



Setsoto Local Municipality
(Registration number Municipal demarcation code FS191)
Financial statements
for the year ended 30 June 2017
Auditor-General of South Africa (AGSA)

Setsoto Local Municipality
(Registration number Municipal demarcation code FS191)
Financial Statements for the year ended 30 June 2017

General Information

Legal form of entity	A Municipality which is an organ of state within the local sphere of government exercising legislative and executing authority.
Nature of business and principal activities	A Local Authority providing municipal services and maintaining the best interest of the community in the Setsoto Municipal area.
Legislation governing the municipality's operations	Local Government: Municipal Finance Management Act (Act 56 of 2003) Local Government: Municipal Systems Act (Act 32 of 2000) Local Government: Municipal Systems Amendment Act (No. 44 of 2003) Local Government: Municipal Structures Act (Act 117 of 1998) Local Government: Municipal Structures Amendment Act (No.33 of 2000) Housing Act (Act 107 of 1997) Constitution of the Republic of South Africa (Act 108 of 1996) Property Rates Act (Act 6 of 2004) Annual Division of Revenue Act Municipal Demarcation (Act 27 of 1998) Local Government: Transition Act Second Amendment Act (No. 97 of 1996) Water Services Act (No. 108 of 1997) Electricity Act (No. 41 of 1987) Intergovernmental Fiscal Relations Act (No. 97 of 1997) Intergovernmental Relations Framework Act (No. 13 of 2005)
Mayor / Executive Mayor	Jakobo, Tshediso (term end 2016/08/10) Maoke, Nthateng Alice (from 2016/08/10)
Executive Committee / Mayoral Committee	Koalane, Komane (term end 2016/08/10) Koalane, Komane Elias (from 2016/08/10) Mthimkhulu, Motena (term end 2016/08/10) Taylor, Nnini Annie (from 2016/08/10) Mahlangu, Matseliso (term end 2016/08/10) Hlakane, Moeketsi (from 2016/08/10) Makhalanyane, Tieho (term end 2016/08/10) Selasi, Motsamai William (from 2016/08/10) Makae, Thabang (term end 2016/08/10) Khitsane, Nthatisi Petronella (from 2016/08/10) Strydom, Evert (term end 2016/08/10)
Councillors	Speaker - Mhloni, Molefi (term end 2016/08/10) Speaker - Mokhuoane, Krog Sexton (from 2016/08/10) Mothibeli, Moselantja (term end 2016/08/10) Koqo, Palesa Elizabeth (from 2016/08/10) Mohapi, Dieketseng (term end 2016/08/10) Mokhele, Modise Moses (from 2016/08/10) Mokhuoane, Krog (term end 2016/08/10) De Wet, Pieter Wouter (from 2016/08/10) Motsei, Matlakala (term end 2016/08/10) Schee, Pulane Constance (from 2016/08/10) Selasi, Motsamai (term end 2016/08/10) Lipoko, Ratsholwane Shadrack (from 2016/08/10) Mabeleng, William (term end 2016/08/10) Makhubu , Ntali Selina (from 2016/08/10) Nakasi, Mojabeng (term end 2016/08/10) Mohosho, Andronika Modiehi (from 2016/09/07) Bath, Henry (term end 2016/08/10) Strydom, Evert Phillip (from 2016/08/10) Thamae, Motsamai (term end 2016/08/10) Matsau, Malefane Patrick (from 2016/08/10) Hlakane, Moeketsi (term end 2016/08/10) Makhalanyane, Tieho George (from 2016/08/19)

Setsoto Local Municipality
(Registration number Municipal demarcation code FS191)
Financial Statements for the year ended 30 June 2017

General Information

Mohala, Vunga (term end 2016/08/10)
Moipatli, Chere Daniel (from 2016/08/19)
Kere, Lefa (term end 2016/08/10)
Mothibeli, Moselantja Mercy (from 2016/08/10)
Mavaleliso, Pakalitha (term end 2016/08/10)
Selikane , Thabiso Shadrack (from 2016/08/10)
Semahla, Mookho (term end 2016/08/10)
Mthimkulu, Mamotena Lydia (from 2016/08/10)
Maphisa, Mapuleng (term end 2016/08/10)
Ralehlatsi, Mahlomola Klaas (from 2016/08/10)
Muso, Tshepiso (term end 2016/08/10)
Makobane, Serame Ishmael (from 2016/08/10)
Tsolo, Thabiso (term end 2016/08/10)
Khatlake, Ntema Peter (from 2016/08/10)
Malebo, Matsiliso (term end 2016/08/10)
Jakobo, Tsheliso Bernard (from 2016/08/10)
Fuso, Sabata (term end 2016/08/10)
Mthimkhulu, Thabo Isaac (from 2016/08/10)
Raboroko, Mantwa (term end 2016/08/10)
Vries, Isak (from 2016/08/10)
Mohase, Teboho (term end 2016/08/10)
Semahla, Mookho Hilda (from 2016/08/10)
Setai, Lithebe (term end 2016/08/10)
Matobako, Puseletso Constance (from 2016/08/10)
Lubbe, Cornelius (term end 2016/08/10)
Sellane, Matieho Theresia (from 2016/08/10)
Du Toit, Benjamin (term end 2016/08/10)
Mokoena, Teboho Jacob (from 2016/08/10)
Marwick, Clive (Dr) (term end 2016/08/10)
Mavaleliso, Paka Isaac (from 2016/08/10)
Bester, Catherine (term end 2016/08/10)
Bester, Aletta Catharina (Lettie) (from 2016/08/10)
Maduna, Mbothoma (term end 2016/08/10)

Grading of local authority	06 - Medium Capacity
Accounting Officer	Mr. S T R Ramakarane
Chief Finance Officer (CFO)	Mr. G T Banda
Registered office	27 Voortrekker Street Ficksburg 9730
Business address	27 Voortrekker Street Ficksburg 9730
Postal address	P O Box 116 Ficksburg 9730
Bankers	First National Bank, a division of First Rand Bank Limited

Setsoto Local Municipality
(Registration number Municipal demarcation code FS191)
Financial Statements for the year ended 30 June 2017

General Information

Auditors	Auditor-General of South Africa (AGSA)
Legal Manager	Me A Mokoena P O Box 116. Ficksburg, 9730
Telephone Number	(051) 933 9300
Fax Number	(051) 933 9363
Email Address	manager@setsoto.co.za

Setsoto Local Municipality
(Registration number Municipal demarcation code FS191)
Financial Statements for the year ended 30 June 2017

Index

The reports and statements set out below comprise the financial statements presented to the provincial legislature:

Index	Page
Accounting Officer's Responsibilities and Approval	6
Audit & Performance Audit Committee Report	7 - 8
Accounting Officer's Report	9 - 10
Statement of Financial Position	11
Statement of Financial Performance	12
Statement of Changes in Net Assets	13
Cash Flow Statement	14
Statement of Comparison of Budget and Actual Amounts	15 - 17
Appropriation Statement	94 - 96
Accounting Policies	18 - 46
Notes to the Financial Statements	47 - 93
Unaudited Appendixes:	
Appendix A: Schedule of External loans	97
Appendix B: Analysis of Property, Plant and Equipment	99
Appendix C: Segmental analysis of Property, Plant and Equipment	102
Appendix D: Segmental Statement of Financial Performance	103
Appendix E(1): Actual versus Budget (Revenue and Expenditure)	104
Appendix E(2): Actual versus Budget (Acquisition of Property, Plant and Equipment)	106
Appendix F: Disclosure of Grants and Subsidies in terms of the Municipal Finance Management Act	107
Appendix G(1): Budgeted Financial Performance (revenue and expenditure by standard classification)	108
Appendix G(2): Budgeted Financial Performance (revenue and expenditure by municipal vote)	110
Appendix G(3): Budgeted Financial Performance (revenue and expenditure)	111
Appendix G(4): Budgeted Capital Expenditure by vote, standard classification and funding	113
Appendix G(5): Budgeted Cash Flows	115

Setsoto Local Municipality
(Registration number Municipal demarcation code FS191)
Financial Statements for the year ended 30 June 2017

Index

Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
COGTA	Department of Cooperative Governance and Traditional Affairs

Accounting Officer's Responsibilities and Approval

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

The financial statements have been prepared as required in terms of Section 122 of the Municipal Finance Management Act (Act 56 of 2003) and in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

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

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

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

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2018 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The financial statements are prepared on the basis that the municipality is a going concern and that the Setsoto Municipality has neither the intention nor the need to liquidate or curtail materially its scale.

Although the accounting officer are primarily responsible for the financial affairs of the municipality, they are supported by the municipality's external auditors.

The external auditors are responsible for independently reviewing and reporting on the municipality's financial statements. The financial statements have been examined by the municipality's external auditors and their report is presented on page 9.

The financial statements set out on pages 9 to 93, which have been prepared on the going concern basis (Please refer to Note 53), were approved by the accounting officer on 31 August 2017 :

Mr. S. T. R. Ramakarane
Accounting Officer / Municipal Manager

31 August 2017

Setsoto Local Municipality
(Registration number Municipal demarcation code FS191)
Financial Statements for the year ended 30 June 2017

Audit & Performance Audit Committee Report

We are pleased to present our report for the financial year ended 30 June 2017.

Audit committee members and attendance

The audit committee consists of the members listed hereunder and should meet at least 4 times per annum as per its approved terms of reference. During the current year 6 number of meetings were held.

Name of member	Number of meetings attended
Mr. H B Mathibela (Chairperson)	6
Mr. T Zororo	4
Mr. D S Moletsane	4
Mr. S Simelane	6

All members are independent, with no interest in the management or conduct of the business of the Municipality and the members of the Audit and Performance Audit Committee were appointed on the 11 December 2013. Their contract was extended as it was ending December 2016.

Audit and Performance Committee responsibility

The Audit and Performance Audit Committee reports complies with its responsibilities arising from section 166(2)(a) and (b) of the MFMA.

The Audit and Performance Audit Committee has adopted appropriate formal terms of reference as its Audit and Performance Committee charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

The effectiveness of internal control

The system of internal controls applied by the municipality over financial and risk management is considered generally adequate in design and is partially ineffective in its implementation on some entities and this was evident by the reasonable assurance given by the Internal Audit Unit. However, there is a vast improvements on some internal controls. The identification of corrective actions and suggested enhancements to the controls were done through risk management process and interaction with management on the action plan on audited report.

Evaluation of financial statements

The Audit and Performance Audit Committee has:

- reviewed and discussed the unaudited financial statements that will be presented to the Auditor-General South Africa;
- reviewed changes in accounting policies and practices;
- reviewed the adjustment made which appear on notes of prior period error and re-classification;
- reviewed SCM Policy and assets management policy;
- provide assurance on irregular, fruitless and wasteful expenditure;
- provide assurance on the write off on debtors;
- monitors asset management;
- monitor the implementation of the procurement plan;
- monitor the implementation of the SCM policy on deviation;

Internal audit

The Audit and Performance Audit Committee is satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the municipality and its audits.

Auditor-General of South Africa

The Audit and Performance Audit Committee has met with the Auditor-General of South Africa to ensure that there are no unresolved issues.

Chairperson of the Audit and Performance Committee

Setsoto Local Municipality
(Registration number Municipal demarcation code FS191)
Financial Statements for the year ended 30 June 2017

Audit & Performance Audit Committee Report

Date: _____

Accounting Officer's Report

The accounting officer submits his report for the year ended 30 June 2017.

1. Review of activities

Main business and operations

The municipality is a local authority providing municipal services and maintaining the best interest of the community in the setsoto municipal area.

The operating results and state of affairs of the municipality are fully set out in the attached financial statements.

Net deficit of the municipality was R 124,580,991 (2016: deficit R 126,711,817).

2. Going concern

We draw attention to the fact that at 30 June 2017, the municipality had accumulated surplus of R 3,191,218,165 and that the municipality's total assets exceed its liabilities by R 3,191,218,165.

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

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

The municipality operate on a favourable bank balance for the financial year.

The municipality is aware of the debtors that are increase and this will be reduced through the implementation of the revenue enhancement strategy that has been approved by Council for implementation in the current financial year in phases, It has an affect on the cash flow forecast for financial year ending 30 June 2017.

3. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year that would impact on the financial results as disclosed in these financial statements.

4. Accounting Officer's interest in contracts

The Accounting Officer had no interest in any contracts.

5. Accounting policies

The financial statements prepared as required in terms of Section 122 of the Municipal Finance Management Act (Act 56 of 2003) and in accordance with the South African Standards of Generally Recognized Accounting Practices (GRAP), including any interpretations of such Statements issued by the Accounting Practices Board, as the prescribed framework by National Treasury.

6. Retirement benefit obligation

Management performed an actuarial valuation of the Employee Benefits of the employer's liability as arising from the postretirement healthcare subsidy ("PRHS") payable to current and retired employees.

The valuation is in line with the requirements of GRAP 25 and have determined the items required for disclosure in terms of this standard.

Refer to note 20 for detail about this valuations.

7. Non-current assets

There were no major changes in the nature of the non-current assets of the municipality during the year .

Setsoto Local Municipality
(Registration number Municipal demarcation code FS191)
Financial Statements for the year ended 30 June 2017

Accounting Officer's Report

8. Accounting Officer

The accounting officer of the municipality during the year and to the date of this report is:

Name	Nationality
Mr. S. T. R. Ramakarane	RSA

9. Auditors

Auditor-General of South Africa (AGSA) will continue in office for the next financial period.

Setsoto Local Municipality
(Registration number Municipal demarcation code FS191)
Financial Statements for the year ended 30 June 2017

Statement of Financial Position as at 30 June 2017

	Note(s)	2017 R	2016 R
Assets			
Current Assets			
Inventories	3	2,420,121	1,886,760
Receivables from exchange transactions	5&6	146,501,145	103,900,676
Receivables from non-exchange transactions	5&7	58,946,414	47,166,865
Cash and cash equivalents	9	2,080,903	3,655,924
		<u>209,948,583</u>	<u>156,610,225</u>
Non-Current Assets			
Investment property	10	68,648,208	74,574,176
Property, plant and equipment	11	3,114,843,488	3,213,723,348
Intangible assets	12	2,592,068	3,146,712
Heritage assets	13	15,385,903	15,385,903
Other financial assets	4	3,211,861	3,100,004
		<u>3,204,681,528</u>	<u>3,309,930,143</u>
Total Assets		<u>3,414,630,111</u>	<u>3,466,540,368</u>
Liabilities			
Current Liabilities			
Other financial liabilities	14	2,250,952	617,692
Payables from exchange transactions	16	110,538,311	76,498,448
VAT payable	8	1,023,300	859,649
Consumer deposits	17	2,513,344	2,521,447
Unspent conditional grants and receipts	18	11,066,877	952,460
Provisions	19	1,446,000	1,278,000
		<u>128,838,784</u>	<u>82,727,696</u>
Non-Current Liabilities			
Other financial liabilities	14	12,890,162	5,666,599
Employee benefit obligation	20	63,087,000	47,224,805
Provisions	19	18,596,000	19,120,136
		<u>94,573,162</u>	<u>72,011,540</u>
Total Liabilities		<u>223,411,946</u>	<u>154,739,236</u>
Net Assets		<u>3,191,218,165</u>	<u>3,311,801,132</u>
Accumulated surplus	57	3,191,218,165	3,311,801,132

Setsoto Local Municipality
(Registration number Municipal demarcation code FS191)
Financial Statements for the year ended 30 June 2017

Statement of Financial Performance

	Note(s)	2017 R	2016 R
Revenue			
Revenue from exchange transactions			
Service charges	21	163,307,063	146,817,268
Rental of facilities and equipment	22	1,901,910	1,563,900
Interest received (trading)		19,524,870	17,200,323
Licences and permits		39,298	100,173
Commissions received		220,650	207,208
Sale of land		273,674	369,163
Other income	23	5,099,251	2,127,250
Interest earned - Investments	24	1,973,314	1,933,630
Dividends received	24	39,848	36,226
Total revenue from exchange transactions		192,379,878	170,355,141
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	25	44,238,873	41,090,394
Transfer revenue			
Government grants & subsidies	26	273,398,907	267,735,961
Public contributions and donations	50	90,000	20,182,796
Fines, Penalties and Forfeits		2,462,779	2,163,900
Total revenue from non-exchange transactions		320,190,559	331,173,051
Total revenue	27	512,570,437	501,528,192
Expenditure			
Employee related costs	28	187,599,214	169,775,771
Remuneration of councillors	29	9,896,389	10,354,785
Depreciation and amortisation	31	209,967,015	215,927,790
Impairment loss/ Reversal of impairments	32	2,286,791	2,109,756
Finance costs	33	2,288,707	947,282
Lease rentals on operating lease		13,192,410	14,750,082
Debt Impairment	34	69,861,412	84,545,849
Collection costs		613,324	6,092
Repairs and maintenance		11,258,003	2,244,773
Bulk purchases	35	68,977,949	53,292,708
Contracted services	36	11,473,398	14,979,104
Transfers and Subsidies	37	5,618,338	2,501,241
Assets write-off		6,496,905	3,373,640
General Expenses	39	37,621,574	53,431,135
Total expenditure		637,151,429	628,240,008
Taxation		-	-
Deficit for the year		(124,580,991)	(126,711,816)

Setsoto Local Municipality
 (Registration number Municipal demarcation code FS191)
 Financial Statements for the year ended 30 June 2017

Statement of Changes in Net Assets

	Accumulated surplus R	Total net assets R
Balance at 01 July 2015	3,474,780,483	3,474,780,483
Changes in net assets		
Correction Retention	(1,912,100)	(1,912,100)
Net income (losses) recognised directly in net assets	(1,912,100)	(1,912,100)
Surplus/(deficit) for the year	(126,711,816)	(126,711,816)
Total recognised income and expenses for the year	(128,623,916)	(128,623,916)
Reclassification of VAT	(30,915,343)	(30,915,343)
Correction of Asset Register	(3,440,092)	(3,440,092)
	-	-
Total changes	(162,979,351)	(162,979,351)
Balance at 01 July 2016	3,313,713,230	3,313,713,230
Changes in net assets		
Surplus/(deficit) for the year	(124,580,991)	(124,580,991)
Correction of prior period assets	125,954	125,954
Correction Prior year Compensation Commissioner expense	(3,206,079)	(3,206,079)
Correction Prior year Retention	5,166,051	5,166,051
Total changes	(122,495,065)	(122,495,065)
Balance at 30 June 2017	3,191,218,165	3,191,218,165

Setsoto Local Municipality
(Registration number Municipal demarcation code FS191)
Financial Statements for the year ended 30 June 2017

Cash Flow Statement

	Note(s)	2017 R	2016 R
Cash flows from operating activities			
Receipts			
Property Rates		31,394,843	32,517,236
Sale of goods and services		107,055,664	110,619,573
Grants		273,398,907	267,735,960
Interest income		21,498,184	19,133,953
Dividends received		39,848	36,226
Other receipts		9,997,562	6,531,594
Other non-cash item		90,000	20,182,796
		<u>443,475,008</u>	<u>456,757,338</u>
Payments			
Employee costs		(197,495,603)	(180,130,556)
Suppliers		(157,045,465)	(170,815,932)
Finance costs		(2,288,707)	(947,282)
		<u>(356,829,775)</u>	<u>(351,893,770)</u>
Net cash flows from operating activities	40	<u>86,645,233</u>	<u>104,863,568</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	11	(96,738,543)	(94,338,855)
Disposal of property, plant and equipment	11	3,345,215	3,373,640
Purchase of investment property	10	-	(4,596,306)
Proceeds from sale of investment property	10	3,151,692	-
Purchase of other intangible assets	12	(192,968)	(672,928)
Proceeds from sale of financial assets		(145,568)	5,169
Purchase of biological assets that form part of an agricultural activity		-	-
Proceeds from sale of non current receivables and loss on sale of assets		(6,496,905)	(3,373,640)
Net cash flows from investing activities		<u>(97,077,077)</u>	<u>(99,602,920)</u>
Cash flows from financing activities			
Repayment of other financial liabilities		(560,358)	(627,400)
Net cash flows from financing activities		<u>8,856,823</u>	<u>(627,400)</u>
Net increase/(decrease) in cash and cash equivalents		(1,575,021)	(46,184)
Cash and cash equivalents at the beginning of the year		3,655,924	3,702,108
Cash and cash equivalents at the end of the year	9	<u>2,080,903</u>	<u>3,655,924</u>

