENTAL HEALTH MANAGEMENT
SUB-PROGRAMME 1: PLANNING

IDP ref	National KPA	Strategic objectives	Measurable objectives	Performance measure	Baseline (Prev year)		Current year		Variance	Planned measure of intervention	Annexure / Supporting documentation
					Target	Actual	Target	Actual			
EP&E01	Local economic development (Development planning)	Improve municipal planning	Proper planning for all municipal development	Reviewed spatial development plan	Reviewed SDF	SDF reviewed	Reviewed & adopted SDF	SDF was reviewed & adopted	-	Annual review of the SDF	V
EP&P02	Development planning	Improve municipal planning	Proper planning	Reviewed Integrated development plan	Reviewed IDP	IDP was reviewed	Reviewed IDP	Done, IDP was reviewed& Adopted	-	Ensure annual review and alignment to the budget	W, W1
EP&P03	Development planning	Improve municipal planning	Proper planning	Reviewed Local economic development plan	Reviewed LED plan	Not Done	Reviewed LED plan	Not done	Target not met due to lack of technical capacity and financial constraints	Source funding and technical expertise from CGTA.	None
EP&P04	Development planning	Improve municipal planning	Proper planning	Developed and enforced by - laws	-	-	Developed, Adopted & Enforced by laws relating to local economy (trading)	By-laws developed & adopted by Council	-	-	X

KEY PERFORMANCE AREA: ECONOMIC DEVELOPMENT PLANNING & ENVIRONMENTAL HEALTH MANAGEMENT
SUB-PROGRAMME 2: LOCAL ECONOMIC DEVELOPMENT

IDP ref	National KPA	Strategic objectives	Measurable objectives	Performance measure	Baseline (Prev year)		Current year		Variance	Planned measure of intervention	Annexure / Supporting documentation
					Target	Actual	Target	Actual			
EP&P05	Local economic development	Local economic development	Promotion of LED, economic growth	Secured land for local economic development	-	-	50% of land secured for local economic development	Not done	No financial resource and internal capacity to conduct land audit	Request assistance from, Xhariep district and CoGTA to complete land audit and source funds for purchase of land.	None
EP&P06	Local economic development	Local economic development	Promotion of LED, economic growth	Developed economic hubs in all three towns	-	-	Developed economic hubs in all three towns	Not Done	Not done due to lack technical capacity	Capacity building programmes for the LED unit. And partnerships with other government departments.	None
EP&P07	Local economic development	Local economic development	Promotion of LED& tourism development	Tourism development plan in place	Tourism development plan developed	Not done	Development of a LED document that caters for tourism development	Not done	Not done due to lack technical capacity	Capacity building programmes for the LED unit. And partnerships with other government departments.	None

EP&P08	Local economic development	Local economic development	Promotion of LED& tourism development	Partnerships with SMMEs & Co-ops for development	-	-	Partnerships with all SMMEs for local economic development	Not done		Development of a LED plan that caters for SMME development& and support	None
EP&P09	Local economic development	Local economic development	Economic development initiatives	Implementation of LED projects	-	-	Develop& implement LED initiatives	Not Done	Not done due to technical capacity	Development of a practical LED plan	None

KEY PERFORMANCE AREA: ECONOMIC DEVELOPMENT PLANNING & ENVIRONMENTAL HEALTH MANAGEMENT
SUB-PROGRAMME 3: ENVIRONMENTAL HEALTH MANAGEMENT

IDP ref	National KPA	Strategic objectives	Measurable objectives	Performance measure	Baseline (Prev year)		Current year		Variance	Planned measure of intervention	Annexure / Supporting documentation
					Target	Actual	Target	Actual			
EP&P10	Environmental Management	Environmental Management	Protection of natural resources through management& conservation environment	Environmental management and conservation plan in place	-	-	Environmental management and conservation in place	Not done	Lac of internal capacity	Source partnerships with other government departments	None
EP&P11	Environmental Management	Environmental health Management	Awareness campaigns held	Quarterly awareness campaigns held	-	-	Quarterly awareness campaigns conducted	Campaigns conducted	-		Y
EP&P12	Environmental Management	Environmental health Management	Sustainable funding for environmental management	Funding proposal submitted	-	-	Developed funding proposal & submission	Not done		Structured partnership with relevant government departments	None

