



Setsoto Local Municipality  
(Registration number Municipal demarcation code FS191)  
Financial statements  
for the year ended 30 June 2016  
Auditor-General of South Africa (AGSA)

**Setsoto Local Municipality**  
(Registration number Municipal demarcation code FS191)  
Financial Statements for the year ended 30 June 2016

## General Information

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<b>Legal form of entity</b>	A Municipality which is an organ of state within the local sphere of government exercising legislative and executing authority.
<b>Nature of business and principal activities</b>	A Local Authority providing municipal services and maintaining the best interest of the community in the Setsoto Municipal area.
<b>Legislation governing the municipality's operations</b>	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)
<b>Mayor</b>	Jakobo, Tshediso
<b>Executive Committee</b>	Koalane, Komane Mthimkhulu, Motena Mahlangu, Matseliso Makhalanyane, Tieho Makae, Thabang Strydom, Evert
<b>Councillors</b>	Mohlomi, Molefi - Speaker Mothibeli, Moselantja Mohapi, Dieketseng Mokhuoane, Krog Motsei, Matlakala Selasi, Motsamai Mabeleng, William Nakasi, Mojabeng Bath, Henry Thamae, Motsamai Hlakane, Moeketsi Mohala, Vunga Kere, Lefa Mavaleliso, Pakalitha Semahla, Mookho Maphisa, Mapuleng Musu, Tshepiso Tsolo, Thabiso Malebo, Matsiliso Fuso, Sabata Raboroko, Mantwa Mohase, Teboho

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**General Information**

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	Setai, Lithebe Lubbe, Cornelius Du Toit, Benjamin Marwick, Clive (Dr) Bester, Catherine Maduna, Mbothoma
<b>Grading of local authority</b>	06 - Medium Capacity
<b>Accounting Officer</b>	Mr. S T R Ramakarane
<b>Chief Finance Officer (CFO)</b>	Mr. G T Banda
<b>Registered office</b>	27 Voortrekkers Street Ficksburg 9730
<b>Postal address</b>	P O Box 116 Ficksburg 9730
<b>Bankers</b>	First National Bank (FNB)
<b>Auditors</b>	Auditor-General of South Africa (AGSA)
<b>Acting Legal Manager</b>	Mr. L. Motloun P O Box 116, Ficksburg, 9730
<b>Telephone Number</b>	(051) 933 9300
<b>Fax Number</b>	(051) 933 9363
<b>E-mail Address</b>	manager@setsoto.co.za

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**Abbreviations**

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
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)
PT	Provincial Treasury (Free State)
COGTA	Department of Cooperative Governance and Traditional Affairs
IFRS	International Financial Reporting Standards

## **Accounting Officer's Responsibilities and Approval**

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The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the 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 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 2017 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 8.

The financial statements set out on pages 9 to 91, which have been prepared on the going concern basis (Please refer to Note 54), were approved by the accounting officer on 31 August 2016 :

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**Mr. STR Ramakarane**  
**Accounting Officer / Municipal Manager**

**31 August 2016**

## **Audit & Performance Audit Committee Report**

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We are pleased to present our report for the financial year ended 30 June 2016.

### **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.

<b>Name of member</b>	<b>Number of meetings attended</b>
Mr. H B Mathibela (Chairperson)	6
Mr. T Zororo	4
Mr. D S Moletsane	4
Mr. S P 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.

### **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
- 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.

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**Chairperson of the Audit and Performance Committee**

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**Audit & Performance Audit Committee Report**

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Date: \_\_\_\_\_



A U D I T O R - G E N E R A L

## **Report of the Auditor General**

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**To the Provincial Legislature of Setsoto Local Municipality**

### **Report on the financial statements**

This report will be inserted after the completion of the audit.

**Auditor-General of South Africa (AGSA)  
Registered Auditors**

## **Accounting Officer's Report**

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The accounting officer submits his report for the year ended 30 June 2016.

### **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 126,711,817 (2015: deficit R 104,623,089).

### **2. Going concern**

We draw attention to the fact that at 30 June 2016, the municipality had accumulated surplus of R 3,313,713,233 and that the municipality's total assets exceed its liabilities by R 3,313,713,233.

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 is increasing and the reduction of it will be the implementation of the revenue enhancement strategy that has been approved by Council and it was implemented in the current financial in phases and it will have an affect on the cash flow forecast for financial year 30 June 2016.

### **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 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, and in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards 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 21 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 .