Setsoto Local Municipality
(Registration number Municipal demarcation code FS191)
Financial Statements for the year ended 30 June 2017

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	198,892,000	(28,484,336)	170,407,664	163,307,063	(7,100,601)	Due to economic constrains the expected income decreased.
Rental of facilities and equipment	2,211,100	(948,582)	1,262,518	1,901,910	639,392	Income increased due to letting of properties
Interest received (trading)	28,568,127	(11,283,774)	17,284,353	19,524,870	2,240,517	Improved debt collection and written off of bad debt previous year.
Licences and permits	44,000	(14,789)	29,211	39,298	10,087	Increased controle
Commissions received	234,300	(80,435)	153,865	220,650	66,785	
Sale of land and erven	-	-	-	273,674	273,674	
Other income - (rollup)	487,718	576,455	1,064,173	5,099,251	4,035,078	Increase in sundry services
Interest received - investment and Debtors	2,200,000	(444,938)	1,755,062	1,973,314	218,252	Increase debtors control resulted in interest
Dividends received	40,000	(152)	39,848	39,848	-	
Total revenue from exchange transactions	232,677,245	(40,680,551)	191,996,694	192,379,878	383,184	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	44,250,220	(6,716,458)	37,533,762	44,238,873	6,705,111	The effect of the implementation of the new valuation roll
Transfer revenue						
Government grants & subsidies	165,858,000	96,807,000	262,665,000	273,398,908	10,733,908	Additional Ad Hoc grants received during the year from Government
Public contributions and donations	-	-	-	90,000	90,000	Assets donated by donars

Setsoto Local Municipality
(Registration number Municipal demarcation code FS191)
Financial Statements for the year ended 30 June 2017

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis						
	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	
Fines, Penalties and Forfeits	113,600	230,100	343,700	2,462,779	2,119,079	Increase in traffic control
Total revenue from non-exchange transactions	210,221,820	90,320,642	300,542,462	320,190,560	19,648,098	
Total revenue	442,899,065	49,640,091	492,539,156	512,570,438	20,031,282	
Expenditure						
Personnel	(176,010,572)	4,039,028	(171,971,544)	(187,599,214)	(15,627,670)	Increase in Actuarial value on employee medical benefits
Remuneration of councillors	(7,926,834)	(3,214,048)	(11,140,882)	(9,896,389)	1,244,493	Implementation of Executive Mayoral system
Depreciation and amortisation	(256,262,207)	243,974,207	(12,288,000)	(209,967,015)	(197,679,015)	
Impairment loss/ Reversal of impairments	-	-	-	(2,286,791)	(2,286,791)	Impairment of fines revenue.
Finance costs	(1,745,200)	(312,146)	(2,057,346)	(2,288,707)	(231,361)	Additional interest paid on overdue accounts.
Lease rentals on operating lease	(11,651,559)	11,651,559	-	(13,192,410)	(13,192,410)	Renting of additional service delivery equipment.
Debt Impairment	(28,000,000)	(33,512,364)	(61,512,364)	(69,861,412)	(8,349,048)	Increased outstanding debt contribute to additional impairment
Collection costs	(266,250)	266,250	-	(613,324)	(613,324)	Appointment of Debt Collectors
Repairs and maintenance	(5,940,041)	3,848,287	(2,091,754)	(11,258,003)	(9,166,249)	
Bulk purchases	(74,000,000)	821,237	(73,178,763)	(68,977,949)	4,200,814	
Contracted Services	(18,939,175)	(645,071)	(19,584,246)	(11,473,398)	8,110,848	Increase in Repair & Maintenance cost
Transfers and Subsidies	(2,763,000)	(4,682,908)	(7,445,908)	(5,618,338)	1,827,570	Additional registration of indigents
General Expenses	(79,482,849)	33,865,849	(45,617,000)	(37,621,574)	7,995,426	
Total expenditure	(662,987,687)	256,099,880	(406,887,807)	(630,654,524)	(223,766,717)	
Operating deficit	(220,088,622)	305,739,971	85,651,349	(118,084,086)	(203,735,435)	
Loss on disposal of assets and liabilities	-	-	-	(6,496,905)	(6,496,905)	
Deficit before taxation	(220,088,622)	305,739,971	85,651,349	(124,580,991)	(210,232,340)	

Setsoto Local Municipality
 (Registration number Municipal demarcation code FS191)
 Financial Statements for the year ended 30 June 2017

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis						
	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual R	Reference
	R	R	R	R	R	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	(220,088,622)	305,739,971	85,651,349	(124,580,991)	(210,232,340)	

Accounting Policies

1. Presentation of Financial Statements

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

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

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

1.1 Presentation currency

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

1.2 Significant judgements and sources of estimation uncertainty

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts represented in the financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the financial statements. Significant judgements include:

Trade receivables / Held to maturity investments and/or loans and receivables

The municipality assesses its receivables, held to maturity investments and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, management makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for receivables, held to maturity investments and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operation surplus note.

Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

Accounting Policies

1.2 Significant judgements and sources of estimation uncertainty (continued)

Impairment testing

The recoverable amounts of cash-generating and non-cash generating asset units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors.

Provisions

Provisions were raised and management determined an estimate based on the information available. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at reporting date, and are discounted to the present value where the time value effect is material. Additional disclosure of these estimates of provisions are included in note 19 - Provisions.

Useful lives and residual values of property, plant and equipment and intangible assets

The municipality's management determines the estimated useful lives and related depreciation charges for property, plant and equipment as well as the intangible assets. The municipality re-assess the useful lives and the residual value on an annual basis, considering the conditional and use of the individual assets. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that will be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the 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 the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 20.

Effective interest rate

The municipality uses an appropriate interest rate, taking into account guidance provided in the accounting standards, and applying professional judgement to the specific circumstances, to discount future cash flows.

Appropriate adjustments have been made to compensate for the effect of deferred settlement terms that material impact on the fair value of the financial instruments, revenue and expenses at initial recognition. The adjustments require a degree of estimation around the discount rate and periods used.

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

Accounting Policies

1.2 Significant judgements and sources of estimation uncertainty (continued)

GRAP 24: Presentation of budget information

Deviations between the budget and actual amounts are regarded as material if they exceed a 10% deviation.

All material differences are explained in the notes/appendices to the annual financial statements.

Operating lease commitments

Leases where risks and rewards of ownership are not transferred to the lessee are classified as operating leases. Payments received under operating leases are recognised in the statement of financial performance on a straight-line basis over the period of the lease.

1.3 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

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

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Cost model

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write down the cost over the useful life of the property, which is as follows:

Item	Useful life
Property - land	indefinite
Property - buildings	5 - 30 years

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

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

Property interests held under operating leases are classified and accounted for as investment property in the following circumstances:

Accounting Policies

1.3 Investment property (continued)

When classification is difficult, the criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of operations, including the nature or type of properties classified as held for strategic purposes, are as follows:

The municipality separately discloses expenditure to repair and maintain investment property in the notes to the financial statements (see note 10).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 11).

1.4 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

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

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

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

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

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

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

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

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

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

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

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

Setsoto Local Municipality
(Registration number Municipal demarcation code FS191)
Financial Statements for the year ended 30 June 2017

Accounting Policies

1.4 Property, plant and equipment (continued)

Item	Depreciation method	Average useful life
Land	Straight line	Infinite
Buildings	Straight line	30 years
Plant and machinery	Straight line	10 years
Furniture and Office Equipment	Straight line	7 - 10 years
Transport Assets	Straight line	5 - 7 years
Office equipment	Straight line	6 years
IT equipment	Straight line	3 years
Computer Equipment	Straight line	3 years
Infrastructure - Electricity	Straight line	20 - 30 years
Buildings & Other Structure (Community)	Straight line	30 years
Other property, plant and equipment	Straight line	3 - 7 years
Infrastructure: Waste Management	Straight line	15 - 20 years
Infrastructure: Road, Pavement, Bridges & Stormwater	Straight line	10 - 30 years
Infrastructure: Water	Straight line	15 - 20 years
Infrastructure - Wastewater management	Straight line	15 - 20 years
Infrastructure - Water	Straight line	15 - 20 years
Work in Process	Straight line	Transfer to asset on completion

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

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 is depreciated separately.

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. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The municipality assesses at each reporting date whether there is any indication that the municipality expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment 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 from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 11).

Accounting Policies

1.5 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised 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.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

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

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software, other	5 years

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 11).

Intangible assets are 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 intangible assets is included in surplus or deficit when the asset is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

Accounting Policies

1.6 Heritage assets

Assets are resources controlled by an municipality as a result of past events and from which future economic benefits or service potential are expected to flow to the municipality.

Carrying amount is the amount at which an asset is recognised after deducting accumulated impairment losses.

Class of heritage assets means a grouping of heritage assets of a similar nature or function in an municipality's operations that is shown as a single item for the purpose of disclosure in the financial statements.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Standards of GRAP.

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

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

An impairment loss of a cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable amount.

An impairment loss of a non-cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable service amount.

An inalienable item is an asset that an municipality is required by law or otherwise to retain indefinitely and cannot be disposed of without consent.

Recoverable amount is the higher of a cash-generating asset's net selling price and its value in use.

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

Value in use of a cash-generating asset is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

Value in use of a non-cash-generating asset is the present value of the asset's remaining service potential.

The municipality separately discloses expenditure to repair and maintain heritage assets in the notes to the financial statements (see note 13).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 11).

Recognition

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

Initial measurement

Heritage assets are measured at cost.

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

Accounting Policies

1.6 Heritage assets (continued)

Subsequent measurement

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

Impairment

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

Transfers

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset.

Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

Derecognition

The municipality derecognises heritage asset 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 a heritage asset is included in surplus or deficit when the item is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

1.7 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
 - receive cash or another financial asset from another entity; or
 - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

Accounting Policies

1.7 Financial instruments (continued)

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Financial Instruments are categorised according to their nature as either financial instruments at fair value, held at amortised cost, or held at cost. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

Accounting Policies

1.7 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

Accounting Policies

1.7 Financial instruments (continued)

Loans to (from) municipal entities

These include loans to municipal entities and recognised at fair value plus any transaction costs and subsequently measured at cost.

An impairment loss is recognised in the Statement of Financial Performance when there is objective evidence that it is impaired. The impairment is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Debtors

Debtors are initially recognised at fair value plus any transaction costs and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of debtors 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 the debtors. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. Impairment losses are recognised in the Statement of Financial Performance.

An estimate is made for doubtful debts based on the categorisation of debts and a review of past trends in collection rates applied to all outstanding amounts at year-end. Bad debts are written off during the year in which they are identified in the Statement of Financial Performance.

Creditors

Trade payables are initially measured at fair value plus any transaction costs, and are subsequently measured at amortised cost, using the effective interest rate method.

Cash and cash equivalents

These are initially and subsequently recorded at amortised cost.

For cash flow purposes cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments, and bank overdrafts.

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

Borrowings and other financial liabilities

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of financial performance over the period of the borrowings using the effective interest method.

Long term borrowings are non-derivative financial loans and the Municipality does not hold financial loans for trading purposes. Long term borrowings are utilised solely for funding capital projects and the book value is disclosed at amortised cost.

Other financial liabilities are carried at amortised cost.

Loans and receivables

Loans and receivables are measured initially and subsequently at fair value, gains and losses arising from changes in fair value are included in the Statement of Financial Performance for the period.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and with no intention of trading. They are included in current assets, except for maturities greater than 12 months after the Statement of Financial Position date. These are classified as non-current assets. Loans and receivables are included in trade and other receivables in the Statement of Financial Position.

Accounting Policies

1.7 Financial instruments (continued)

Fixed and Negotiable Deposits

Fixed and negotiable deposits are non-derivative financial assets with fixed or determinable payments and fixed maturities that the municipality will hold to maturity.

Fixed and negotiable deposits are initially and subsequently measured at fair value which in the case of investments that have an original maturity date of less than 12 months equates the cost. Fixed and negotiable deposits held for greater than 12 months are fair valued annually and the difference recognised in the statement of financial performance.

On disposal of Fixed and negotiable deposits, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance

1.8 Tax

Current tax assets and liabilities

The Municipality is exempted from tax in terms of section 10(1)(a) of the Income Tax Act.

1.9 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

Accounting Policies

1.9 Leases (continued)

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

The aggregate cost of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

1.10 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.11 Housing development fund

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the municipality were extinguished on 1 April 1998 and transferred to a Housing Development Fund. Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

1.12 Investments

Where the carrying amount of an investment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the statement of financial performance.

Accounting Policies

1.13 Conditional grants and receipts

Revenue 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 can be in the form of grants to acquire or construct fixed assets (capital grants), grants for the furtherance of national and provincial government policy objectives and general grants to subsidise the cost incurred by entities in rendering services. Capital grants and general grants for the furtherance of government policy objectives are usually restricted revenue in that stipulations are imposed on their use.

Government grants are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

An entity needs to assess the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants should only be recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue should only be recognised once evidence of the probability of the flow becomes available.

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. For example, equitable share grants per the Division of Revenue Act where the period of use of such funds is stated, should be recognised on a time proportion basis, i.e. over the stated period. Where there is no restriction on the period, such revenue should be recognised on receipt or when the Act becomes effective, whichever is earlier.

In certain circumstances government will only remit grants on a re-imburement basis. Revenue should therefore be recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with and not when the grant is received.

Other Grants and Donations

Donations shall be measured at the fair value of the consideration received or receivable when the amount of the revenue can be measured reliably.

Other grants and donations shall be recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

1.14 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

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

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

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

Accounting Policies

1.15 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.

1.16 Impairment of cash-generating assets

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

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

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

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

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

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

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

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

Useful life is either:

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

Criteria developed by the municipality to distinguish cash-generating assets from non-cash-generating assets are as follow:

The municipality has looked at the definition of cash generating assets which determine that an asset can be identified as cash generating asset if there is a commercial return. The municipality do not operate in a profit-oriented manner and the main focus is to provide a service therefor all the assets will be classified as non-cash-generating assets.

Value in use

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Accounting Policies

1.17 Impairment of non-cash-generating assets

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

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

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

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

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

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

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

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

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

Useful life is either:

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

Criteria developed by the municipality to distinguish non-cash-generating assets from cash-generating assets are as follow:

The municipality has looked at the definition of cash generating assets which determine that an asset can be identified as cash generating asset if there is a commercial return. The municipality do not operate in a profit-oriented manner and the main focus is to provide a service therefor all the assets will be classified as non-cash-generating assets.

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

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

Irrespective of whether there is any indication of impairment, the entity also test a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Accounting Policies

1.17 Impairment of non-cash-generating assets (continued)

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an oversized or overcapacity asset. Oversized assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Restoration cost approach

Restoration cost is the cost of restoring the service potential of an asset to its pre-impaired level. The present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

Service units approach

The present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform to the reduced number of service units expected from the asset in its impaired state. The current cost of replacing the remaining service potential of the asset before impairment is determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

1.18 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

Accounting Policies

1.18 Employee benefits (continued)

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measure the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognise the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Accounting Policies

1.18 Employee benefits (continued)

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

Multi-employer plans and/or State plans and/or Composite social security programmes

The entity classifies a multi-employer plan and/or state plans and/or composite social security programmes as a defined contribution plan or a defined benefit plan under the terms of the plan (including any constructive obligation that goes beyond the formal terms).

Where a plan is a defined contribution plan, the entity accounts for in the same way as for any other defined contribution plan.

Where a plan is a defined benefit plan, the entity account for its proportionate share of the defined benefit obligation, plan assets and cost associated with the plan in the same way as for any other defined benefit plan.

When sufficient information is not available to use defined benefit accounting for a plan, that is a defined benefit plan, the entity account for the plan as if it was a defined contribution plan.

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the entity during a reporting period, the entity recognise the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

Accounting Policies

1.18 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the entity recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or
- the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognise past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The entity account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the entity's informal practices. Informal practices give rise to a constructive obligation where the entity has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the entity's informal practices would cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The entity measure the resulting asset at the lower of:

- the amount determined above; and

Accounting Policies

1.18 Employee benefits (continued)

- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

The entity determine the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the financial statements do not differ materially from the amounts that would be determined at the reporting date.

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The entity uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an entity shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an entity shall attribute benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The entity recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the entity re-measure the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is [OR is not] presented as the net of the amount recognised for a reimbursement.

The entity offsets an asset relating to one plan against a liability relating to another plan when the entity has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

Accounting Policies

1.18 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:

- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
 - those changes were enacted before the reporting date; or
 - past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

Other post retirement obligations

The municipality provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The municipality also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The entity shall recognise the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.

Accounting Policies

1.18 Employee benefits (continued)

Termination benefits

The entity recognises termination benefits as a liability and an expense when the entity is demonstrably committed to either:

- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The entity is demonstrably committed to a termination when the entity has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes [as a minimum]:

- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

Implementation begins as soon as possible and the period of time to complete implementation is such that material changes to the plan are not likely.

Where termination benefits fall due more than 12 months after the reporting date, they are discounted using an appropriate discount rate. The rate used to discount the benefit reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the benefit.

In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits shall be based on the number of employees expected to accept the offer.

1.19 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- 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 amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating surplus.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

Accounting Policies

1.19 Provisions and contingencies (continued)

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 55.

1.20 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

When uncertainty arises about the collectability of an amount already included in revenue, the uncollectable amount, or the amount in respect of which recovery has ceased to be probable, is recognised as an expense, rather than as an adjustment of the amount of revenue originally recognised.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Sale of goods

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

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

Accounting Policies

1.20 Revenue from exchange transactions (continued)

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

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

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Dividends or similar distributions are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.21 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Accounting Policies

1.21 Revenue from non-exchange transactions (continued)

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Accounting Policies

1.21 Revenue from non-exchange transactions (continued)

Assessment Rates

The municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

The municipality analyses the taxation laws to determine what the taxable events are for the various taxes levied.

The taxable event for income tax is the earning of assessable income during the taxation period by the taxpayer.

The taxable event for value added tax is the undertaking of taxable activity during the taxation period by the taxpayer.

The taxable event for customs duty is the movement of dutiable goods or services across the customs boundary.

The taxable event for estate duty is the death of a person owning taxable property.

The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

Taxation revenue is determined at a gross amount. It is not reduced for expenses paid through the tax system.

Transfers

Apart from Services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Services in-kind

Except for financial guarantee contracts, the municipality recognise services in-kind that are significant to its operations and/or service delivery objectives as assets and recognise the related revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Where services in-kind are not significant to the municipality's operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, the municipality disclose the nature and type of services in-kind received during the reporting period.

Accounting Policies

1.22 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.23 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.24 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

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.

1.25 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which 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.

1.26 Irregular expenditure

MFMA Circular No 68 and section 32 of the Municipal Finance Management Act No. 56 of 2003 states the following::

Irregular expenditure is defined in section 1 of the MFMA as follows:

“irregular expenditure”, in relation to a municipality or municipal entity, means—

- (a) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of this Act, and which has not been condoned in terms of section 170;
- (b) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the Municipal Systems Act, and which has not been condoned in terms of that Act;
- (c) expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the Public Office-Bearers Act, 1998 (Act No. 20 of 1998); or
- (d) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the supply chain management policy of the municipality or entity or any of the municipality's by-laws giving effect to such policy, and which has not been condoned in terms of such policy or by-law, but excludes expenditure by a municipality which falls within the definition of “unauthorised expenditure”.

In this context ‘expenditure’ refers to any use of municipal funds that is in contravention of the following legislation:

- Municipal Finance Management Act, Act 56 of 2003, and its regulations;
- Municipal Systems Act, Act 32 of 2000, and its regulations;
- Public Office-Bearers Act, Act 20 of 1998, and its regulations; and
- The municipality's supply chain management policy, and any by-laws giving effect to that policy

Although a transaction or an event may trigger irregular expenditure, a municipality or municipal entity will only identify irregular expenditure when a payment is made, in other words, the recognition of irregular expenditure will be linked to a financial transaction. If the possibility of irregular expenditure is determined prior to a payment being made, the transgression shall be regarded as a matter of non-compliance.