PERFORMANCE AREA: SOCIAL DEVELOPMENT
SUB-PROGRAMME 1: FACILITIES

IDP ref	National KPA	Strategic objectives	Measurable objectives	Performance measure	Baseline (Prev year)		Current year		Variance	Planned measure of intervention	Annexure / Supporting documentation
					Target	Actual	Target	Actual			
SDC01 SDC02	Basic Services	Facilities maintenance	Properly maintained municipal properties	Level of maintenance of facilities	-	-	Implemented maintenance plan and maintenance expenditure spent	Maintenance is done on an ad hoc basis	Lack of project management	Capacity building programmes for municipal staff	Z

KEY PERFORMANCE AREA: SOCIAL DEVELOPMENT
SUB-PROGRAMME 2: SAFETY AND SECURITY

IDP ref	National KPA	Strategic objectives	Measurable objectives	Performance measure	Baseline (Prev year)		Current year		Variance	Planned measure of intervention	Annexure / Supporting documentation
					Target	Actual	Target	Actual			
SDC03	Basic Services	Traffic management	Provision of safety on our roads	Reduction of traffic offences	-	-	90% reduction of traffic offences	Not done	Not done due to shortage of staff and equipment	Provision of traffic safety equipment and HR sourcing	None
SDC04 SDC05	Basic services	Traffic safety and management	Sustainable management of the Incident management	Level of attendance of incident management meetings and events	-	-	100% attendance to incident management meetings.	Not done	Not done due to financial constraints	Facilitate the resuscitation of the incident management and be a permanent member	None
SDC06	Disaster management	Sustainable disaster management	Compliance to the Xhariep district municipality disaster management	District plan cascaded to Mohokare LM.	-	-	Compliance to the disaster management plan	Plan tabled in council	-	Partnership with the district, centre for disaster management and relevant provincial department for disaster management	AA

KEY PERFORMANCE AREA: SOCIAL DEVELOPMENT
SUB-PROGRAMME 3: EARLY CHILDHOOD DEVELOPMENT

IDP ref	National KPA	Strategic objectives	Measurable objectives	Performance measure	Baseline (Prev year)		Current year		Variance	Planned measure of intervention	Annexure / Supporting documentation
					Target	Actual	Target	Actual			
SDC07	Sustainable livelihoods	Ensuring facilitated support by sector departments	Conducive environment for child learning	Level of support offered by the Municipality to CDE centres	-	-	Sustainable support to ECDs	Not done	Lack of technical capacity	Development of a ECD assistance program	None
SDC08	Sustainable livelihoods	Development of ECD centres	Conducive environment for child learning	Level of maintenance of ECD facilities	-	-	Maintenance of CED centres	Not done	Lack of technical capacity	Source partnership with sector departments for the maintenance f ECDs	None

KEY PERFORMANCE AREA: SOCIAL DEVELOPMENT
SUB-PROGRAMME 4: SPECIAL PROGRAMMES, YOUTH DEVELOPMENT, WOMAN AND DISABILITIES

IDP ref	National KPA	Strategic objectives	Measurable objectives	Performance measure	Baseline (Prev year)		Current year		Variance	Planned measure of intervention	Annexure / Supporting documentation
					Target	Actual	Target	Actual			
SDC08	Basic services	Community services	Self-sustainable target communities	Development and implementation of integrated development plan for target communities	-	-	Developed and implemented integrated development plan for targeted communities	Not done	Technical capacity	Capacity building for the municipality and partnership with relevant government departments	None
SDC09	Basic services	Human Settlement	Sustainable human settlements	Reviewed housing sector plan	Reviewed housing sector plan	Not done	Reviewed housing sector plan	Not done	Technical capacity	Partnership with COGTA human settlements department for assistance	None
SDC 10	Basic services	Human Settlement	Sustainable human settlements	Effective contract management	Effective contract management	Not done	Effective contract management	Not done	Technical capacity	Partnership with Municipal PMU	None