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**Accounting Officer's Report**

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**8. Accounting Officer**

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

Name	Nationality
Mr. STR Ramakarane	RSA

**9. Auditors**

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

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**Statement of Financial Position as at 30 June 2016**

	Note(s)	2016 R	2015 Restated* R
<b>Assets</b>			
<b>Current Assets</b>			
Inventories	3	1,886,760	1,811,319
Receivables from exchange transactions	5&6	103,900,676	95,673,547
Receivables from non-exchange transactions	7	47,166,865	31,422,447
VAT receivable	8	-	40,471,056
Cash and cash equivalents	9	3,655,924	3,702,108
		<b>156,610,225</b>	<b>173,080,477</b>
<b>Non-Current Assets</b>			
Investment property	10	74,574,176	71,176,424
Property, plant and equipment	11	3,210,956,018	3,333,721,693
Intangible assets	12	3,146,712	3,477,031
Heritage assets	13	15,385,903	15,385,903
Other financial assets	4	3,100,004	3,105,173
		<b>3,307,162,813</b>	<b>3,426,866,224</b>
<b>Total Assets</b>		<b>3,463,773,038</b>	<b>3,599,946,701</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Other financial liabilities	14	617,692	541,222
Payables from exchange transactions	16	71,819,017	52,922,872
Consumer deposits	18	2,521,447	2,429,002
Unspent conditional grants and receipts	19	952,460	806,883
Provisions	20	1,278,000	1,207,000
VAT payable	8	859,649	-
		<b>78,048,265</b>	<b>57,906,979</b>
<b>Non-Current Liabilities</b>			
Other financial liabilities	14	5,666,599	6,284,291
Employee benefit obligation	21	47,224,805	43,612,805
Provisions	20	19,120,136	17,362,136
		<b>72,011,540</b>	<b>67,259,232</b>
<b>Total Liabilities</b>		<b>150,059,805</b>	<b>125,166,211</b>
<b>Net Assets</b>		<b>3,313,713,233</b>	<b>3,474,780,490</b>
Accumulated surplus	59	3,313,713,233	3,474,780,490

\* See Note 58 & 55

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**Statement of Financial Performance**

	Note(s)	2016 R	2015 Restated* R
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Service charges	22	146,817,268	137,434,425
Rental of facilities and equipment	23	1,563,900	1,298,235
Interest received (trading)		17,200,323	19,993,457
Licences and permits		100,173	13,553
Commissions received		207,208	224,093
Sale of land		369,163	824,007
Insurance Claims		-	306,953
Other income	24	2,127,250	8,388,639
Interest earned	25	1,933,630	2,457,920
Dividends received	25	36,226	32,189
<b>Total revenue from exchange transactions</b>		<b>170,355,141</b>	<b>170,973,471</b>
<b>Revenue from non-exchange transactions</b>			
<b>Taxation revenue</b>			
Property rates	26	41,090,394	32,146,757
<b>Transfer revenue</b>			
Government grants & subsidies	27	267,735,960	250,595,751
Public contributions and donations	51	20,182,796	-
Fines, Penalties and Forfeits		2,163,900	1,926,679
<b>Total revenue from non-exchange transactions</b>		<b>331,173,050</b>	<b>284,669,187</b>
<b>Total revenue</b>	28	<b>501,528,191</b>	<b>455,642,658</b>
<b>Expenditure</b>			
Employee related costs	29	169,775,771	154,017,291
Remuneration of councillors	30	10,354,786	9,884,247
Depreciation and amortisation	32	215,927,790	210,322,602
Impairment loss/ Reversal of impairments	33	2,109,756	18,698,792
Finance costs	34	947,282	918,796
Lease rentals on operating lease		14,750,082	8,529,014
Debt Impairment	35	84,545,849	25,097,238
Collection costs		6,092	18,622
Bulk purchases	36	53,292,708	53,594,386
Contracted services	37	17,223,877	28,235,384
Transfers and Subsidies	38	2,501,241	2,606,556
Assets write-off		3,373,640	87,524
General Expenses	40	53,431,135	48,255,295
<b>Total expenditure</b>		<b>628,240,009</b>	<b>560,265,747</b>
Taxation		-	-
<b>Deficit for the year</b>		<b>(126,711,817)</b>	<b>(104,623,089)</b>

\* See Note 58 & 55

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**Statement of Changes in Net Assets**

	Accumulated surplus R	Total net assets R
<b>Balance at 01 July 2014</b>	<b>3,503,016,299</b>	<b>3,503,016,299</b>
Changes in net assets		
Correction of VAT on Landfill Site Provision	(1,161,841)	(1,161,841)
Corrections effecting previous years	(46,534)	(46,534)
Asset corrections effecting previous years assets	79,906,655	79,906,655
Correction of Inventory Erven	(2,311,000)	(2,311,000)
Net income (losses) recognised directly in net assets	76,387,280	76,387,280
Surplus/(deficit) for the year	(104,623,089)	(104,623,089)
Total recognised income and expenses for the year	(28,235,809)	(28,235,809)
Total changes	(28,235,809)	(28,235,809)
<b>Restated* Balance at 01 July 2015</b>	<b>3,474,780,483</b>	<b>3,474,780,483</b>
Changes in net assets		
Surplus/(deficit) for the year	(126,711,817)	(126,711,817)
Reclassification of VAT	(30,915,342)	(30,915,342)
Correction of Asset Register	(3,440,091)	(3,440,091)
Total changes	(161,067,250)	(161,067,250)
<b>Balance at 30 June 2016</b>	<b>3,313,713,233</b>	<b>3,313,713,233</b>