Accounting Policies

1.26 Irregular expenditure (continued)

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), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.27 Use of estimates

The preparation of financial statements in conformity with Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in the relevant sections of the financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

1.28 Value Added Tax (VAT)

The municipality accounts for VAT on the cash basis. The municipality is liable to account for VAT at the Standard rate (14%) in terms of section 7(1)(a) of the Value Added Tax Act, (Act 89 of 1991) in respect of the supply goods or services, except where the supplies are specifically zero-rated in terms of section 11, exempted in terms of section 12 of the VAT Act or are scoped out for VAT purposes. The municipality account for VAT on a monthly basis.

1.29 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2016-07-01 to 2017-06-30.

The budget for the economic entity includes all the entities approved budgets under its control.

The financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

The Statement of comparative and actual information has been included in the financial statements as the recommended disclosure when the financial statements and the budget are on the same basis of accounting as determined by National Treasury.

1.30 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.

Setsoto Local Municipality
(Registration number Municipal demarcation code FS191)
Financial Statements for the year ended 30 June 2017

Notes to the Financial Statements

2017
R

2016
R

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2017 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 34: Separate Financial Statements	01 April 2009	Unlikely there will be a material impact
• GRAP 35: Consolidated Financial Statements	01 April 2009	Unlikely there will be a material impact
• GRAP 36: Investments in Associates and Joint Ventures	01 April 2009	Unlikely there will be a material impact
• GRAP 37: Joint Arrangements	01 April 2009	Unlikely there will be a material impact
• GRAP 38: Disclosure of Interests in Other Entities	01 April 2009	Unlikely there will be a material impact
• GRAP 110: Living and Non-living Resources	01 April 2009	Unlikely there will be a material impact
• GRAP 12 (as amended 2016): Inventories	01 April 2018	Unlikely there will be a material impact
• GRAP 27 (as amended 2016): Agriculture	01 April 2018	Unlikely there will be a material impact
• GRAP 31 (as amended 2016): Intangible Assets	01 April 2018	Unlikely there will be a material impact
• GRAP 103 (as amended 2016): Heritage Assets	01 April 2018	Unlikely there will be a material impact
• GRAP 110 (as amended 2016): Living and Non-living Resources	01 April 2018	Unlikely there will be a material impact
• IGRAP 18: Interpretation of the Standard of GRAP on Recognition and Derecognition of Land	01 April 2019	Unlikely there will be a material impact
• Directive 12: The Selection of an Appropriate Reporting Framework by Public Entities	01 April 2018	Unlikely there will be a material impact
• GRAP 20: Related parties	01 April 2017	Unlikely there will be a material impact
• GRAP 26 (as amended 2016): Impairment of cash-generating assets	01 April 2018	Unlikely there will be a material impact
• GRAP 109: Accounting by Principals and Agents	01 April 2017	Unlikely there will be a material impact
• GRAP 21 (as amended 2016): Impairment of non-cash-generating assets	01 April 2018	Unlikely there will be a material impact
• GRAP 18 (as amended 2016): Segment Reporting	01 April 2018	Unlikely there will be a material impact
• GRAP 17 (as amended 2016): Property, Plant and Equipment	01 April 2018	Unlikely there will be a material impact
• GRAP 16 (as amended 2016): Investment Property	01 April 2018	Unlikely there will be a material impact
• GRAP 106 (as amended 2016): Transfers of functions between entities not under common control	01 April 2018	Unlikely there will be a material impact

Setsoto Local Municipality
(Registration number Municipal demarcation code FS191)
Financial Statements for the year ended 30 June 2017

Notes to the Financial Statements

	2017 R	2016 R
3. Inventories		
Consumable Stores	1,353,359	1,225,056
Water	1,066,762	661,704
	2,420,121	1,886,760
Carrying value of inventories carried at net realisable value	758,519	96,798
Inventories recognised as an expense during the year	1,110,335	754,029
Items in the store are booked out against the relevant service expenditure .		
Obsolete, redundant and slow moving inventory was identified and written down to estimated economic or realisable values to the relevant service through the statement of financial performance to the amount of R 192 507.		
Inventory pledged as security		
No inventory was pledged as security for the year.		
4. Other financial assets		
Designated at fair value		
Listed shares	933,833	869,848
Sanlam Shares		
Unlisted shares	1,116,615	1,142,369
OVK / EFC Shares		
	2,050,448	2,012,217
At amortised cost		
Other financial assets	1,161,413	1,087,787
Consist of a Sanlam Redemption fund and a housing collateral at ABSA Bank		
Total other financial assets	3,211,861	3,100,004
Non-current assets		
Designated at fair value	2,050,448	2,012,217
At amortised cost	1,161,413	1,087,787
	3,211,861	3,100,004

Setsoto Local Municipality
(Registration number Municipal demarcation code FS191)
Financial Statements for the year ended 30 June 2017

Notes to the Financial Statements

	2017 R	2016 R
4. Other financial assets (continued)		
Fair value hierarchy of financial assets at fair value		
For financial assets recognised at fair value, disclosure is required of a fair value hierarchy which reflects the significance of the inputs used to make the measurements. The fair value hierarchy have the following levels:		
Level 1 represents those assets which are measured using unadjusted quoted prices in active markets for identical assets.		
Level 2 applies inputs other than quoted prices that are observable for the assets either directly (i.e. as prices) or indirectly (i.e. derived from prices).		
Level 3 applies inputs which are not based on observable market data.		
Level 1		
Sanlam	933,833	869,848
As at 30 June 2017, the Sanlam share value was: R64.80 (2016: R66.34).		
Level 3		
OVK	1,116,615	1,142,368
As at 30 June 2017, the OVK share value was as follow:		
OVK Operations	R13.90 (2016: R13.57)	
OVK Holdings:	R12.15 (2016: R12.57).	
	2,050,448	2,012,216
Financial assets at amortised cost		
Fair values of financial assets measured or disclosed at amortised cost		
Other financial assets	1,161,413	1,087,787
5. Consumer debtors disclosure		
Gross balances		
Consumer debtors - Rates	63,543,672	50,699,642
Consumer debtors - Electricity	47,247,131	40,970,010
Consumer debtors - Water	140,778,585	116,031,917
Consumer debtors - Sewerage	46,897,874	35,905,777
Consumer debtors - Refuse	59,020,540	45,666,405
Consumer debtors - Other	3,250,735	2,317,407
	360,738,537	291,591,158

Setsoto Local Municipality
(Registration number Municipal demarcation code FS191)
Financial Statements for the year ended 30 June 2017

Notes to the Financial Statements

	2017 R	2016 R
5. Consumer debtors disclosure (continued)		
Less: Allowance for impairment		
Consumer debtors - Rates	(14,425,675)	(11,416,026)
Consumer debtors - Electricity	(16,748,523)	(20,311,390)
Consumer debtors - Water	(64,529,096)	(53,422,543)
Consumer debtors - Sewerage	(29,156,251)	(26,248,169)
Consumer debtors - Refuse	(37,193,734)	(34,851,590)
Consumer debtors - Other	(3,066,116)	(2,157,148)
	<u>(165,119,395)</u>	<u>(148,406,866)</u>
Net balance		
Consumer debtors - Rates	49,117,997	39,283,616
Consumer debtors - Electricity	30,498,608	20,658,620
Consumer debtors - Water	76,249,489	62,609,374
Consumer debtors - Sewerage	17,741,623	9,657,608
Consumer debtors - Refuse	21,826,806	10,814,815
Consumer debtors - Other	184,619	160,259
	<u>195,619,142</u>	<u>143,184,292</u>
Rates		
Current (0 -30 days)	7,704,744	3,414,247
31 - 60 days	2,746,868	2,836,292
61 - 90 days	2,756,915	2,738,825
91 - 120 days	2,566,209	2,689,986
121 - 365 days	47,768,936	39,020,292
Less: Impairment	(14,425,675)	(11,416,026)
	<u>49,117,997</u>	<u>39,283,616</u>
Electricity		
Current (0 -30 days)	22,052,542	21,931,461
31 - 60 days	2,115,076	2,721,966
61 - 90 days	1,525,845	1,721,461
91 - 120 days	1,318,449	1,536,894
121 - 365 days	20,235,219	13,058,228
Less: Impairment	(16,748,523)	(20,311,390)
	<u>30,498,608</u>	<u>20,658,620</u>
Water		
Current (0 -30 days)	8,650,431	5,133,380
31 - 60 days	4,694,044	5,686,079
61 - 90 days	4,715,618	5,471,285
91 - 120 days	4,631,674	5,139,068
121 - 365 days	118,086,818	94,602,105
Less: Impairment	(64,529,096)	(53,422,543)
	<u>76,249,489</u>	<u>62,609,374</u>

Setsoto Local Municipality
 (Registration number Municipal demarcation code FS191)
 Financial Statements for the year ended 30 June 2017

Notes to the Financial Statements

	2017	2016
	R	R
5. Consumer debtors disclosure (continued)		
Sewerage		
Current (0 -30 days)	2,114,609	1,991,689
31 - 60 days	1,904,026	1,771,926
61 - 90 days	1,859,311	1,720,439
91 - 120 days	1,833,195	1,692,405
121 - 365 days	39,186,733	28,729,318
Less: Impairment	(29,156,251)	(26,248,169)
	17,741,623	9,657,608
Refuse		
Current (0 -30 days)	2,861,648	1,106,142
31 - 60 days	2,609,815	2,170,853
61 - 90 days	2,552,039	2,111,465
91 - 120 days	2,525,404	2,079,787
121 - 365 days	48,471,634	38,198,158
Less: Impairment	(37,193,734)	(34,851,590)
	21,826,806	10,814,815
Other Sundry levies		
Current (0 -30 days)	660,065	626,670
31 - 60 days	107,144	97,822
61 - 90 days	199,576	85,498
91 - 120 days	142,128	99,022
121 - 365 days	2,141,822	1,408,395
Less: Impairment	(3,066,116)	(2,157,148)
	184,619	160,259

Setsoto Local Municipality
(Registration number Municipal demarcation code FS191)
Financial Statements for the year ended 30 June 2017

Notes to the Financial Statements

	2017 R	2016 R
5. Consumer debtors disclosure (continued)		
Summary of debtors by customer classification		
Consumers		
Current (0 -30 days)	37,327,959	32,092,739
31 - 60 days	11,132,842	11,707,790
61 - 90 days	10,501,644	10,809,467
91 - 120 days	10,257,990	10,217,477
121 - 365 days	233,535,395	183,152,425
	302,755,830	247,979,898
Industrial/ commercial		
Current (0 -30 days)	4,640,716	2,107,167
31 - 60 days	974,874	1,585,374
61 - 90 days	1,099,887	1,096,301
91 - 120 days	940,594	1,124,038
121 - 365 days	12,821,444	13,114,655
	20,477,515	19,027,535
National and provincial government		
Current (0 -30 days)	2,021,248	3,682
31 - 60 days	2,069,256	1,991,774
61 - 90 days	2,007,773	1,943,206
91 - 120 days	1,818,476	1,895,647
121 - 365 days	29,534,323	18,749,416
	37,451,076	24,583,725
Total		
Current (0 -30 days)	43,989,924	34,203,589
31 - 60 days	14,176,972	15,284,938
61 - 90 days	13,609,303	13,848,973
91 - 120 days	13,017,060	13,237,162
121 - 365 days	275,891,162	215,016,496
	360,684,421	291,591,158
Less: Allowance for impairment	(165,119,394)	(148,406,866)
	195,565,027	143,184,292
Reconciliation of allowance for impairment		
Balance at beginning of the year	(148,406,865)	(127,785,657)
Contributions to allowance	(69,861,411)	(84,545,848)
Debt impairment written off against allowance	53,148,882	63,924,640
	(165,119,394)	(148,406,865)
6. Receivables from exchange transactions		
Consumer debtors - Electricity	30,498,608	20,658,620
Consumer debtors - Water	76,249,489	62,609,374
Consumer debtors - Sewerage	17,741,623	9,657,608
Consumer debtors - Refuse	21,826,806	10,814,815
Consumer debtors - Other	184,619	160,259
	146,501,145	103,900,676

Setsoto Local Municipality
(Registration number Municipal demarcation code FS191)
Financial Statements for the year ended 30 June 2017

Notes to the Financial Statements

	2017 R	2016 R
6. Receivables from exchange transactions (continued)		
Trade and other receivables pledged as security		
No consumer debtors were pledged as security for overdraft facilities.		
Credit quality of trade and other receivables		
In determining the recoverability of a Consumer Debtor, the municipality considers any change in the credit quality of the Consumer Debtor from the date credit was initially granted up to the reporting date. Further more 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, the management believe that there is no further credit provision required in excess of the Provision for Impairment.		
Fair value of trade and other receivables		
In determining the recoverability of debtors, the municipality has placed strong emphasis on verifying the indigent status of consumers. Provision for impairment of consumer debtors has been made for all consumer balances outstanding based on the payment ration over 12 months per service type. No further credit provision is required in excess of the Provision for impairment.		
7. Receivables from non-exchange transactions		
Fines	307,238	414,468
Sundry Debtors	6,812,522	5,496,420
Prepayments (Eskom and Fuel Deposits)	2,708,657	1,972,361
Rates (Details as per Note 5 above)	49,117,997	39,283,616
	58,946,414	47,166,865
8. VAT payable		
VAT payable	1,023,300	859,649
The Municipality is registered on the payment basis, therefore VAT is paid over to the South African Revenue Services (SARS) only once payment is received from debtors.		
9. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	9,207	8,707
Bank balances	1,089,984	3,587,897
Short-term deposits	981,712	59,320
	2,080,903	3,655,924
Credit quality of cash at bank and short term deposits, excluding cash on hand		
The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates:		
Credit rating		
AA	2,088,362	3,647,218

Setsoto Local Municipality
 (Registration number Municipal demarcation code FS191)
 Financial Statements for the year ended 30 June 2017

Notes to the Financial Statements

2017
R

2016
R

9. Cash and cash equivalents (continued)

Cash and cash equivalents pledged as collateral

The Municipality has a overdraft facility of R3,000,000. There is a pledge amount of R3,000,000.00 against the investment account with account number 62049046205 to secure this overdraft facility.

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2017	30 June 2016	30 June 2015	30 June 2017	30 June 2016	30 June 2015
FNB BANK - Current Account - 620 480 92647	1,115,314	3,557,178	574,105	1,089,984	3,587,897	583,817
FNB BANK - Business Money Market - 621 517 83563	79,526	33,760	10,732	79,526	33,760	10,732
FNB BANK - NSTD Account - 620 490 46205	837,313	24,561	3,063,184	837,313	24,561	3,063,184
FNB BANK - Call Account - 623 105 40465	64,873	1,000	35,668	64,873	1,000	35,668
Total	2,097,026	3,616,499	3,683,689	2,071,696	3,647,218	3,693,401

Setsoto Local Municipality
 (Registration number Municipal demarcation code FS191)
 Financial Statements for the year ended 30 June 2017

Notes to the Financial Statements

Figures in Rand

10. Investment property

	2017			2016		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	93,982,953	(25,334,745)	68,648,208	99,774,059	(25,199,883)	74,574,176

Reconciliation of investment property - 2017

	Opening balance	Disposals	Transfers from Buildings	Depreciation	Total
Investment property	74,574,176	(3,151,692)	(1,559,926)	(1,214,350)	68,648,208

Reconciliation of investment property - 2016

	Opening balance	Additions	Depreciation	Total
Investment property	71,176,424	4,596,306	(1,198,554)	74,574,176

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

There are no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

Setsoto Local Municipality
(Registration number Municipal demarcation code FS191)
Financial Statements for the year ended 30 June 2017

Notes to the Financial Statements

Figures in Rand

11. Property, plant and equipment

	2017			2016		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	56,167,677	-	56,167,677	54,607,900	-	54,607,900
Furniture and Office Equipment	6,225,073	(5,817,227)	407,846	6,367,737	(5,863,331)	504,406
Transport Assets	24,068,915	(10,868,053)	13,200,862	17,871,279	(11,135,164)	6,736,115
Computer Equipment	7,771,387	(5,329,200)	2,442,187	8,328,902	(5,710,766)	2,618,136
Infrastructure - Electricity	285,383,359	(107,907,296)	177,476,063	280,311,125	(96,451,607)	183,859,518
Buildings & Other Structure (Community)	438,738,656	(135,189,475)	303,549,181	431,590,757	(123,777,597)	307,813,160
Infrastructure: Waste Management	23,606,321	(3,026,635)	20,579,686	24,009,567	(2,384,367)	21,625,200
Infrastructure: Road, Pavement, Bridges & Stormwater	2,864,398,728	(1,500,191,975)	1,364,206,753	2,835,578,281	(1,356,287,808)	1,479,290,473
Machinery & Equipment	5,357,726	(3,258,827)	2,098,899	3,765,824	(2,787,060)	978,764
Infrastructure - Wastewater management	513,866,323	(120,614,976)	393,251,347	510,341,281	(105,918,579)	404,422,702
Infrastructure - Water	939,417,609	(157,954,622)	781,462,987	888,303,770	(137,036,796)	751,266,974
Total	5,165,001,774	(2,050,158,286)	3,114,843,488	5,061,076,423	(1,847,353,075)	3,213,723,348

Setsoto Local Municipality
 (Registration number Municipal demarcation code FS191)
 Financial Statements for the year ended 30 June 2017

Notes to the Financial Statements

Figures in Rand

11. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	Disposals	Transfers to Investment property	Work in Progress movements	Depreciation	Total
Land	54,607,900	-	(149)	1,559,926	-	-	56,167,677
Furniture and Office Equipment	504,406	3,430	(54)	-	-	(99,936)	407,846
Transport Assets	6,736,115	7,903,121	(9,027)	-	-	(1,429,347)	13,200,862
Computer Equipment	2,618,136	1,750,534	(264,418)	-	(1,461,657)	(200,408)	2,442,187
Infrastructure - Electricity	183,859,518	6,974,845	(357,605)	-	(1,315,789)	(11,684,906)	177,476,063
Buildings & Other Structure (Community)	307,813,160	1,683,891	(1,066,825)	-	8,407,666	(13,288,711)	303,549,181
Infrastructure: Waste Management	23,154,852	90,000	(1,646,844)	-	-	(1,018,322)	20,579,686
Infrastructure: Road, Pavement, Bridges & Stormwater	1,479,290,473	38,768,914	-	-	(9,948,467)	(143,904,167)	1,364,206,753
Machinery & Equipment	978,764	1,651,257	(293)	-	-	(530,829)	2,098,899
Infrastructure - Wastewater management	402,893,050	-	-	-	5,054,694	(14,696,397)	393,251,347
Infrastructure - Water	751,266,974	-	-	-	51,113,839	(20,917,826)	781,462,987
	3,213,723,348	58,825,992	(3,345,215)	1,559,926	51,850,286	(207,770,849)	3,114,843,488

Setsoto Local Municipality
(Registration number Municipal demarcation code FS191)
Financial Statements for the year ended 30 June 2017

Notes to the Financial Statements

Figures in Rand

11. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	Disposals	Transfers	Work in Progress movements	Depreciation	Impairment loss	Total
Land	56,969,000	-	(2,361,100)	-	-	-	-	54,607,900
Furniture and Office Equipment	722,655	221,444	(6,007)	-	-	(433,686)	-	504,406
Transport Assets	4,929,237	3,489,392	-	-	-	(1,682,514)	-	6,736,115
Computer Equipment	1,317,673	347,325	(12,922)	-	1,461,657	(495,597)	-	2,618,136
Infrastructure - Electricity	193,726,783	-	-	-	1,315,789	(11,183,054)	-	183,859,518
Buildings & Other Structure (Community)	310,543,930	77,478,717	(512,392)	-	(66,863,884)	(12,958,247)	125,036	307,813,160
Infrastructure: Waste Management	22,906,567	155,000	-	-	1,133,845	(1,040,560)	-	23,154,852
Infrastructure: Road, Pavement, Bridges & Stormwater	1,594,546,658	-	-	(129,940)	35,735,804	(150,862,049)	-	1,479,290,473
Machinery & Equipment	1,402,427	133,017	(3,379)	-	-	(553,301)	-	978,764
Infrastructure - Wastewater management	413,059,300	65,085,138	(477,840)	-	(59,704,869)	(15,068,679)	-	402,893,050
Infrastructure - Water	732,371,812	28,980,902	-	-	9,362,559	(19,448,299)	-	751,266,974
	3,332,496,042	175,890,935	(3,373,640)	(129,940)	(77,559,099)	(213,725,986)	125,036	3,213,723,348

Pledged as security

Transport Assets
Transport assets purchase as instalment agreement and financed through
ABSA and FNB

9,417,181

-

Setsoto Local Municipality
(Registration number Municipal demarcation code FS191)
Financial Statements for the year ended 30 June 2017

Notes to the Financial Statements

	2017	2016
	R	R

11. Property, plant and equipment (continued)

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance.