KEY PERFORMANCE AREA: INFRASTRUCTURE DEVELOPEMENT

KPA	Objective	PROJECT DESCRIPTION	IDP No:	Ward No:	Budget	FUND SOURCE	Funding year	2011/2012 Performance Report
							2011/12	
Infrastructure and Investment	Water Supply	Rouxville Bulk Water supply, inclusive of Smithfield& Zastron	IFC 01	2&4	48M	DWA	R10 894M	
		Smithfield: Upgrading of the Caledon Water Scheme phase 2: 14km supply lines	IFC 02	6	R10.6875.00	MIG	R7 399 384.50	Project not implemented in the 11/12 financial year, phase 1 not yet complete
		Mohokare replacement of worn out pipes	IFC 03	All	R1.8M	OPEX	R600 000	Done on a continuous basis
		Rouxville Water Treatment plant upgrade	IFC 04	2&4	R2M	MIG	R0 000	N/A in 11/12 financial year
		Upgrading of reservoir in Zastron	IFC 05	1,3&5	R2M	MIG	R1.828m	Project not implemented in the 11/12 financial year
		Upgrading of Pump station in Rouxville	IFC 06	4&2	R5M	MIG	R5M	Project not implemented in the 11/12 financial year
		4 Water awareness campaigns annually	IFC 07	All	R720 000	DWA / OPEX / District	R240 000	Not done
Sanitation	Quality of health& acceptable Sanitation Standards	BEP Phase 1 for 777 sites in Rouxville (Sewer Networks)	IFC 11		R11.378m:	MIG	R0 000	Construction @ 25%
		Completion of Bucket eradication 777 in Rouxville	IFC 12	2&4	R4M	MIG	R4M	Project was put on hold by due to scarcity of water.
		Upgrading of Waste water treatment works in Zastron	IFC 13	5,3&1	R11M, project started in 10/11	MIG	R6.7M	80% complete, contractor on site, Payment Vouchers attached

		Upgrading of Oxidation pond in Smithfield project is 90% complete, outstanding mechanical & electrical works	IFC 15	6	R3M for the outstanding 10%	MIG / OPEX, MIG funds for the project have been exhausted	R3M	90 % complete, awaiting the appointment of the contractor for M& E, Payment Vouchers attached
Electricity	Sustainable livelihoods	Electrification of outstanding 15 Households in Zastron, with unstable structures	IFC 16	3	R82 500	DME funded	R82 000	
		Maintenance & repair of existing high mass lights	IFC 18	All	R200 000	ESKOM / CENTLEC	R200 000	Project awaiting the approval of COGTA for MIG funding
Roads & Storm Water	Promoting trafficable streets that promote safety for all	Construction of an access road in Zastron, phomlong	IFC 20	1	R15.16M	MIG	R3.18m	Project reviewed, not included on MIG implementation plan
		Construction of an access road in Rouxville	IFC 21	2&4	R22M	MIG	R17.1M	95% complete, contractor on site, payment voucher available
		Facilitate installation of road signs, markings & speed delay humps	IFC 23	All	R100 000	OPEX / Police, Roads Public works	R0 000	Not done
		Create & maintain stormwater channels for access roads	IFC 24	All	R150 000	OPEX /	R50 000	Done on a continuous basis
		Maintenance of internal municipal roads	IFC 25	All	R300 000	OPEX /	R100 000	Done on a continuous basis
		Maintain existing access roads	IFC 26	All	R50 000	OPEX	R25 000	Done on a continuous basis
		Upgrading of the Rouxville – Zastron road	IFC 27	All	R59 286 987 (m)	PR&T	R59 286 987 (m)	Provincial Department of Police Roads and Transport Project
		Upgrading of the Zastron – Rouxville road	IFC 28	All	R137 793 935 (m)	PR&T	R137 793 935 (m)	Provincial Department of Police Roads and Transport Project
		Development Municipal Extended Public Works Plan	IFC 29	All	R0 000	OPEX	R0 000	Not done

END