Contracted services - Repair and maintenance	<u>11 258 003</u>	<u>2 244 773</u>
--	-------------------	------------------

The repairs and maintenance on the property, plant and equipment incurred as follows in the categories, Buildings & Other structure (Community) R 5 976 952 (2016: R 257 441), Transport Assets R 990 894 (2016: R 1 934 227), Machinery & Equipment R 1 766 512 (2016: R 31 509), Furniture & Equipment R 18 818 (2016: R 10 317), Infrastructure Water R 2 504 825 (2016: R 11 279).

Reconciliation of Work-in-Progress 2017

	Included within Infrastructure	Total
Opening balance	66,406,637	66,406,637
Additions/capital expenditure	99,181,651	99,181,651
Transferred to completed items	(47,331,364)	(47,331,364)
	118,256,924	118,256,924

Description	Opening Balance	Cost Addition	Transfer Out	Closing Balance
Building and Other structure (Community)	2,935,695	8,407,666	-	11,343,361
Computer Equipment	1,461,657	125,957	(1,587,614)	-
Infrastructure Electricity	1,315,789	5,659,047	(6,974,836)	-
Infrastructure Roads, Pavements Bridges	36,681,825	28,820,447	(38,768,914)	26,733,358
Infrastructure Waste Management	1,529,652	-	-	1,529,652
Infrastructure Waste Water Management	-	5,054,695	-	5,054,695
Infrastructure Water	22,482,019	51,113,839	-	73,595,858
	66,406,637	99,181,651	(47,331,364)	118,256,924

Setsoto Local Municipality
(Registration number Municipal demarcation code FS191)
Financial Statements for the year ended 30 June 2017

Notes to the Financial Statements

	2017 R	2016 R
11. Property, plant and equipment (continued)		
Reconciliation of Work-in-Progress 2016		
	Included within Infrastructure	Total
Opening balance	146,733,069	146,733,069
Additions/capital expenditure	78,135,981	78,135,981
Transferred to completed items	(158,462,413)	(158,462,413)
	66,406,637	66,406,637

Description	Opening Balance	Cost Addition	Transfer Out	Closing Balance
Building and Other structure (Community)	69,799,579	3,764,893	(70,628,777)	2,935,695
Computer Equipment	-	1,461,657	-	1,461,657
Infrastructure Electricity	-	1,315,789	-	1,315,789
Infrastructure Roads, Pavements Bridges	3,713,352	32,968,473	-	36,681,825
Infrastructure Waste Management	395,807	1,133,845	-	1,529,652
Infrastructure Waste Water Management	59,704,871	3,165,975	(62,870,846)	-
Infrastructure Water	13,119,460	34,325,349	(24,962,790)	22,482,019
	146,733,069	78,135,981	(158,462,413)	66,406,637

Expenditure incurred on halted projects

Clocolan landfill Disposal site	1,529,652	-
Senekal Bulk water upgrade	4,555,347	-
	6,084,999	-

Both abovementioned project are at design and planning stage. The progress of the projects depend on the availability of funds from the relevant National Department.

With the physical verification process that was done to correct the infrastructure asset register and the movable asset register during the current financial year, new classifications was used and therefore certain figures changed from the prior year to the current year. There were also assets found that were omitted from last year's asset register and these were subsequently added, also resulting in a change of prior period figures. Refer to note 43 & 54.

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

Setsoto Local Municipality
(Registration number Municipal demarcation code FS191)
Financial Statements for the year ended 30 June 2017

Notes to the Financial Statements

Figures in Rand

12. Intangible assets

	2017			2016		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	5,797,590	(3,205,522)	2,592,068	5,604,622	(2,457,910)	3,146,712

Reconciliation of intangible assets - 2017

	Opening balance	Additions	Amortisation	Total
Computer software, other	3,146,712	192,968	(747,612)	2,592,068

Reconciliation of intangible assets - 2016

	Opening balance	Additions	Amortisation	Total
Computer software, other	3,477,031	672,928	(1,003,247)	3,146,712

Details of valuation

The Municipality had assets that it previously could not recognise and/or measure in accordance with the Standards of GRAP on their initial adoption because information about the acquisition cost of the assets was not available, and the Municipality applied Directive 7 to those assets. The effective date of the revaluations was 01 July 2008. After that date assets are carried at cost.

The valuation was based on open market value for existing use.

These assumptions were based on current market conditions at the date of recalculation.

Setsoto Local Municipality
 (Registration number Municipal demarcation code FS191)
 Financial Statements for the year ended 30 June 2017

Notes to the Financial Statements

	2017 R	2016 R				
13. Heritage assets						
	2017	2016				
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Historical buildings	15,385,903	-	15,385,903	15,385,903	-	15,385,903

Reconciliation of heritage assets 2017

	Opening balance	Total
Historical buildings	15,385,903	15,385,903

Reconciliation of heritage assets 2016

	Opening balance	Total
Historical buildings	15,385,903	15,385,903

14. Other financial liabilities

At amortised cost

Financial liabilities	15,141,114	6,284,291
-----------------------	------------	-----------

Refer to Appendix A for further details on the borrowings.

Non-current liabilities

At amortised cost	12,890,162	5,666,599
-------------------	------------	-----------

Current liabilities

At amortised cost	2,250,952	617,692
-------------------	-----------	---------

Setsoto Local Municipality
(Registration number Municipal demarcation code FS191)
Financial Statements for the year ended 30 June 2017

Notes to the Financial Statements

	2017 R	2016 R
15. Finance lease obligation		
Minimum lease payments due		
- within one year	2,312,200	-
- in second to fifth year inclusive	7,227,734	-
- later than five years	2,506,155	-
	<u>12,046,089</u>	<u>-</u>
less: future finance charges	(2,628,908)	-
Present value of minimum lease payments	<u>9,417,181</u>	<u>-</u>
Present value of minimum lease payments due		
- within one year	1,438,609	-
- in second to fifth year inclusive	5,608,085	-
- later than five years	2,370,487	-
	<u>9,417,181</u>	<u>-</u>

It is municipality policy to lease certain vehicles, computers, faxes, equipment and photo copy machines under finance leases.

The average lease term was 3-5 years and the average effective borrowing rate was 11% (2016: 11%).

During the current financial year there were financial leases and new lease agreements entered into.

Interest rates are linked to prime at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

16. Payables from exchange transactions

Trade payables	73,608,791	34,654,593
Payments received in advance	13,847,152	13,552,222
Bonus	3,833,938	3,610,017
Accrued leave pay	10,986,559	10,701,310
Other payables	687,154	3,942,498
Salary Control	402,818	2,739,075
Retention monies	7,171,899	7,298,733
	<u>110,538,311</u>	<u>76,498,448</u>

The increase in Trade Payables was due to the non payment of Creditors at year end.

Fair value of trade and other payables

The average credit period on purchases is 30 days from the receipt of the invoice, as determined by the MFMA. 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 financial risk policies in place to ensure that all payables are paid within the credit timeframe.

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

17. Consumer deposits

Electricity	2,350,243	2,361,373
Water	127,659	127,889
Rental Deposits	35,442	32,185
	<u>2,513,344</u>	<u>2,521,447</u>

Setsoto Local Municipality
 (Registration number Municipal demarcation code FS191)
 Financial Statements for the year ended 30 June 2017

Notes to the Financial Statements

	2017 R	2016 R
17. Consumer deposits (continued)		
Guarantees held in lieu of electricity and other deposits		
18. Unspent conditional grants and receipts		
Unspent conditional grants and receipts comprises of:		
Unspent conditional grants and receipts		
Provincial Government - Free State	9,479,260	952,460
INEG grant	1,351,517	-
SETA / TETA	236,100	-
	11,066,877	952,460
Movement during the year		
Balance at the beginning of the year	952,460	806,882
Additions during the year	273,881,246	267,881,537
Income recognition during the year	(263,766,829)	(267,735,959)
	11,066,877	952,460

Setsoto Local Municipality
(Registration number Municipal demarcation code FS191)
Financial Statements for the year ended 30 June 2017

Notes to the Financial Statements

	2017	2016
	R	R

19. Provisions

Reconciliation of provisions - 2017

	Opening Balance	Additions	Reversed during the year	Total
Environmental rehabilitation	9,870,000	626,000	-	10,496,000
Long service bonus (short term portion)	1,278,000	168,000	-	1,446,000
Long service bonus (long term portion)	9,250,136	-	(1,150,136)	8,100,000
	20,398,136	794,000	(1,150,136)	20,042,000

Reconciliation of provisions - 2016

	Opening Balance	Additions	Total
Environmental rehabilitation	9,196,000	674,000	9,870,000
Long service bonus (short term portion)	1,207,000	71,000	1,278,000
Long service bonus (long term portion)	8,166,136	1,084,000	9,250,136
	18,569,136	1,829,000	20,398,136

Non-current liabilities	18,596,000	19,120,136
Current liabilities	1,446,000	1,278,000
	20,042,000	20,398,136

1. Long Service Bonus

An actuarial valuation of the liability in respect of the long service awards was performed by an independent company. The primary purpose of this valuation is to enable the Municipality to comply with the requirements of GRAP 25. The liability amounts are calculated in accordance with GRAP 25 and can therefore be used in the compilation of the Annual Financial Statements of the Municipality.

A long-service award is granted to municipal employees after the completion of fixed periods of continuous service with the Municipality. The provision represents an estimation of the awards to which employees in the service of the Municipality may become entitled to in future.

Membership Data

Number of current employees	678	674
-----------------------------	-----	-----

The amounts recognised in the statement of financial position are as follows:

Carrying value

Present value long service awards liability - wholly unfunded	(10,528,000)	(9 373 000)
Service Cost	(1, 278,000)	(1, 207,000)
Interest Cost	(1 054,000)	(878 000)
Actuarial Benefits paid	1,287,000	1,128,192
Actuarial gains/(losses)	2 027 000	(198,192)
As at 30 June	(9,546,000)	(10,528,000)

Valuation Assumptions

Setsoto Local Municipality
(Registration number Municipal demarcation code FS191)
Financial Statements for the year ended 30 June 2017

Notes to the Financial Statements

2017
R

2016
R

19. Provisions (continued)

In estimating the liability for long service leave benefits a number of assumptions are required. GRAP 25 places the responsibility on management to set these assumptions, as guided by the principles set out in GRAP 25 and in discussion with the actuary.

The assumptions should be realistic and mutually compatible. The difference between the assumptions drives the valuation and it is very important to monitor how this difference changes from one valuation to the next. The most relevant actuarial assumptions used in this valuation are discussed below.

Financial Variables

The two most important financial variables used in our valuation are the discount rate and salary inflation. We have assumed the following values for these variables:

Financial Variable	Assumed Value at 30-06-2017 (Current Valuation)	Assumed Value at 30-06-2016 (Preceding Valuation)
Discount Rate	8.72%	Yield Curve
CPI (Consumer Price Inflation)	6.01%	Difference between nominal and real yield curve
Normal Salary Increase Rate	7.01%	Equal to CPI+1%
Net Effective Discount Rate	1.60%	Yield Curve Based**

Discount Rate

The methodology of setting the financial assumptions has been updated to be more duration specific. At the previous valuation report, 30 June 2016 the duration of liabilities was 6.94 years. At this duration the discount rate determined by using the Bond Exchange Zero Coupon Yield Curve as at 30 June 2017 is 8.72% per annum, and the yield on inflation linked bonds of a similar term was about 2.56% per annum. This implies an underlying expectation of inflation of 6.01% per annum $([1 + 8.72\%] / [1 + 2.56\%] - 1)$.

We have assumed that salary inflation would exceed general inflation by 1.0% per annum, i.e. 7.01% per annum.

However, it is the relative levels of the discount rate and salary inflation to one another that are important, rather than the nominal values. We have thus assumed a net discount factor of 1.60% per annum $([1 + 8.72\%] / [1 + 7.01\%] - 1)$.

Normal Salary Inflation Rate

Setsoto Local Municipality
 (Registration number Municipal demarcation code FS191)
 Financial Statements for the year ended 30 June 2017

Notes to the Financial Statements

	2017	2016
	R	R

19. Provisions (continued)

We have derived the underlying future rate of consumer price index inflation (CPI inflation) from the relationship between the (yield curve based) Conventional Bond Rate for each relevant time period and the (yield curve based) Inflation-linked Bond rate for each relevant time period. Our assumed rate of salary inflation was set as the assumed value of CPI plus 1%.

The salaries used in the valuation include an assumed increase on 01 July 2016 of 6.00%. The next salary increase was assumed to take place on 01 July 2017.

In addition to the normal salary inflation rate, we assumed the following promotional salary increases:

Promotional Salary Increase Rates:

Age Band	Promotional Increase
20 - 24	5%
25 - 29	4%
30 - 34	3%
35 - 39	2%
40 - 44	1%
45 and over	0%

Average Retirement Age

The average retirement age for all active employees was assumed to be 63 years. This assumption implicitly allows for ill-health and early retirements.

Normal Retirement Age

The normal retirement age (NRA) for all active employees was assumed to be **65** years.

Mortality Rates

Mortality before retirement has been based on the SA 85-90 mortality tables. These are the most commonly used tables in the industry.

Withdrawal Decrements

A table setting out the assumed rates of withdrawal from service is set out below:

Age Band	Withdrawal Rate Males	Withdrawal Rate Females
20 - 24	16%	24%
25 - 29	12%	18%
30 - 34	10%	15%
35 - 39	8%	10%
40 - 44	6%	6%
45 - 49	4%	4%

Setsoto Local Municipality
 (Registration number Municipal demarcation code FS191)
 Financial Statements for the year ended 30 June 2017

Notes to the Financial Statements

	2017	2016
	R	R
19. Provisions (continued)		
50 - 54	2%	2%
55 - 59	1%	1%
60 +	0%	0%

2. Environmental Rehabilitation (Landfill Sites)

In terms of the Mineral and Petroleum Resources Development Act, 2002 (Act No 28 of 2002), it is required from the municipality to execute the environmental management program to restore the landfill sites at Ficksburg, Clocolan, Marquard and Senekal. Provision has been made for this cost based on actual cost calculations received from Consulting Engineers. The value of the provision is based on the expected future cost to rehabilitate the various sites. The cost of such property includes the initial estimate of the costs of rehabilitating the land and restoring the site on which it is located, the obligation for which a municipality incurs as a consequence of having used the property during a particular period for landfill purposes. The Municipality estimates the useful lives and makes assumptions as to the useful lives of these assets, which influence the provision for future costs.

The following assumptions were used to calculate the provision:

- Total area expected to be rehabilitated: 329 000 square metres;
- Average rate per square metre: R45 escalating every year by 6.4%;
- Total area to be rehabilitated can be reconciled to the different sites as follows:

Ficksburg	98 000
Senekal	153 000
Marquard	17 000
Clocolan	61 000

Each of the landfill sites have a different lifespan for rehabilitation ranging from 5 years to 10 years and are best estimates provided for by the respective Manager waste management, parks and properties.

Ficksburg	10 Years
Senekal	10 Years
Marquard	3 Years
Clocolan	3 Years

Setsoto Local Municipality
(Registration number Municipal demarcation code FS191)
Financial Statements for the year ended 30 June 2017

Notes to the Financial Statements

2017	2016
R	R

20. Employee benefit obligations

Defined benefit plan

The municipality provides retirement benefits for its employees and councillors. Benefits are provided via defined contribution plans and defined benefit plans as listed below and which are administrated by various pension, provident and annuity funds.

These plans are subject to the Pension Fund Act, 1956 (Act No. 24 of 1956) and include defined contribution plans. The municipality is under no obligation to cover any unfunded benefits. The only obligation of the municipality is to make the specified contributions.

Sufficient information was not available to use defined benefit accounting for the funds and it was accounted for as defined contribution plans due to the following reasons:

- The assets of each fund are held in one portfolio and are not notionally allocated to each of the participating employers;
- One set of financial statements are compiled for all the funds and not for each participating employer; and
- 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.

This is in line with the exemption in GRAP 25 paragraph 31 which states that where information required for proper defined benefit accounting is not available in respect of multi employer and state plans, these should be accounted for as defined contribution plans.

Defined contribution plans

The following are defined contribution plans:

- Free State Municipal Provident Fund
- South African Local Authorities Provident Fund
- National Fund for Municipal Workers
- Municipal Employees Pension Fund
- South African Municipal Workers Union Provident Fund
- Municipal Councillors Pension Fund.

The following are defined benefit plans

- Free State Municipal Pension Fund
- South African Local Authorities Pension Fund

These are not treated as a defined benefit plan as defined by GRAP 25, but as a defined contribution plan. These funds are multi employer plans and actuarial valuations done by actuaries could not be provided due to lack of information. According to the actuaries, it is not possible to report each municipality separately, thus it has been classified as a contribution plan.

Some employees belong to the SALA Pension Fund. The latest actuarial valuation of the funds was on 1 July 2010. These valuations indicate that the funds are in sound financial position. The estimated liabilities of the fund is R 7 418 million (2009: R 6 568 million) which is adequately financed by assets of R 7 110 million (2009: R 6 304 million). The actuarial valuations states that the fund is currently 96% funded by employer contributions. If the current employer contribution rate is maintained the fund is expected to be close to 100% funded at the next statutory valuation.

A few employees belong to the Free State Municipal Pension Fund. The latest actuarial valuations of the fund was on 30 June 2005. These valuations indicate that the fund is in a sound financial position. The estimated liabilities of the fund is R1 308 million which is adequately financed by assets of R 1 531 million.

The actuarial valuation determined that the retirement plan was in a sound financial position.

Post retirement medical aid plan

Setsoto Local Municipality
(Registration number Municipal demarcation code FS191)
Financial Statements for the year ended 30 June 2017

Notes to the Financial Statements

	2017	2016
	R	R
20. Employee benefit obligations (continued)		
The Post Retirement Medical Plan is a defined benefit plan, of which the members are made up as follows:		
In-service (employee) members	534	529
Continuation members (e.g: Retirees, widows, orphans)	41	41
Total Members	575	570

In accordance with the requirements of GRAP25, the Projected Unit Credit method has been applied. The assumption underlying the funding method is that the employer's post-employment medical scheme costs in respect of an employee should be fully recognised by the time that the employee reaches fully accrued age. The valuation has been made with reference Actuarial Society of South Africa (ASSA) guidelines, in particular, the Advisory Practice Note 207, and is consistent with the requirements of GRAP25..

The Municipality's current active employees and pensioners have the choice of participating in the following medical schemes:

- LA Health Medical Scheme;
- Bonitas Medical Scheme;
- Hosmed Medical Scheme;
- Samwumed Medical Scheme; and
- KeyHealth Medical Scheme

The amounts recognised in the statement of financial position are as follows:

Present value of the defined benefit obligation - wholly unfunded -	(47,224,000)	(43,612,805)
Service Cost	(2,178,000)	(2,215,000)
Interest Cost	(4,716,000)	(4,031,000)
Actuarial Benefits paid	1,704,000	1,430,621
Actuarial gains/(losses)	(10,673,000)	1,203,379
As at 30 June	(63,087,000)	(47,224,805)

Valuation Assumptions

It is the relative levels of the discount rate and health care cost inflation to one another that are important, rather than the nominal values. The assumption regarding the relative level of these two rates is our expectation of the long-term average.

GRAP25 defines the determination of the investment return assumption to be used as the rate that can be determined by reference to market yields (at the balance sheet date) on government bonds. The currency and term of the government bonds should be consistent with the currency and estimated term of the obligation.

The methodology of setting the financial assumptions has been updated to be more duration specific. At the previous valuation date, 30 June 2016 the duration of liabilities was 4.54 years. At this duration the discount rate determined by using the Bond Exchange Zero Coupon Yield Curve as at 30 June 2017 is 8.10 % per annum, and the yield on the inflationlinked bonds of a similar term was about 2.56% per annum, implying an underlying expectation of inflation of 5.40% per annum $([1 + 8.10\%] / [1 + 2.56\%] - 1)$.

A healthcare cost inflation rate of 6.40% was assumed. This is 1.00% in excess of the expected inflation over the expected term of the liability, consistent with the previous actuary.

However, it is the relative levels of the discount rate and healthcare inflation to one another that are important, rather than the nominal values. We have thus assumed a net discount factor of 1.60% per annum $([1 + 8.10\%] / [1 + 6.40\%] - 1)$. This year's valuation basis is therefore stronger than previous year's basis from a discount rate perspective.

Financial Variables

Setsoto Local Municipality
(Registration number Municipal demarcation code FS191)
Financial Statements for the year ended 30 June 2017

Notes to the Financial Statements

2017
R

2016
R

20. Employee benefit obligations (continued)

The two most important financial variables used in our valuation are the discount- and medical aid inflation rates. We have assumed the following values for these variables:

Financial Variable	30-06-2017 Valuation	30-06-2016 Valuation
Discount rate	8.10%	Yield Curve
Consumer price inflation	5.40%	Difference between nominal and yield curve
Medical aid Inflation	6.40%	CPI+1%
Net effective discount rate	1.60%	Relationship between Discount Rate and Health Care Inflation Rate

Discount Rate

GRAP 25 defines the determination of the Discount rate assumption to be used as follows:

“The discount rate that reflects the time value of money is best approximated by reference to market yields at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, an entity uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve.”

*Statement of Financial Position (herein referred to as the “balance sheet”).

We used the nominal and real zero curves as at 30 June 2016 supplied by the JSE to determine our discount rates and CPI assumptions at each relevant time period.

Medical Aid Inflation

The Medical Aid Contribution Inflation rate was set with reference to the past relationship between the (yield curve based) Discount Rate for each relevant time period and the (yield curve based) Medical Aid Contribution Inflation for each relevant time period.

South Africa has experienced high health care cost inflation in recent years. The annualised compound rates of increase for the last ten years show that registered medical aid schemes contribution inflation outstripped general CPI by almost 3% year on year. We do not consider these increases to be sustainable and have assumed that medical aid contribution increases would out-strip general inflation by 1% per annum over the foreseeable future.

Average Retirement Age

The average retirement age for all active employees was assumed to be 63 years. This assumption implicitly allows for ill-health and early retirements.

Normal Retirement Age

The normal retirement age (NRA) for all active employees was assumed to be 65 years.

Mortality Rates

Mortality before retirement has been based on the SA 85-90 mortality tables. These are the most commonly used tables in the industry. Mortality post-employment (for pensioners) has been based on the PA (90) ultimate mortality tables. No explicit assumption was made about additional mortality or health care costs due to AIDS.

Spouses and Dependents

We assumed that the marital status of members who are currently married will remain the same up to retirement. It

Setsoto Local Municipality
(Registration number Municipal demarcation code FS191)
Financial Statements for the year ended 30 June 2017

Notes to the Financial Statements

	2017 R	2016 R
20. Employee benefit obligations (continued)		
was also assumed that 90% of all single employees would be married at retirement with no dependent children. Where necessary it was assumed that female spouses would be five years younger than their male spouses at retirement and vice versa.		
The report is available for inspection at the Municipality.		
Calculation of actuarial gains and losses		
Actuarial (gains) losses – Plan assets	<u>982,136</u>	<u>1,203,379</u>
21. Service charges		
Sale of electricity	62,934,974	63,625,991
Sale of water	49,378,958	40,326,296
Sewerage and sanitation charges	25,373,925	21,382,193
Refuse removal	25,366,875	21,296,069
Other service charges	252,331	186,719
	<u>163,307,063</u>	<u>146,817,268</u>
22. Rental of facilities and equipment		
Rental of facilities	<u>1,901,910</u>	<u>1,563,900</u>
23. Other income		
Sundry income	3,649,880	471,707
Cemetery Fees	467,235	452,164
Post Retirement Medical Actuarial Gain	982,136	1,203,379
	<u>5,099,251</u>	<u>2,127,250</u>
Unallocated deposits older than 3 years has been receipted as Sundry income in terms of the implementation of the Council policy		
24. Interest and Dividends received - investment		
Dividend revenue		
Unlisted financial assets - Local	<u>39,848</u>	<u>36,226</u>
Interest revenue		
Interest earned on cash and bank	141,160	279,901
Investments and short term deposits	1,832,154	1,653,729
	<u>1,973,314</u>	<u>1,933,630</u>

Setsoto Local Municipality
(Registration number Municipal demarcation code FS191)
Financial Statements for the year ended 30 June 2017

Notes to the Financial Statements

	2017 R	2016 R
25. Property rates		
Rates received		
Residential	39,078,856	35,965,493
State	23,860,350	23,518,774
Less: Income forgone	(18,700,333)	(18,393,873)
	<u>44,238,873</u>	<u>41,090,394</u>
Valuations		
Residential	2,365,220,999	2,353,176,499
Commercial	339,327,400	361,496,900
State	307,850,500	308,051,400
Municipal	40,550,100	32,762,700
Small holdings and farms	2,431,877,220	2,433,377,720
Churches	44,284,000	38,088,000
	<u>5,529,110,219</u>	<u>5,526,953,219</u>

Valuations on land and buildings are performed every 5 years. The last general valuation came into effect on 1 July 2014. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

A general rate of R0.04 (2016: R0.04) is applied to property valuations to determine assessment rates of residential. A general rate of R0.08 (2016: R0.08) is applied to property valuations to determine assessment rates of business.

Rebates of 80.2% (2016: 82%) are granted to residential, commercial and small holdings and farm property owners.

Rates are levied on an annual basis with equal payments over twelve months. Interest at prime plus 1% per annum is levied on outstanding rates.

The new general valuation was implemented on 1 July 2014.

Setsoto Local Municipality
(Registration number Municipal demarcation code FS191)
Financial Statements for the year ended 30 June 2017

Notes to the Financial Statements

	2017 R	2016 R
26. Government grants and subsidies		
Operating grants		
Equitable share	158,775,000	166,309,000
EPWP Grant	1,908,000	2,042,000
Municipal Systems Improvement Grant (MSIG)	-	930,000
Financial Management Grant (FMG)	1,625,000	1,600,000
Provincial Government - Free State	6,473,200	5,354,424
SETA Funding	1,221,225	1,416,639
	<u>170,002,425</u>	<u>177,652,063</u>
Capital grants		
MIG Grant	49,091,000	45,953,000
Department of Water Affairs Grant	49,656,999	42,630,898
INEG Grant	4,648,483	1,500,000
	<u>103,396,482</u>	<u>90,083,898</u>
	273,398,907	267,735,961

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Equitable Share

Current-year receipts	158,775,000	166,309,000
Conditions met - transferred to revenue	(158,775,000)	(166,309,000)
	-	-

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

All registered indigents receive a monthly subsidy of R 413 (2016: R 451), which is funded from the grant.

MIG Grant

Current-year receipts	49,091,000	45,952,999
Conditions met - transferred to revenue	(49,091,000)	(45,952,999)
	-	-

Conditions still to be met - remain liabilities (see note 18).

In terms of the MFMA Circular No.48, all conditional allocations (excluding interest earned thereon) that at year-end are not utilised must revert back to National Revenue Fund unless the relevant receiving officer can prove to the satisfaction of the National Treasury that the unspent allocation is committed to identifiable projects. The entity reports at year-end all unspent conditional grants were committed to identifiable projects.

The grant is used to supplement municipal capital budgets to eradicate backlogs in municipal infrastructure utilised in providing basic services for the benefit of poor households. The grants was used to construct roads and sewerage infrastructure as part of the upgrading of informal settlement areas.

EPWP Grant

Current-year receipts	1,908,000	2,042,000
Conditions met - transferred to revenue	(1,908,000)	(2,042,000)
	-	-

Setsoto Local Municipality
(Registration number Municipal demarcation code FS191)
Financial Statements for the year ended 30 June 2017

Notes to the Financial Statements

	2017 R	2016 R
26. Government grants and subsidies (continued)	-	-
<p>This grant is used in respect of job creation projects and programmes. Above the grant received the Council contribute an additional amount of R471 583 towards the said project out of own income.</p>		
Municipal Systems Improvement Grant (MSIG)		
Current-year receipts	-	930,000
Conditions met - transferred to revenue	-	(930,000)
	-	-
<p>The purpose of the grant is to assist municipalities in building in-house capacity to perform their functions and stabilise institutional and governance systems as required in the Local Government and the Municipal Systems Act. This grant has been phased out by National Government since 1 July 2016.</p>		
Financial Management Grant (FMG)		
Current-year receipts	1,625,000	1,600,000
Conditions met - transferred to revenue	(1,625,000)	(1,600,000)
	-	-
<p>The purpose of the grant is to promote and support reforms to financial management and the implementation of the MFMA.</p>		
Department of Water Affairs Grant		
Current-year receipts	49,656,999	42,630,898
Conditions met - transferred to revenue	(49,656,999)	(42,630,898)
	-	-
<p>This grant was used to address water loss control and assisting with water shortages in Clocolan, Marquard and Senekal during drought period.</p>		
Provincial Government - Free State		
Balance unspent at beginning of year	952,460	806,883
Current-year receipts	15,000,000	5,500,000
Conditions met - transferred to revenue	(6,473,200)	(5,354,423)
	9,479,260	952,460
<p>Conditions still to be met - remain liabilities (see note 18).</p>		
<p>Provincial Treasury give a R10 000 000 for the replacement of a sewer pipeline where only an amount of R1 473 200 was expensed. An additional R 5 000 000 was given towards drought relief which was spent in total.</p>		
<p>COGTA also contributes R500 000 per year towards the Municipal Manager's salary. This grant allocation was stopped from 1 July 2016.</p>		
INEG Grant		
Current-year receipts	6,000,000	1,500,000
Conditions met - transferred to revenue	(4,648,483)	(1,500,000)
	1,351,517	-

Setsoto Local Municipality
(Registration number Municipal demarcation code FS191)
Financial Statements for the year ended 30 June 2017

Notes to the Financial Statements

	2017 R	2016 R
26. Government grants and subsidies (continued)		
Conditions still to be met - remain liabilities (see note 18).		
This grant is provided by the Department of Energy to upgrade the electric network.		
SETA Funding		
Current-year receipts	1,457,325	1,416,639
Conditions met - transferred to revenue	(1,221,225)	(1,416,639)
	236,100	-
Conditions still to be met - remain liabilities (see note 18).		
SETA will ensure that the skill requirements sector are identified and that adequate and appropriate skills are readily given to staff of the Municipality.		
Changes in level of government grants		
Based on the allocations set out in the Division of Revenue Act, (Act 10 of 2014), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.		
27. Revenue		
Service charges	163,307,063	146,817,268
Rental of facilities and equipment	1,901,910	1,563,900
Interest received (trading)	19,524,870	17,200,323
Licences and permits	39,298	100,173
Commissions received	220,650	207,208
Sale of land	273,674	369,163
Other income	5,099,251	2,127,250
Interest received - investment	1,973,314	1,933,630
Dividends received	39,848	36,226
Property rates	44,238,873	41,090,394
Government grants & subsidies	273,398,908	267,735,961
Public contributions and donations	90,000	20,182,796
Fines, Penalties and Forfeits	2,462,779	2,163,900
	512,570,438	501,528,192
The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	163,307,063	146,817,268
Rental of facilities and equipment	1,901,910	1,563,900
Interest received (trading)	19,524,870	17,200,323
Licences and permits	39,298	100,173
Commissions received	220,650	207,208
Sale of land	273,674	369,163
Other income	5,099,251	2,127,250
Interest received - investment	1,973,314	1,933,630
Dividends received	39,848	36,226
	192,379,878	170,355,141

Setsoto Local Municipality
(Registration number Municipal demarcation code FS191)
Financial Statements for the year ended 30 June 2017

Notes to the Financial Statements

	2017	2016
	R	R
<hr/>		
27. Revenue (continued)		
The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	44,238,873	41,090,394
Transfer revenue		
Government grants & subsidies	273,398,908	267,735,961
Public contributions and donations	90,000	20,182,796
Fines, Penalties and Forfeits	2,462,779	2,163,900
	<u>320,190,560</u>	<u>331,173,051</u>

Setsoto Local Municipality
(Registration number Municipal demarcation code FS191)
Financial Statements for the year ended 30 June 2017

Notes to the Financial Statements

	2017 R	2016 R
28. Employee related costs		
Basic	104,631,082	99,251,220
Medical aid - company contributions	28,270,206	15,787,600
UIF	1,091,321	1,030,329
WCA	903,550	622,819
SDL	1,480,100	1,564,764
Leave pay provision charge	2,591,968	2,559,000
Defined contribution plans	17,074,387	16,547,100
Travel, motor car, accommodation, subsistence and other allowances	10,158,915	9,964,472
Overtime payments	8,670,255	9,897,619
Long-service awards	646,664	2,283,193
Acting allowances	762,157	1,039,801
Housing benefits and allowances	1,580,468	458,707
Holiday Bonus	8,430,726	7,402,110
Casual wages	27,102	23,943
Allowance - Telephone	545,500	560,050
Industrial Council Levies	734,813	783,044
	187,599,214	169,775,771

Remuneration of Municipal Manager - Mr STR Ramakarane

Annual Remuneration	1,530,960	1,491,420
Contributions to UIF, Medical and Pension Funds	-	18,830
Travel, accomodation, motor car and other subsistence allowances	244,449	304,099
Other	92,374	92,375
	1,867,783	1,906,724

COGTA financed an annual amount of R500,000.00 towards the salary of the Municipal Manager. This grant allocation was stopped from 1 July 2016. Please refer to note 26

Remuneration of Chief Finance Officer - Mr GT Banda

Annual Remuneration	1,216,049	1,053,623
Contributions to UIF, Medical and Pension Funds	-	12,321
Travel, accomodation, motor car and other subsistence allowances	78,370	93,290
	1,294,419	1,159,234

Remuneration of Corporate Services Director - Mr T Masejane

Annual Remuneration	1,143,654	909,587
Contributions to UIF, Medical and Pension Funds	-	11,358
Travel, accomodation, motor car and other subsistence allowances	172,941	183,284
	1,316,595	1,104,229

Remuneration of Development, Planning, Security Services - Mr M Ntheli

Annual Remuneration	1,162,735	909,587
Contributions to UIF, Medical and Pension Funds	-	11,358
Travel, accomodation, motor car and other subsistence allowances	192,795	208,284
	1,355,530	1,129,229

Setsoto Local Municipality
(Registration number Municipal demarcation code FS191)
Financial Statements for the year ended 30 June 2017

Notes to the Financial Statements

	2017 R	2016 R
28. Employee related costs (continued)		
Remuneration of Engineering Services Director - Mrs TF Zondi		
Annual Remuneration	918,951	791,144
Contributions to UIF, Medical and Pension Funds	-	11,368
Travel, accomodation, motor car and other subsistence allowances	282,920	267,203
Other	90,071	79,575
	<u>1,291,942</u>	<u>1,149,290</u>
29. Remuneration of councillors		
Mayor/Executive Mayor	937,944	568,509
Speaker	590,897	454,808
Councillors	5,813,665	9,331,469
Executive/Mayoral Committee Members	2,553,883	-
	<u>9,896,389</u>	<u>10,354,786</u>
30. Administrative expenditure		
The Mayor and Speaker are appointed on a full-time basis. Each is provided with an office and secretarial support at the cost of the Council.		
The Mayor has use of a Council owned vehicle for official duties.		
31. Depreciation and amortisation		
Property, plant and equipment	208,005,053	213,725,986
Investment property	1,214,350	1,198,554
Intangible assets	747,612	1,003,247
	<u>209,967,015</u>	<u>215,927,787</u>
32. Impairment of assets		
Impairments		
Other financial assets	33,711	86,178
The impairment are due the the decrease in share price in relation to non listed shares.		
Impairment Fines Debtors	2,253,080	2,023,578
During the period ending 30 June 2014 the Setsoto Local Municipality changed its accounting policy, whereby traffic offence income included under fines, is now recognised on an accrual basis rather than on the cash basis.		
The change in accounting policy did result in a fair presentation of financial information.		
Also refer to Note 4 & 7.		
	<u>2,286,791</u>	<u>2,109,756</u>

Setsoto Local Municipality
 (Registration number Municipal demarcation code FS191)
 Financial Statements for the year ended 30 June 2017

Notes to the Financial Statements

	2017 R	2016 R
33. Finance costs		
Trade and other payables	1,469,705	109,144
Current borrowings	819,002	838,138
	<u>2,288,707</u>	<u>947,282</u>
34. Debt impairment		
Contributions to debt impairment provision	<u>69,861,412</u>	<u>84,545,849</u>
35. Bulk purchases		
Electricity	<u>68,977,949</u>	<u>53,292,708</u>
36. Contracted services		
Information Technology Services	69,296	69,296
Fleet Services	152,243	-
Operating Leases	28,784	3,557,774
Specialist Services	11,223,075	11,352,034
	<u>11,473,398</u>	<u>14,979,104</u>
37. Grants and subsidies paid		
Other subsidies		
Distitutional help	<u>5,618,338</u>	<u>2,501,241</u>
38. Assets write-off		
Assets write-off during the year	<u>6,496,905</u>	<u>3,373,640</u>

During the current year the Municipality disposed of old and redundant asset.

There were also assets that were destroyed due to a fire and were paid out through insurance.

Also refer to Note 11.

Setsoto Local Municipality
(Registration number Municipal demarcation code FS191)
Financial Statements for the year ended 30 June 2017

Notes to the Financial Statements

	2017 R	2016 R
39. General expenses		
Advertising	759,048	705,801
Analysis	8,853	45,033
Audit and Performance Audit Committee Expenses	476,266	551,522
Bank charges	702,313	518,579
Conferences and delegations	1,631,032	2,852,390
Departmental consumption	4,122,662	6,343,391
Entertainment	33,387	58,165
Fuel and oil	3,955,127	5,158,904
IT expenses	59,681	-
Insurance	1,206,677	1,011,413
License Fees	1,942,957	2,284,078
Other expenses	8,476,974	12,942,945
Postage and courier	1,242,924	1,214,950
Printing and Stationery	501,724	1,723,512
Protective clothing	162,924	961,595
Security (Guarding of municipal property)	769,967	266,103
Subscriptions and membership fees	1,741,098	32,342
Telephone and fax	692,456	770,338
Tourism development	3,000	500,000
Town planning	365	42,953
Travel and subsistence	2,110,130	3,671,952
Ward committee expenses	631,170	946,000
Water & Chemicals	6,390,839	10,829,169
	37,621,574	53,431,135
40. Cash generated from operations		
Deficit	(124,580,991)	(126,711,816)
Adjustments for:		
Depreciation and amortisation	209,967,015	215,927,790
Assets write-off	6,496,905	3,373,640
Impairment deficit	2,286,791	2,023,578
Debt impairment	69,861,412	84,545,849
Movements in retirement benefit assets and liabilities	15,862,195	3,612,000
Movements in provisions	(356,136)	1,829,000
Prior year correction of Compensation Commissioner expense	(4,648,139)	-
Corrections of Asset Register	1,294,052	(5,372,598)
Reclassification of VAT	-	(30,915,341)
Changes in working capital:		
Inventories	(533,361)	(75,441)
Receivables from exchange transactions	(121,534,789)	(8,227,129)
Consumer debtors	-	(84,545,849)
Other receivables from non-exchange transactions	(11,779,549)	(15,744,418)
Payables from exchange transactions	34,039,863	23,575,576
VAT	163,651	41,330,705
Unspent conditional grants and receipts	10,114,417	145,577
Consumer deposits	(8,103)	92,445
	86,645,233	104,863,568

Setsoto Local Municipality
 (Registration number Municipal demarcation code FS191)
 Financial Statements for the year ended 30 June 2017

Notes to the Financial Statements

	2017 R	2016 R
41. Capital commitments		
Commitments in respect of capital expenditure		
Already contracted for but not provided for		
• Property, plant and equipment	92,521,019	136,116,998
• Investment property	-	10,866,107
• Other financial assets	-	4,904,550
	92,521,019	151,887,655
Not yet contracted for and authorised by accounting officer		
• Property, plant and equipment	17,030,284	21,167,299
• Investment property	-	20,978,052
	17,030,284	42,145,351
Total capital commitments		
Already contracted for but not provided for	92,521,019	151,887,655
Not yet contracted for and authorised by accounting officer	17,030,284	42,145,351
	109,551,303	194,033,006
This expenditure will be financed from:		
Grants, subsidies and own funding	109,551,303	194,033,006

This committed expenditure relates to property and will be financed by available bank facilities, retained surpluses, rights issue of shares, issue of debentures, mortgage facilities, existing cash resources, funds internally generated, etc.

Setsoto Local Municipality
(Registration number Municipal demarcation code FS191)
Financial Statements for the year ended 30 June 2017

Notes to the Financial Statements

	2017 R	2016 R
42. Related parties		
Related party transactions		
Purchases from (sales to) related parties		
ERB Marketing	195,000	173,000
Lira Transport	-	30,150
Baseline Securities	-	62,920
Itumeleng Building & Training	255,913	137,635
Selane Transport	42,300	-

The IT Specialist have close family relations with the management of ERB Marketing that maintains the web site of Council.

The owner of Itumeleng Building and Training have close relations with the: Manager Human Resources.

The owner of Baseline Securities have close family relations with the Expenditure Accountant (2016 year). The company was sold to an independent person with no relation to any municipal employee (2017 year).

The owner of Mthembana Construction have close family relations to Me. S Metithafa in Corporate Services (2015 year).

The owner of Lira Transport have close family relations with the Asset Clerk stationed in Marquand.

The owner of Selane Transport is an employee in the Traffic department of the Municipality.

Key management and Councillors

No transactions took place between the entity and key management personnel or their close family members during the reporting period, except for salaries paid.

Details relating to remuneration are disclosed in note 28 for key management and note 29 for Councillors.

43. Comparative figures

Setsoto Municipality was one of the Municipalities selected to implement the newly Municipal Standard Chart of Accounts (mSCOA) introduced by National Treasury. Certain comparative figures have been reclassified to meet with this new chart of accounts and to comply in terms of GRAP 1.

The effects of the reclassification are as follows:

Statement of financial performance - extract

	Comparative figures previously reported	Reclassification	After reclassification
Repairs and maintenance	-	2,244,773	2,244,773
Contracted services	17,223,877	(2,244,773)	14,979,104
Total	17,223,877	-	17,223,877

Setsoto Local Municipality
(Registration number Municipal demarcation code FS191)
Financial Statements for the year ended 30 June 2017

Notes to the Financial Statements

Figures in Rand

44. Unauthorised expenditure

Opening balance	237,530,497	-
Unauthorised expenditure	245,531,480	237,530,497
	483,061,977	237,530,497

Due to the fact that the elections was held on 3 August 2016, a council meeting could not be held to condone the expenditure above before submission of the AFS 2015/16.

Unauthorised expenditure derived mainly from depreciation on revalued assets which is a non-cash financial entry against the accumulated surplus account.

Details of unauthorised expenditure

Overspending of expenditure votes, mainly contributed by depreciation on revalued assets (current replacement cost basis).	-	-	245,531,480	237,530,497
	-	-	245,531,480	237,530,497

45. Fruitless and wasteful expenditure

Opening balance	131,799	-
Fruitless and wasteful expenditure	1,188,124	131,799
Less: Amounts written off.	(596,581)	-
	723,342	131,799

Due to the fact that the elections was held on 3 August 2016, a council meeting could not be held to condone the expenditure above before submission of the AFS 2015/16.

Details of fruitless and wasteful expenditure

Payments made on interest and penalties	-	-	675,012	83,469
Interest paid on VAT submission	-	-	48,330	48,330
	-	-	723,342	131,799

46. Irregular expenditure

Opening balance	731,338	401,698
Add: Irregular Expenditure - current year	32,972,664	2,188,129
Less: Amounts written off (Previous year)	(531,701)	-
Less: Amounts written off	(2,435,292)	(1,858,489)
	30,737,009	731,338

Overpayments of Councillors to be recouped

Opening balance	532,145	543,483
Less: Amount collected during the year	(1,000)	(11,338)
	531,145	532,145

During the 2010/11 and 2011/12 financial year Councillors were overpaid and Council's decision were to recouped this money.

Due to the fact that the elections was held on 3 August 2016, a council meeting could not be held to condone the expenditure above before submission of the AFS 2015/16.

The full extent of the irregular expenditure relating to bid adjudication committees is still to be investigated.

Setsoto Local Municipality
(Registration number Municipal demarcation code FS191)
Financial Statements for the year ended 30 June 2017

Notes to the Financial Statements

Figures in Rand

46. Irregular expenditure (continued)

Details of irregular expenditure – current year

Details of irregular expenditure

Variation order against other contractor due to tender price	1,373,696	-
Expenditure items identified where the SCM processes and procedures were not followed	1,058,095	1,153,706
Shortcomings on SCM processes identified during the audit	-	1,034,423
Deviations not approved by the Municipal Manager	3,500	-
Expenditure still under investigation. No final outcome from MPAC	149,636	-
Shortcomings on SCM committee identified during the audit	30,387,737	-
	32,972,664	2,188,129

47. Auditors' remuneration

Audit and Performance Audit Committee	476,266	551,522
---------------------------------------	---------	---------

48. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government (SALGA)

Opening balance	(31,184)	(1,539,841)
Current year subscription / fee	1,757,654	1,563,375
Amount paid - current year	(1,740,083)	-
Amount paid - previous years	-	(54,718)
	(13,613)	(31,184)

The amount of R1,539,841 is in respect of the 2015/2016 subscription and was paid in May 2015.

Reticulation losses

Estimated electricity losses suffered by the municipality for the year under review are as follows:

Estimated electricity losses included distribution to townships with unmetered electricity.

The prescribed norm from National Treasury for electricity losses is estimated to be between 7% and 10%

Estimated electricity losses	11,819,161	7,014,382
------------------------------	------------	-----------

Electricity

Percentage loss	15%	11%
-----------------	-----	-----

Estimated water losses suffered by the municipality for the year under review is as follows:

Estimated water losses included distribution to townships with unmetered water.

The prescribed norm from National Treasury for water losses is estimated to be between 15% and 30%.

Water

Estimated water losses	3,747,572	877,725
------------------------	-----------	---------

Water

Percentage loss	11%	4%
-----------------	-----	----

Setsoto Local Municipality
 (Registration number Municipal demarcation code FS191)
 Financial Statements for the year ended 30 June 2017

Notes to the Financial Statements

Figures in Rand

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

Audit fees

Opening balance	138,142	6,199
Current year subscription / fee	5,252,980	4,610,660
Amount paid - current year	(5,178,372)	(4,478,717)
	<u>212,750</u>	<u>138,142</u>

PAYE and UIF

Opening balance	1,462,612	-
Current year subscription / fee	19,829,037	18,301,620
Amount paid - current year	(19,709,321)	(16,839,008)
	<u>1,582,328</u>	<u>1,462,612</u>

Pension and Medical Aid Deductions

Opening balance	3,621,798	2,006,235
Current year subscription / fee	42,378,285	42,462,884
Amount paid - current year	(41,312,699)	(40,847,321)
	<u>4,687,384</u>	<u>3,621,798</u>

Skills Development Levy

Opening balance	117,020	-
Current year subscription / fee	1,480,842	1,436,689
Amount paid - current year	(1,363,846)	(1,319,669)
	<u>234,016</u>	<u>117,020</u>

VAT

VAT payable	<u>1,023,300</u>	<u>859,649</u>
-------------	------------------	----------------

VAT output payables and VAT input receivables are shown in note 8.

All VAT returns have been submitted by the due date throughout the year.

Setsoto Local Municipality
(Registration number Municipal demarcation code FS191)
Financial Statements for the year ended 30 June 2017

Notes to the Financial Statements

Figures in Rand

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

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2017:

30 June 2017	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Councillor A Taylor	1,313	13,103	14,416
Councillor T B Jakobo	10,262	40,908	51,170
Councillor P E Koqo	1,151	3,316	4,467
Councillor R S Liphoko	2,089	6,258	8,347
Councillor T G Makhalanyane	1,277	8,807	10,084
Councillor A N Maoke	492	581	1,073
Councillor T J Matobako	2,215	17,269	19,484
Councillor C D Moipatli	1,316	9,265	10,581
Councillor M M Mokhele	1,443	13,451	14,894
Councillor T I Mthimkulu	4,031	3,119	7,150
Councillor M K Ralehlatsi	3,583	4,275	7,858
	29,172	120,352	149,524

30 June 2016	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Councillor C P Marwick	703	118	821
Councillor D L Mohapi	235	642	877
Councillor K E Koalane	-	10,496	10,496
Councillor M C Nakasi	498	2,476	2,974
Councillor M D Malebo	1,626	4,115	5,741
Councillor M P Mohlomi	804	228	1,032
Councillor T J Tsolo	1,099	13,272	14,371
Councillor L Setai	60	1,607	1,667
Councillor M D Monokoane / Motsei	424	73	497
Councillor M H Semahla	958	49	1,007
Councillor M M Maphisa	556	106	662
Councillor M A Mahlangu	520	755	1,275
Councillor M J Raboroko	592	7,065	7,657
Councillor M M Mothibeli	315	737	1,052
Councillor P I Mavaleliso	459	2,972	3,431
Councillor M P Thamae	379	141	520
Councillor T G Makhalanyane	546	4,768	5,314
Councillor T G Jakobo	7,084	21,879	28,963
Councillor V R Mohala	386	9,841	10,227
	17,244	81,340	98,584

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

30 June 2017	Highest outstanding amount	Ageing (in days)
Councillor A Taylor	15,385	1,200
Councillor T B Jakobo	54,093	1,260
Councillor C	14,175	1,260
Councillor P E Koqo	4,467	1,230
Councillor R S Liphoko	8,346	360

Setsoto Local Municipality
(Registration number Municipal demarcation code FS191)
Financial Statements for the year ended 30 June 2017

Notes to the Financial Statements

Figures in Rand

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

Councillor T G Makhwanyane	10,084	1,140
Councillor A N Maoke	1,073	90
Councillor T J Matobako	19,484	1,260
Councillor C D Moipatli	13,459	1,140
Councillor M M Mokhele	14,894	1,230
Councillor T I Mthimkulu	7,150	180
Councillor M K Ralehlatsi	7,858	210
	170,468	10,560

30 June 2016

	Highest outstanding amount	Ageing (in days)
Councillor C P Marwick	821	75
Councillor D L Mohapi	1,389	176
Councillor M C Nakasi	4,754	432
Councillor M D Malebo	7,452	650
Councillor M P Mohlomi	1,540	129
Councillor T J Tsolo	14,881	1,879
Councillor L Setai	3,218	4,274
Councillor M D Monokoane / Motsei	996	99
Councillor M H Semahla	4,994	503
Councillor M M Maphisa	1,167	101
Councillor M A Mahlangu	2,961	262
Councillor M J Raboroko	10,823	890
Councillor M M Mothibeli	3,346	366
Councillor P I Mavaleliso	4,714	596
Councillor M P Thamae	1,171	211
Councillor T G Makhwanyane	5,571	986
Councillor T B Jakobo	29,470	498
Councillor V R Mohala	11,460	971
	110,728	13,098

49. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the financial statements.

Various goods and services were procured during the financial year under review and the process followed in procuring those goods deviated from the normal procurement processes as required by paragraph 12(1) of the same gazette. The reasons for these deviations were documented and reported to the accounting officer who considered them and subsequently approved the deviation from the normal supply chain management regulations. These deviations were recorded and reported to the meeting of Council.

50. In-kind donations and assistance

Assets donated

Landfill Office	-	155,000
Nissan Bakkies X 10	-	1,551,490
Recreational Parks X 2	-	12,000,000
Transnet houses	-	4,596,306
Refuse skip bins X 4	90,000	-
JCB Backhoe X 2	-	1,880,000
	90,000	20,182,796

Setsoto Local Municipality
(Registration number Municipal demarcation code FS191)
Financial Statements for the year ended 30 June 2017

Notes to the Financial Statements

Figures in Rand

50. In-kind donations and assistance (continued)

The Municipality received in-kind donations and assistance during the financial year from various institutions. These donations was all of a capital nature and were accordingly capitalised in Property, Plant and Equipment.

51. Events after the reporting date

There are no significant matters to report after reporting date.

52. Risk management

Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (including, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The municipality's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance. Risk management is carried out by a risk management unit under Municipal Manager Department and policies are approve by Council. Municipality treasury identifies, evaluates and hedges financial risks in close co-operation with the municipality's operating units. The accounting officer provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and investment of excess liquidity.

Liquidity risk

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

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

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

At 30 June 2017	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings	2,250,952	-	-	12,890,162
Consumer deposits	2,513,344	-	-	-
Unspent conditional grants and receipts	11,066,877	-	-	-
At 30 June 2016	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings	617,692	-	-	5,666,599
Consumer deposits	2,521,447	-	-	-
Unspent conditional grants and receipts	952,460	-	-	-

Setsoto Local Municipality
(Registration number Municipal demarcation code FS191)
Financial Statements for the year ended 30 June 2017

Notes to the Financial Statements

Figures in Rand

52. Risk management (continued)

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

With the exception of trade receivables, the economic entity only transacts with entities that are rated the equivalent of investment grade and above. This information is supplied by independent rating agencies where available and, if not available, the economic entity uses other publicly available financial information and its own trading records to rate its major customers.

The entity's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually.

Potential concentrations of credit risk consist mainly of investments, trade receivables, other receivables, short-term investment deposits and cash and cash equivalents

The credit exposure to any single counterparty is managed by setting transaction or exposure limits, which are included in the entity's Investment Policy.

Trade receivables comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Ongoing credit evaluations are performed on the financial condition of these customers.

Trade receivables are presented net of an allowance for impairment and where appropriate, credit limits are adjusted.

In the case of customers whose accounts become in arrears, it is endeavoured to collect such accounts by levying penalty charges, issuing demands for payment, restricting service and handing customers over for collection, whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

Financial instrument	2017	2016
FNB BANK - Current Account - 620 480 92647	1,106,650	3,561,590
FNB BANK - Business Money Market - 621 517 83563	79,526	33,760
FNB BANK - Savings Account - 620 490 46205	837,313	24,561
FNB BANK - Call Account - 623 105 40465	64,873	1,000
Sanlam Shares	933,833	869,848
OVK / EFC Shares	1,108,657	1,142,368
Other Financial Assets	1,161,413	1,087,787
Receivables from Exchange and Non - exchange transactions	195,567,192	143,184,292

Market risk

Interest rate risk

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk. Municipality policy is to maintain approximately 60% of its borrowings in fixed rate instruments. During 2017 and 2016, the municipality's borrowings at variable rate were denominated in the Rand.

Price risk

The municipality is exposed to equity securities price risk because of investments held by the municipality and classified on the consolidated statement of financial position either as available-for-sale or at fair value through surplus or deficit. The municipality is not exposed to commodity price risk.

Setsoto Local Municipality
(Registration number Municipal demarcation code FS191)
Financial Statements for the year ended 30 June 2017

Notes to the Financial Statements

Figures in Rand

53. Going concern

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

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

The municipality is currently experiencing financial difficulties. Indicators of the financial problems are:

- The significant increase in accounts payable of R 38 511 374 (2016: R 23,575,576);
- The municipality incurred a deficit of R 124,580,991 during the year (2016: deficit R 126,711,817);
- The creditors are not paid within 30 days as required by the MFMA;
- The municipality owes Eskom R28 919 532 at year-end with an amount of R 13 088 931 older than 30 days
- Debt collection period has not improved during the current year;
- The gross outstanding debtors increased from R 291,591,158 in 2016 to R 360,738,537 as at 30 June 2017;
- The provision for doubtful debts have been estimated at R (165,119,395) (2016: R (148,406,866)). This equates to approximately 46% of gross outstanding debtors (2016: 51%).
- At 30 June 2017 the municipality's current liabilities amounted to R 128,838,784 (2016: R 82,727,696), whilst the current assets amounted to R 209,948,583 (2016: R 156,610,225).

We draw attention to the fact that at 30 June 2017, the municipality had accumulated surplus of R 3,191,218,165 and that the municipality's total assets exceed its liabilities by R 3,191,218,165.

Previously disadvantaged areas are charged a basic tariff on water as opposed to the consumption tariff, thus resulting in a possible loss of income for the municipality. The above challenges did not impair the municipality to deliver services to the community as mandated by the Constitution of the Republic of South Africa.

The municipality shall therefore continue to honour its financial obligations and strive to maintain its assets, and will therefore continue to exist within the foreseeable future, as a going concern.

The municipality is also exploring alternative options to improve its financial position.

54. Prior period errors

Asset Register

During the current year the Municipality embarked on a project to further enhance their asset register and also ensure that it is mSCOA compliant.

Certain audit adjustments in terms of the prior year was also addressed.

The comparative amounts were restated accordingly.

Compensation commissioner was not paid during prior years resulting in the understatement of expenditure in the relevant periods.

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

Statement of financial position

Property, plant and equipment	-	(125,958)
Opening Accumulated Surplus or Deficit	-	(3,206,079)

Statement of Financial Performance

Expense Compensation Commissioner	-	3,332,037
-----------------------------------	---	-----------

Setsoto Local Municipality
(Registration number Municipal demarcation code FS191)
Financial Statements for the year ended 30 June 2017

Notes to the Financial Statements

Figures in Rand

54. Prior period errors (continued)

Trade payable: Retention

During the current year the Municipality embarked on a project to further enhance their asset register and also ensure that it is mSCOA compliant and the Register for Retention was corrected.

Certain audit adjustments in terms of the prior year was also addressed.

The comparative amounts were restated accordingly.

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

Statement of financial position

Trade payable - Retention	-	(1,912,100)
Opening Accumulated Surplus or Deficit	-	1,912,100

55. Contingencies

Contingent Liabilities - Pending claims

Damage to property - register available at Municipality	10,957,934	6,197,547
Cost to defend these cases	773,000	728,200
Arbitration awards were made to employees after their dismissal from the municipality. The employees were found to have been unfairly dismissed on 27 July 2014 and even though the municipality has issued an appeal with the labour court there might be a contingent liability. During the year the municipality succeed in the appeal.	-	256,253
	11,730,934	7,182,000

Contingent assets

There is a civil claim against Sharp Connect a service provider whose contract was terminated in July 2015. They continued deducting money form the municipality's bank account until December 2015. Civil proceedings have commenced against the Service provider concerned to recover an amount of R 208 280.

56. Operating lease

The municipality have the following significant leasing arrangements:

- Nashua - photocopiers and printers
- there are no existing terms of purchases options on these contracts;
- Leases are negotiated for an average term of 3 years. No sublease contracts exists and no contingent rent is payable for the reporting period. There are no renewal and/or purchase options.

Operating leases - as lessee (expense)

Within one year	505,490	1,516,469
Year two and three	-	252,750
	505,490	1,769,219

Certain of the municipality's property is held to generate rental income. Rental of property is expected to generate rental yields of 5% on an ongoing basis.

Operating leases - as lessor (income)

Within one year	759,655	506,204
-----------------	---------	---------

Setsoto Local Municipality
(Registration number Municipal demarcation code FS191)
Financial Statements for the year ended 30 June 2017

Notes to the Financial Statements

Figures in Rand

57. Accumulated surplus

Changes to Accumulated Surplus

	Balance	Total
Opening balance	3,313,713,226	3,313,713,226
Correction prior period Retention	5,166,051	5,166,051
Corection of prior period assets	125,958	125,958
Correction prior years Compensation Commisioner expense	(3,206,079)	(3,206,079)
Surplus/(deficit) for the year	(124,580,991)	(124,580,991)
	<u>3,191,218,165</u>	<u>3,191,218,165</u>

Setsoto Local Municipality
(Registration number Municipal demarcation code FS191)
Financial Statements for the year ended 30 June 2017

Appropriation Statement

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
	R	R	R	R	R	R	R	R	R	R	R
2017											
Financial Performance											
Property rates	44,250,220	(220)	44,250,000	-	-	44,250,000	44,238,873	-	(11,127)	100 %	100 %
Service charges	196,976,900	(29,537,042)	167,439,858	-	-	167,439,858	163,307,063	-	(4,132,795)	98 %	83 %
Investment revenue	2,200,000	(444,938)	1,755,062	-	-	1,755,062	2,013,162	-	258,100	115 %	92 %
Transfers recognised - operational	164,563,000	14,999,000	179,562,000	-	-	179,562,000	170,002,425	-	(9,559,575)	95 %	103 %
Other own revenue	33,159,165	(11,467,694)	21,691,471	-	-	21,691,471	29,522,432	-	7,830,961	136 %	89 %
Total revenue (excluding capital transfers and contributions)	441,149,285	(26,450,894)	414,698,391	-	-	414,698,391	409,083,955	-	(5,614,436)	99 %	93 %
Employee costs	(173,038,572)	1,067,028	(171,971,544)	-	-	(171,971,544)	(187,599,214)	-	(15,627,670)	109 %	108 %
Remuneration of councillors	(10,713,834)	(427,048)	(11,140,882)	-	-	(11,140,882)	(9,896,389)	-	1,244,493	89 %	92 %
Debt impairment	(28,000,000)	(33,512,364)	(61,512,364)	-	-	(61,512,364)	(69,861,412)	-	(8,349,048)	114 %	250 %
Depreciation and asset impairment	(256,262,207)	43,973,762	(212,288,445)	-	-	(212,288,445)	(212,253,806)	-	34,639	100 %	83 %
Finance charges	(1,745,200)	(312,146)	(2,057,346)	-	-	(2,057,346)	(2,288,707)	-	(231,361)	111 %	131 %
Materials and bulk purchases	(74,000,000)	821,237	(73,178,763)	-	-	(73,178,763)	(68,977,949)	-	4,200,814	94 %	93 %
Transfers and grants	(2,762,700)	(4,683,208)	(7,445,908)	-	-	(7,445,908)	(5,618,338)	-	1,827,570	75 %	203 %
Other expenditure	(117,159,375)	49,867,173	(67,292,202)	-	-	(67,292,202)	(80,655,614)	-	(13,363,412)	120 %	69 %
Total expenditure	(663,681,888)	56,794,434	(606,887,454)	-	-	(606,887,454)	(637,151,429)	-	(30,263,975)	105 %	96 %
Surplus/(Deficit)	(222,532,603)	30,343,540	(192,189,063)	-	-	(192,189,063)	(228,067,474)	-	(35,878,411)	119 %	102 %

Setsoto Local Municipality
(Registration number Municipal demarcation code FS191)
Financial Statements for the year ended 30 June 2017

Appropriation Statement

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
	R	R	R	R	R	R	R	R	R	R	R
Transfers recognised - capital	79,552,000	2,255,000	81,807,000	-		81,807,000	103,396,483		21,589,483	126 %	130 %
Contributions recognised - capital and contributed assets	9,500,000	(70,000)	9,430,000	-		9,430,000	90,000		(9,340,000)	1 %	1 %
Surplus (Deficit) after capital transfers and contributions	(133,480,603)	32,528,540	(100,952,063)	-		(100,952,063)	(124,580,991)		(23,628,928)	123 %	93 %
Surplus/(Deficit) for the year	(133,480,603)	32,528,540	(100,952,063)	-		(100,952,063)	(124,580,991)		(23,628,928)	123 %	93 %
Capital expenditure and funds sources											
Total capital expenditure	83,052,449	(54,000)	82,998,449	-		82,998,449	59,018,960		(23,979,489)	71 %	71 %

Setsoto Local Municipality
 (Registration number Municipal demarcation code FS191)
 Financial Statements for the year ended 30 June 2017

Appropriation Statement

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
	R	R	R	R	R	R	R	R	R	R	R
Cash flows											
Net cash from (used) operating	-	-	-	-	-	-	86,645,233	-	86,645,233	DIV/0 %	DIV/0 %
Net cash from (used) investing	-	-	-	-	-	-	(97,077,077)	-	(97,077,077)	DIV/0 %	DIV/0 %
Net cash from (used) financing	-	-	-	-	-	-	8,856,823	-	8,856,823	DIV/0 %	DIV/0 %
Net increase/(decrease) in cash and cash equivalents	-	-	-	-	-	-	(1,575,021)	-	(1,575,021)	DIV/0 %	DIV/0 %
Cash and cash equivalents at the beginning of the year	-	-	-	-	-	-	3,655,924	-	3,655,924	DIV/0 %	DIV/0 %
Cash and cash equivalents at year end	-	-	-	-	-	-	2,080,903	-	(2,080,903)	DIV/0 %	DIV/0 %

Setsoto Local Municipality

(Registration number Municipal demarcation code FS191)

Appendix A

June 2017

Schedule of external loans as at 30 June 2017

Loan Number	Redeemable	Balance at 30 June 2016	Interest for the period	(Addition) / Redeemed written off during the period	Balance at 30 June 2017	Carrying Value of Property, Plant & Equip	Other Costs in accordance with the MFMA	
		Rand	Rand	Rand	Rand	Rand	Rand	
Loan Stock		-	-	-	-	-	-	
Structured loans		-	-	-	-	-	-	
Funding facility		-	-	-	-	-	-	
Development Bank of South Africa								
DBSA Loan @ 16.75%	13457	2020-06-30	1,238,728	198,301	437,640	999,389	-	
DBSA Loan @ 11.36%	101389	2024-12-31	5,045,563	563,368	941,721	4,667,210	-	
			-	-	-	-	-	
			-	-	-	-	-	
			-	-	-	-	-	
			6,284,291	761,669	1,379,361	5,666,599	-	
Bonds			-	-	-	-	-	
Other loans								
ABSA @ 10%	89514989, 89515381, 89515861, 89516256, 89516272, 89516779, 89516795	2022-06-01	-	57,333	(4,866,671)	4,924,004	4,924,005	-
ABSA @ 10%	89644009, 89644076, 89645110	2022-07-01	-	-	(4,550,510)	4,550,510	4,550,510	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-

Setsoto Local Municipality

Appendix B

June 2017

Analysis of property, plant and equipment as at 30 June 2017

Cost/Revaluation	Accumulated depreciation
-------------------------	---------------------------------

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Work in Progress Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Land and buildings														
Land (Separate for AFS purposes)	54,607,900	-	(149)	1,559,926	-	-	56,167,677	-	-	-	-	-	-	56,167,677
	54,607,900	-	(149)	1,559,926	-	-	56,167,677	-	-	-	-	-	-	56,167,677
Infrastructure														
Roads, Pavements & Bridges	2,798,896,458	38,768,911	-	(129,940)	-	-	2,837,535,429	1,356,157,869	-	-	(144,793,214)	-	1,500,951,083	1,336,584,346
Transmission & Reticulation	278,995,338	6,974,836	(586,822)	-	-	-	285,383,352	(96,451,607)	229,217	-	(11,830,281)	-	(108,052,671)	177,330,681
Water purification	865,821,751	-	-	-	-	-	865,821,751	(137,036,795)	-	-	(20,917,826)	-	(157,954,621)	707,867,130
Sewerage purification	508,811,627	-	-	-	-	-	508,811,627	(105,918,579)	-	-	(14,696,397)	-	(120,614,976)	388,196,651
Waste Management	24,009,568	90,000	(1,892,959)	-	-	-	22,206,609	(2,384,368)	246,114	-	(1,018,323)	-	(3,156,577)	19,050,032
Work in Progress	63,639,306	91,138,407	(47,331,366)	-	-	-	107,446,347	-	-	-	-	-	-	107,446,347
	4,540,174,048	136,972,154	(49,811,147)	(129,940)	-	-	4,627,205,115	1,697,949,218	475,331	-	(193,256,041)	-	1,890,729,928	2,736,475,187
Community Assets														
General	428,655,062	1,635,591	(3,201,300)	-	-	-	427,089,353	(123,777,607)	1,876,833	-	(13,288,711)	-	(135,189,485)	291,899,868
	428,655,062	1,635,591	(3,201,300)	-	-	-	427,089,353	(123,777,607)	1,876,833	-	(13,288,711)	-	(135,189,485)	291,899,868

Setsoto Local Municipality

Appendix B

June 2017

Analysis of property, plant and equipment as at 30 June 2017
Cost/Revaluation **Accumulated depreciation**

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Work in Progress Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Other property, plant and equipment														
General vehicles	17,871,280	7,713,335	(1,705,485)	-	-	-	23,879,130	(11,135,157)	1,696,458	-	(1,416,998)	-	(10,855,697)	13,023,433
Plant & equipment	3,765,823	1,651,257	(59,355)	-	-	-	5,357,725	(2,787,056)	59,062	-	(936,573)	-	(3,664,567)	1,693,158
Computer Equipment	6,867,244	1,750,534	(588,750)	-	-	-	8,029,028	(5,710,765)	581,974	-	(408,063)	-	(5,536,854)	2,492,174
Furniture & Fittings	6,367,737	3,430	(146,094)	-	-	-	6,225,073	(5,863,325)	146,040	-	(99,935)	-	(5,817,220)	407,853
	34,872,084	11,118,556	(2,499,684)	-	-	-	43,490,956	(25,496,303)	2,483,534	-	(2,861,569)	-	(25,874,338)	17,616,618

Setsoto Local Municipality

Appendix B

June 2017

Analysis of property, plant and equipment as at 30 June 2017

Cost/Revaluation **Accumulated depreciation**

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Work in Progress Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Total property plant and equipment														
Land and buildings	54,607,900	-	(149)	1,559,926	-	-	56,167,677	-	-	-	-	-	-	56,167,677
Infrastructure	4,540,174,048	136,972,154	(49,811,147)	(129,940)	-	-	4,627,205,115	1,697,949,218	475,331	-	(193,256,041)	-	1,890,729,928	2,736,475,187
Community Assets	428,655,062	1,635,591	(3,201,300)	-	-	-	427,089,353	(123,777,607)	1,876,833	-	(13,288,711)	-	(135,189,485)	291,899,868
Other property, plant and equipment	34,872,084	11,118,556	(2,499,684)	-	-	-	43,490,956	(25,496,303)	2,483,534	-	(2,861,569)	-	(25,874,338)	17,616,618
	5,058,309,094	149,726,301	(55,512,280)	1,429,986	-	-	5,153,953,101	1,847,223,128	4,835,698	-	(209,406,321)	-	2,051,793,751	3,102,159,350
Intangible assets														
Computers - software & programming	5,604,621	192,968	-	-	-	-	5,797,589	(2,457,909)	-	-	(872,117)	-	(3,330,026)	3,477,031
	5,604,621	192,968	-	-	-	-	5,797,589	(2,457,909)	-	-	(872,117)	-	(3,330,026)	3,477,031
Investment properties														
Investment property	99,774,059	-	(4,231,180)	(1,559,926)	-	-	93,982,953	(25,199,884)	1,079,488	-	(1,214,350)	-	(25,334,746)	68,648,207
	99,774,059	-	(4,231,180)	(1,559,926)	-	-	93,982,953	(25,199,884)	1,079,488	-	(1,214,350)	-	(25,334,746)	68,648,207
Total														
Land and buildings	54,607,900	-	(149)	1,559,926	-	-	56,167,677	-	-	-	-	-	-	56,167,677
Infrastructure	4,540,174,048	136,972,154	(49,811,147)	(129,940)	-	-	4,627,205,115	1,697,949,218	475,331	-	(193,256,041)	-	1,890,729,928	2,736,475,187
Community Assets	428,655,062	1,635,591	(3,201,300)	-	-	-	427,089,353	(123,777,607)	1,876,833	-	(13,288,711)	-	(135,189,485)	291,899,868
Other property, plant and equipment	34,872,084	11,118,556	(2,499,684)	-	-	-	43,490,956	(25,496,303)	2,483,534	-	(2,861,569)	-	(25,874,338)	17,616,618
Intangible assets	5,604,621	192,968	-	-	-	-	5,797,589	(2,457,909)	-	-	(872,117)	-	(3,330,026)	3,477,031
Investment properties	99,774,059	-	(4,231,180)	(1,559,926)	-	-	93,982,953	(25,199,884)	1,079,488	-	(1,214,350)	-	(25,334,746)	68,648,207
	5,163,687,774	149,919,269	(59,743,460)	(129,940)	-	-	5,253,733,643	1,874,880,921	5,915,186	-	(211,492,788)	-	2,080,458,523	3,174,284,588

Appendix D

June 2017

Segmental Statement of Financial Performance for the year ended 2016

Prior Year			Current Year		
Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand	Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand
Municipality					
101,787,847	75,479,665	26,308,182	53,943,951	92,409,827	(38,465,876)
1,550,193	45,171,975	(43,621,782)	80,520,270	46,319,496	34,200,774
-	517,786	(517,786)	-	509,245	(509,245)
647,942	8,999,433	(8,351,491)	548,094	4,498,488	(3,950,394)
5,077,634	6,329,812	(1,252,178)	17,997,519	21,687,511	(3,689,992)
2,228,718	18,192,685	(15,963,967)	2,502,631	19,560,431	(17,057,800)
49,989	11,217,707	(11,167,718)	36,583	11,037,742	(11,001,159)
83,717,833	66,606,926	17,110,907	37,329,109	37,796,996	(467,887)
48,264,490	277,496,011	(229,231,521)	51,764,490	225,983,923	(174,219,433)
73,254,062	39,060,938	34,193,124	141,049,360	98,518,156	42,531,204
101,163,155	66,191,393	34,971,762	(101,163,155)	55,691,274	44,819,293
417,741,863	615,264,331	(197,522,468)	284,528,852	614,013,089	(127,810,515)
Municipal Owned Entities Other charges					
417,741,863	615,264,331	(197,522,468)	284,528,852	614,013,089	(127,810,515)
417,741,863	615,264,331	(197,522,468)	284,528,852	614,013,089	(127,810,515)

Setsoto Local Municipality

Appendix E(1)

June 2017

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

	Current year 2016 Act. Bal.	Current year 2016 Adjusted budget Rand	Variance Rand	Var	Explanation of Significant Variances greater than 10% versus Budget
Revenue					
Service charges	163,307,063	174,136,711	(10,829,648)	(6.2)	
Rental of facilities and equipment	1,901,910	1,259,000	642,910	51.1	
Interest received (trading)	19,524,870	17,284,353	2,240,517	13.0	
Licences and permits	39,298	29,211	10,087	34.5	
Rates	41,090,394	42,043,922	(953,528)	(2.3)	
Fines, Penalties & Forfeites	2,163,900	101,000	2,062,900	2042.5	Increase traffic control
Government grants & subsidies	267,735,960	223,834,000	43,901,960	19.6	
Commissions received	220,650	153,865	66,785	43.4	
Other income 1	273,674	-	273,674	-	Increase in Sundry Services
Other income 2	20,182,796	585,200	19,597,596	348.9	
Other income - (rollup)	5,099,250	1,777,050	3,322,200	187.0	Increase in Sundry Services
Interest received - investment	1,973,314	1,755,062	218,252	12.4	
Dividends received	39,848	39,848	-	-	
	523,552,927	462,999,222	60,553,705	13.1	
Other income Expenses					
Personnel	(187,599,213)	(161,122,653)	(26,476,560)	16.4	
Remuneration of councillors	(9,896,390)	(8,353,882)	(1,542,508)	18.5	
Depreciation	(215,927,790)	(30,708,938)	(185,218,852)	603.1	Impairment of Roads Infrastructure
Lease rentals	(14,750,082)	-	(14,750,082)	-	
Impairments	(2,286,791)	-	(2,286,791)	-	
Finance costs	(2,288,706)	(1,778,724)	(509,982)	28.7	
Debt Impairment	(84,545,840)	(61,512,364)	(23,033,476)	37.4	As a result of debtors with old debt written off

Setsoto Local Municipality

Appendix E(1)

June 2017

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

	Current year 2016 Act. Bal.	Current year 2016 Adjusted budget	Variance	Explanation of Significant Variances greater than 10% versus Budget
Collection costs	(613,324)	(133,406)	(479,918)	359.7 Contract to apoint service providers not yet finalised
Other	(11,258,001)	(11,249,305)	(8,696)	0.1 Unexpected/Unplanned repairs
Bulk purchases	(68,977,949)	(70,000,000)	1,022,051	(1.5)
Contracted Services	(11,473,398)	(19,012,945)	7,539,547	(39.7)
Transfers and Subsidies	(5,618,338)	-	(5,618,338)	- Income foregone treated as transfer and grants during year
General Expenses	(53,431,135)	(68,454,915)	15,023,780	(21.9) Increase in departmental usage
Other revenue and costs	(668,666,957)	(432,327,132)	(236,339,825)	54.7
Gain or loss on disposal of assets and liabilities	(6,496,905)	-	(6,496,905)	-
	(6,496,905)	-	(6,496,905)	-
Net surplus/ (deficit) for the year	(151,610,935)	30,672,090	(182,283,025)	(594.3)

Setsoto Local Municipality

Appendix E(2)

June 2017

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

	Yearly		Yearly		
	Additions	Revised Budget	Variance	Variance	Explanation of significant variances from budget
	Rand	Rand	Rand	%	
Municipality					
Comm. & Social/Libraries and archives	206,733	206,733	-	-	
Waste Water Management/Sewerage	65,085,140	46,000,000	(19,085,140)	(41)	
Water/Water Distribution	28,980,902	30,000,000	1,019,098	3	unconditional Grant received
Waste management	155,000	-	(155,000)	-	
	94,427,775	76,206,733	(18,221,042)	(24)	

Setsoto Local Municipality

Appendix F

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

June 2017

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts			Quarterly Expenditure				Grants and Subsidies delayed / withheld	Reason for delay/withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for non-compliance
		Sep	Dec	Mar	Sep	Dec	Mar	Jun				
MIG	National Treasury	11,225,000	16,560,000	21,306,000	(2,380,434)	(16,255,039)	(5,875,360)	(24,580,167)	-		Yes	
FMG	National Treasury	1,625,000	-	-	(240,080)	(113,483)	(477,150)	(793,677)	-		Yes	
MSIG	National Treasury	-	-	-	-	-	-	-	-		Yes	
EPWP	Free State Provincial Department of Public Works	477,000	858,000	573,000	(778,714)	(744,360)	(427,454)	(429,055)	-		Yes	
DWA	Department of Water Affairs	-	1,317,071	2,061,682	-	(1,317,071)	(2,061,682)	-	-		Yes	
COGTA	Department of Cooperative Governance and Traditional Affairs	-	15,000,000	-	(1,512,000)	(1,908,000)	(1,500,900)	(1,552,299)	-	None	Yes	Delay implementation of
RBIG	National Treasury	15,358,000	9,215,000	21,143,000	(13,824,014)	(13,824,014)	(9,054,128)	(12,088,872)	-		Yes	
INEG	Department of Energy	1,553,000	2,830,000	1,617,000	(3,289,320)	(1,359,163)	-	-	-		Yes	
LGSETA	Local Government Sector Education Training Authority	13,686,012	45,717	336,150	(3,516,969)	(3,516,970)	(3,516,970)	(3,516,970)	-		Yes	
EQUITABLE SHARE	National Treasury	66,156,000	52,925,000	39,694,000	(64,783,747)	(51,944,388)	(1,700,000)	(40,346,865)	-			
		110,080,012	98,750,788	86,730,832	(90,325,278)	(90,982,488)	(24,613,644)	(83,307,905)	-			

Note: A municipality should provide additional information on how a grant was spent per Vote. This excludes allocations from the Equitable Share.

**Appendix G1
Budgeted Financial Performance (revenue and expenditure by standard classification)
for the year ended 30 June 2017**

	2015/2016							2015/2016							
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Revenue - Standard															
Governance and administration	123,393,200	14,586,149	137,979,349	-		137,979,349	96,510,458		(41,468,891)	70 %	78 %				104,202,953
Executive and council	41,233,000	16,902,210	58,135,210	-		58,135,210	21,553,419		(36,581,791)	37 %	52 %				34,728,858
Budget and treasury office	77,506,000	(1,914,590)	75,591,410	-		75,591,410	72,974,688		(2,616,722)	97 %	94 %				67,058,989
Corporate services	4,654,200	(401,471)	4,252,729	-		4,252,729	1,982,351		(2,270,378)	47 %	43 %				2,415,106
Community and public safety	1,289,750	302,300	1,592,050	-		1,592,050	3,591,187		1,999,137	226 %	278 %				8,004,283
Community and social services	475,750	217,431	693,181	-		693,181	618,685		(74,496)	89 %	130 %				647,942
Sport and recreation	64,900	(12,167)	52,733	-		52,733	36,583		(16,150)	69 %	56 %				49,989
Public safety	199,100	187,505	386,605	-		386,605	2,502,632		2,116,027	647 %	1,257 %				2,228,718
Housing	550,000	(90,469)	459,531	-		459,531	433,287		(26,244)	94 %	79 %				5,077,634
Economic and environmental services	27,312,220	(220)	27,312,000	-		27,312,000	18,456,134		(8,855,866)	68 %	68 %				48,264,490
Road transport	27,312,220	(220)	27,312,000	-		27,312,000	18,456,134		(8,855,866)	68 %	68 %				48,264,490
Trading services	378,207,400	(39,155,298)	339,052,102	-		339,052,102	393,648,817		54,596,715	116 %	104 %				314,385,090
Electricity	108,708,000	(16,038,085)	92,669,915	-		92,669,915	91,258,727		(1,411,188)	98 %	84 %				-
Water	178,929,450	(37,624,543)	141,304,907	-		141,304,907	221,786,692		80,481,785	157 %	124 %				230,667,257
Waste water management	42,788,250	9,524,947	52,313,197	-		52,313,197	34,818,898		(17,494,299)	67 %	81 %				37,484,110
Waste management	47,781,700	4,982,383	52,764,083	-		52,764,083	45,784,500		(6,979,583)	87 %	96 %				46,233,723
Total Revenue - Standard	530,202,570	(24,267,069)	505,935,501	-		505,935,501	512,206,596		6,271,095	101 %	97 %				474,856,816

Appendix G1
Budgeted Financial Performance (revenue and expenditure by standard classification)
for the year ended 30 June 2017

	2015/2016					2015/2016								
Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget (i.t.o. s28 and s31 of the MFMA)	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Expenditure - Standard														
Governance and administration	131,845,111	(11,376,413)	120,468,698	-	-	120,468,698	114,818,897	-	(5,649,801)	95 %	87 %	-	-	120,651,639
Executive and council	38,571,917	2,454,317	41,026,234	-	-	41,026,234	40,281,217	-	(745,017)	98 %	104 %	-	-	43,419,765
Budget and treasury office	93,273,194	(13,830,730)	79,442,464	-	-	79,442,464	74,537,680	-	(4,904,784)	94 %	80 %	-	-	32,059,899
Community and public safety	63,013,401	(6,472,310)	56,541,091	-	-	56,541,091	43,996,142	-	(12,544,949)	78 %	70 %	-	-	45,257,423
Community and social services	14,224,736	(1,296,038)	12,928,698	-	-	12,928,698	6,490,650	-	(6,438,048)	50 %	46 %	-	-	8,999,433
Sport and recreation	11,080,000	(1,955,099)	9,124,901	-	-	9,124,901	10,810,279	-	1,685,378	118 %	98 %	-	-	11,217,707
Public safety	22,910,793	(870,329)	22,040,464	-	-	22,040,464	19,560,431	-	(2,480,033)	89 %	85 %	-	-	18,192,685
Housing	14,797,872	(2,350,844)	12,447,028	-	-	12,447,028	6,587,209	-	(5,859,819)	53 %	45 %	-	-	6,329,812
Health	-	-	-	-	-	-	547,573	-	547,573	DIV/0 %	DIV/0 %	-	-	517,786
Economic and environmental services	38,575,844	(14,349,437)	24,226,407	-	-	24,226,407	302,551,238	-	278,324,831	1,249 %	784 %	-	-	221,107,118
Road transport	38,575,844	(14,349,437)	24,226,407	-	-	24,226,407	302,551,238	-	278,324,831	1,249 %	784 %	-	-	221,107,118
Trading services	207,557,739	4,504,096	212,061,835	-	-	212,061,835	177,041,520	-	(35,020,315)	83 %	85 %	-	-	403,326,030
Electricity	94,730,988	(6,831,526)	87,899,462	-	-	87,899,462	78,599,377	-	(9,300,085)	89 %	83 %	-	-	-
Water	43,436,208	9,188,252	52,624,460	-	-	52,624,460	33,339,636	-	(19,284,824)	63 %	77 %	-	-	336,719,104
Waste water management	32,666,519	793,186	33,459,705	-	-	33,459,705	22,365,726	-	(11,093,979)	67 %	68 %	-	-	24,170,212
Waste management	36,724,024	1,354,184	38,078,208	-	-	38,078,208	42,736,781	-	4,658,573	112 %	116 %	-	-	42,436,714
Total Expenditure - Standard	440,992,095	(27,694,064)	413,298,031	-	-	413,298,031	638,407,797	-	225,109,766	154 %	145 %	-	-	790,342,210
Surplus/(Deficit) for the year	89,210,475	3,426,995	92,637,470	-	-	92,637,470	(126,201,201)	-	(218,838,671)	(136)%	(141)%	-	-	(315,485,394)

Appendix G2
Budgeted Financial Performance (revenue and expenditure by municipal vote)
for the year ended 30 June 2017

	2016/2017										2015/2016				
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Revenue by Vote															
Executive & COUNCIL	41,233,000	16,902,210	58,135,210	-	-	58,135,210	21,553,419	-	(36,581,791)	37 %	52 %	-	-	-	73,727,183
Budget and Treasury office	77,506,000	(1,914,590)	75,591,410	-	-	75,591,410	72,974,688	-	(2,616,722)	97 %	94 %	-	-	-	52,844,365
CORPORATE SUPPORT SERVICES	4,654,200	(401,471)	4,252,729	-	-	4,252,729	1,982,351	-	(2,270,378)	47 %	43 %	-	-	-	399,702
COMMUNITY SERVICES	475,750	217,431	693,181	-	-	693,181	618,685	-	(74,496)	89 %	130 %	-	-	-	186,054
Sport and Recreation	64,900	(12,167)	52,733	-	-	52,733	36,583	-	(16,150)	69 %	56 %	-	-	-	33,289
Public Safety	199,100	187,505	386,605	-	-	386,605	2,502,632	-	2,116,027	647 %	1,257 %	-	-	-	1,458,499
Housing	550,000	(90,469)	459,531	-	-	459,531	433,287	-	(26,244)	94 %	79 %	-	-	-	3,979,835
Road Transport	27,312,220	(220)	27,312,000	-	-	27,312,000	18,456,134	-	(8,855,866)	68 %	68 %	-	-	-	25,754,400
Electricity	108,708,000	(16,038,085)	92,669,915	-	-	92,669,915	91,258,727	-	(1,411,188)	98 %	84 %	-	-	-	97,338,205
Water	178,929,450	(37,624,543)	141,304,907	-	-	141,304,907	221,786,692	-	80,481,785	157 %	124 %	-	-	-	138,999,943
Waste Water management	42,788,250	9,524,947	52,313,197	-	-	52,313,197	34,818,898	-	(17,494,299)	67 %	81 %	-	-	-	26,533,927
Waste management	47,781,700	4,982,383	52,764,083	-	-	52,764,083	45,784,500	-	(6,979,583)	87 %	96 %	-	-	-	33,721,904
Total Revenue by Vote	530,202,570	(24,267,069)	505,935,501	-	-	505,935,501	512,206,596	-	6,271,095	101 %	97 %	-	-	-	2,327,450,133
Expenditure by Vote to be appropriated															
Executive and council	38,571,917	2,454,317	41,026,234	-	-	41,026,234	40,281,217	-	(745,017)	98 %	104 %	-	-	-	55,074,137
Budget and treasury office	38,846,969	12,300,723	51,147,692	-	-	51,147,692	32,536,476	-	(18,611,216)	64 %	84 %	-	-	-	39,535,930
Corporate services	54,426,225	(26,131,453)	28,294,772	-	-	28,294,772	42,001,204	-	13,706,432	148 %	77 %	-	-	-	43,115,477
Community and social services	14,224,736	(1,296,038)	12,928,698	-	-	12,928,698	6,490,650	-	(6,438,048)	50 %	46 %	-	-	-	10,186,334
Sport and recreation	11,080,000	(1,955,099)	9,124,901	-	-	9,124,901	10,810,279	-	1,685,378	118 %	98 %	-	-	-	33,599,193
Public safety	22,910,793	(870,329)	22,040,464	-	-	22,040,464	19,562,019	-	(2,478,445)	89 %	85 %	-	-	-	12,044,693
Housing	14,797,872	(2,350,844)	12,447,028	-	-	12,447,028	6,587,209	-	(5,859,819)	53 %	45 %	-	-	-	6,912,430
Road transport	38,575,844	(14,349,437)	24,226,407	-	-	24,226,407	302,551,238	-	278,324,831	1,249 %	784 %	-	-	-	15,567,763
Electricity	94,730,988	(6,831,526)	87,899,462	-	-	87,899,462	78,599,377	-	(9,300,085)	89 %	83 %	-	-	-	69,285,450
Water	43,436,208	9,188,252	52,624,460	-	-	52,624,460	33,339,636	-	(19,284,824)	63 %	77 %	-	-	-	261,771,316
Waste water management	32,666,519	793,186	33,459,705	-	-	33,459,705	22,365,726	-	(11,093,979)	67 %	68 %	-	-	-	29,442,542
Waste management	36,724,024	1,354,184	38,078,208	-	-	38,078,208	42,736,781	-	4,658,573	112 %	116 %	-	-	-	39,260,833
Health	-	-	-	-	-	-	547,573	-	547,573	DIV/0 %	DIV/0 %	-	-	-	-
Total Expenditure by Vote	440,992,095	(27,694,064)	413,298,031	-	-	413,298,031	638,409,385	-	225,111,354	154 %	145 %	-	-	-	615,804,102
Surplus/(Deficit) for the year	89,210,475	3,426,995	92,637,470	-	-	92,637,470	(126,202,789)	-	(218,840,259)	(136)%	(141)%	-	-	-	1,711,646,031

**Appendix G3
Budgeted Financial Performance (revenue and expenditure)
for the year ended 30 June 2017**

	2016/2017							2015/2016							
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Revenue By Source															
Property rates	44,250,220	(220)	44,250,000	-		44,250,000	44,238,873		(11,127)	100 %	100 %				41,090,394
Service charges - electricity revenue	87,234,000	(20,841,082)	66,392,918	-		66,392,918	62,934,973		(3,457,945)	95 %	72 %				63,625,991
Service charges - water revenue	60,638,000	(13,863,810)	46,774,190	-		46,774,190	49,378,958		2,604,768	106 %	81 %				40,326,296
Service charges - sanitation revenue	21,203,200	4,210,082	25,413,282	-		25,413,282	25,373,926		(39,356)	100 %	120 %				21,382,194
Service charges - refuse revenue	27,901,700	957,768	28,859,468	-		28,859,468	25,366,875		(3,492,593)	88 %	91 %				21,296,069
Service charges - other	-	-	-	-		-	252,331		252,331	DIV/0 %	DIV/0 %				186,719
Rental of facilities and equipment	1,560,800	(303,366)	1,257,434	-		1,257,434	4,781,001		3,523,567	380 %	306 %				1,564,249
Interest earned - external investments	30,768,127	(11,728,712)	19,039,415	-		19,039,415	21,498,184		2,458,769	113 %	70 %				19,133,954
Dividends received	40,000	(152)	39,848	-		39,848	39,848		-	100 %	100 %				36,226
Fines	110,900	232,800	343,700	-		343,700	2,462,779		2,119,079	717 %	2,221 %				2,163,900
Licences and permits	44,000	(14,789)	29,211	-		29,211	39,298		10,087	135 %	89 %				100,173
Transfers recognised - operational	164,563,000	14,999,000	179,562,000	-		179,562,000	169,931,595		(9,630,405)	95 %	103 %				250,595,751
Other revenue	2,835,338	(98,413)	2,736,925	-		2,736,925	3,073,721		336,796	112 %	108 %				9,831,216
Total Revenue (excluding capital transfers and contributions)	441,149,285	(26,450,894)	414,698,391	-		414,698,391	409,372,362		(5,326,029)	99 %	93 %				467,959,492

Appendix G3
Budgeted Financial Performance (revenue and expenditure)
for the year ended 30 June 2017

	2016/2017							2015/2016							
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget (i.t.o. s31 of the MFMA)	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Budget Rand	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Expenditure By Type															
Employee related costs	173,038,572	(1,067,028)	171,971,544	-	-	171,971,544	187,599,214	-	15,627,670	109 %	108 %	-	-	-	169,775,775
Remuneration of councillors	10,713,834	427,048	11,140,882	-	-	11,140,882	9,896,390	-	(1,244,492)	89 %	92 %	-	-	-	10,354,785
Debt impairment	28,000,000	33,512,364	61,512,364	-	-	61,512,364	69,861,411	-	8,349,047	114 %	250 %	-	-	-	84,545,848
Depreciation & asset impairment	256,262,207	(43,973,762)	212,288,445	-	-	212,288,445	213,527,161	-	1,238,716	101 %	83 %	-	-	-	210,322,602
Finance charges	1,745,200	312,146	2,057,346	-	-	2,057,346	2,288,706	-	231,360	111 %	131 %	-	-	-	947,282
Bulk purchases	74,000,000	(821,237)	73,178,763	-	-	73,178,763	68,977,949	-	(4,200,814)	94 %	93 %	-	-	-	53,292,708
Contracted services	33,682,117	(12,006,489)	21,675,628	-	-	21,675,628	22,336,877	-	661,249	103 %	66 %	-	-	-	17,223,878
Transfers and grants	2,762,700	4,683,208	7,445,908	-	-	7,445,908	5,618,338	-	(1,827,570)	75 %	203 %	-	-	-	2,501,241
Other expenditure	83,477,258	(37,860,683)	45,616,575	-	-	45,616,575	57,926,378	-	12,309,803	127 %	69 %	-	-	-	75,589,247
Total Expenditure	663,681,888	(56,794,433)	606,887,455	-	-	606,887,455	638,032,424	-	31,144,969	105 %	96 %	-	-	-	624,553,366
Surplus/(Deficit)	(222,532,603)	30,343,539	(192,189,064)	-	-	(192,189,064)	(228,660,062)	-	(36,470,998)	119 %	103 %	-	-	-	(156,593,874)
Surplus/(Deficit) after capital transfers & contributions	(222,532,603)	30,343,539	(192,189,064)	-	-	(192,189,064)	(228,660,062)	-	(36,470,998)	119 %	103 %	-	-	-	(136,411,078)
Surplus/(Deficit) after taxation	(222,532,603)	30,343,539	(192,189,064)	-	-	(192,189,064)	(228,660,062)	-	(36,470,998)	119 %	103 %	-	-	-	(136,411,078)
Surplus/(Deficit) attributable to municipality	(222,532,603)	30,343,539	(192,189,064)	-	-	(192,189,064)	(228,660,062)	-	(36,470,998)	119 %	103 %	-	-	-	(136,411,078)
Surplus/(Deficit) for the year	(222,532,603)	30,343,539	(192,189,064)	-	-	(192,189,064)	(228,660,062)	-	(36,470,998)	119 %	103 %	-	-	-	(136,411,078)

Appendix G4
Budgeted Capital Expenditure by vote, standard classification and funding
for the year ended 30 June 2017

2016/2017										2015/2016				
Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand

Capital expenditure - Vote
Multi-year expenditure
Single-year expenditure

**Appendix G4
Budgeted Capital Expenditure by vote, standard classification and funding
for the year ended 30 June 2017**

	2016/2017							2015/2016							
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Capital Expenditure - Standard															
Community and public safety	206,733	-	206,733	-	-	206,733	206,733	-	-	100 %	100 %	-	-	-	2,880,000
Community and social services	206,733	-	206,733	-	-	206,733	206,733	-	-	100 %	100 %	-	-	-	-
Trading services	76,000,000	-	76,000,000	-	-	76,000,000	94,221,042	-	18,221,042	124 %	124 %	-	-	-	150,914,359
Water	30,000,000	-	30,000,000	-	-	30,000,000	65,085,140	-	35,085,140	217 %	217 %	-	-	-	142,800,000
Waste water management	46,000,000	-	46,000,000	-	-	46,000,000	28,980,902	-	(17,019,098)	63 %	63 %	-	-	-	6,089,359
Waste management	-	-	-	-	-	-	155,000	-	155,000	DIV/0 %	DIV/0 %	-	-	-	2,025,000
Total Capital Expenditure - Standard	76,206,733	-	76,206,733	-	-	76,206,733	94,427,775	-	18,221,042	124 %	124 %	-	-	-	165,669,359
Funded by:															

Setsoto Local Municipality
Appendix G5
Budgeted Cash Flows
for the year ended 30 June 2017

	2015/2016					2016			
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Final Budget	Actual Outcome	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Cash flow from operating activities									
Ratepayers and other	174,575,603	14,745,048	189,320,651	189,320,651	173,219,390	(16,101,261)	91 %	99 %	200,607,651
Government - operating	180,030,000	(3,488,000)	176,542,000	176,542,000	177,652,063	1,110,063	101 %	99 %	174,064,685
Government - capital	59,660,000	(4,122,000)	55,538,000	55,538,000	90,083,897	34,545,897	162 %	151 %	76,531,066
Interest	34,391,200	(11,209,200)	23,182,000	23,182,000	19,133,953	(4,048,047)	83 %	56 %	2,457,920
Dividends	35,000	-	35,000	35,000	36,226	1,226	104 %	104 %	32,189
Suppliers and employees	(342,994,907)	(322,071)	(343,316,978)	(343,316,978)	(358,994,111)	(15,677,133)	105 %	105 %	(384,327,324)
Finance charges	(997,000)	105,000	(892,000)	(892,000)	(947,282)	(55,282)	106 %	95 %	(1,146,119)
Net cash flow from/used operating activities	104,699,896	(4,291,223)	100,408,673	100,408,673	100,184,136	(224,537)	100 %	96 %	68,220,068
Cash flow from investing activities									
Proceeds on disposal of PPE	-	-	-	-	(99,602,920)	(99,602,920)	DIV/0 %	DIV/0 %	(76,637,957)
Capital assets	(4,084,835)	(3,117,961)	(7,202,796)	(7,202,796)	-	7,202,796	- %	- %	-
Net cash flow from/used investing activities	(4,084,835)	(3,117,961)	(7,202,796)	(7,202,796)	(99,602,920)	(92,400,124)	1,383 %	2,438 %	(76,637,957)
Cash flow from financing activities									
Repayment of borrowing	-	-	-	-	(627,400)	(627,400)	DIV/0 %	DIV/0 %	(477,638)
Net cash flow from/used financing activities	-	-	-	-	(627,400)	(627,400)	DIV/0 %	DIV/0 %	(477,638)
Net increase/(decrease) in cash held	100,615,061	(7,409,184)	93,205,877	93,205,877	(46,184)	(93,252,061)	- %	- %	(8,895,527)
Cash/cash equivalents at the year begin:					3,655,925				12,597,635
Cash/cash equivalents at the year end:	100,615,061	(7,409,184)	93,205,877	93,205,877	3,609,741	(93,252,061)	4 %	4 %	