\* See Note 58 & 55

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**Cash Flow Statement**

	Note(s)	2016 R	2015 Restated* R
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Property Rates		32,517,236	28,724,981
Sale of goods and services		110,619,573	158,900,512
Grants		267,735,960	250,595,750
Interest income		19,133,953	2,457,920
Dividends received		36,226	32,189
Other receipts		6,531,594	12,982,159
Other non-cash item		20,182,796	-
		<u>456,757,338</u>	<u>453,693,511</u>
<b>Payments</b>			
Employee costs		(180,130,557)	(163,901,538)
Suppliers		(175,495,363)	(220,425,786)
Finance costs		(947,282)	(918,796)
Other cash item		-	(227,323)
		<u>(356,573,202)</u>	<u>(385,473,443)</u>
<b>Net cash flows from operating activities</b>	41	<u><b>100,184,136</b></u>	<u><b>68,220,068</b></u>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	11	(94,338,855)	(74,539,120)
Disposal of property, plant and equipment	11	3,373,640	150,523
Purchase of investment property	10	(4,596,306)	-
Purchase of other intangible assets	12	(672,928)	(1,655,696)
Proceeds from sale of financial assets		5,169	(506,140)
Purchase of biological assets that form part of an agricultural activity		-	-
Proceeds from sale of non current receivables an loss on sale of assets		(3,373,640)	(87,524)
<b>Net cash flows from investing activities</b>		<u><b>(99,602,920)</b></u>	<u><b>(76,637,957)</b></u>
<b>Cash flows from financing activities</b>			
Repayment of other financial liabilities		(627,400)	(477,638)
<b>Net cash flows from financing activities</b>		<u><b>(627,400)</b></u>	<u><b>(477,638)</b></u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<u><b>(46,184)</b></u>	<u><b>(8,895,527)</b></u>
Cash and cash equivalents at the beginning of the year		3,702,108	12,597,635
<b>Cash and cash equivalents at the end of the year</b>	9	<u><b>3,655,924</b></u>	<u><b>3,702,108</b></u>

\* See Note 58 & 55

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**Statement of Comparison of Budget and Actual Amounts**

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue from exchange transactions</b>						
Sale of goods	123,500	(103,500)	<b>20,000</b>	-	<b>(20,000)</b>	
Service charges	166,662,000	7,474,711	<b>174,136,711</b>	146,817,268	<b>(27,319,443)</b>	Sue to drought the expected income decreased.
Rental of facilities and equipment	1,254,000	5,000	<b>1,259,000</b>	1,563,900	<b>304,900</b>	Income increased due to letting of properties
Interest received (trading)	27,000,000	-	<b>27,000,000</b>	17,200,323	<b>(9,799,677)</b>	Improved debt collection and writtrn off of bad debt previous year.
Licences and permits	-	40,000	<b>40,000</b>	100,173	<b>60,173</b>	Increased controle
Administration and management fees received	585,200	-	<b>585,200</b>	-	<b>(585,200)</b>	Sundry income did not realised
Commissions received	220,000	-	<b>220,000</b>	207,208	<b>(12,792)</b>	
Sale of land and erven	-	500,000	<b>500,000</b>	369,163	<b>(130,837)</b>	Decrease in land sales
Other income - (rollup)	2,373,550	(596,500)	<b>1,777,050</b>	2,127,250	<b>350,200</b>	Increase in sundry services
Interest received - investment and Debtors	1,400,000	400,000	<b>1,800,000</b>	1,933,630	<b>133,630</b>	Increase debtors control resulted in less interest
Dividends received	35,000	-	<b>35,000</b>	36,226	<b>1,226</b>	
<b>Total revenue from exchange transactions</b>	<b>199,653,250</b>	<b>7,719,711</b>	<b>207,372,961</b>	<b>170,355,141</b>	<b>(37,017,820)</b>	
<b>Revenue from non-exchange transactions</b>						
<b>Taxation revenue</b>						
Property rates	38,500,000	3,543,922	<b>42,043,922</b>	41,090,394	<b>(953,528)</b>	The effect of the implementation of the new valuation roll
<b>Transfer revenue</b>						
Government grants & subsidies	218,334,000	5,500,000	<b>223,834,000</b>	267,735,961	<b>43,901,961</b>	Additional Ad Hoc grants received during the year from Government

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**Statement of Comparison of Budget and Actual Amounts**

Budget on Accrual Basis						
	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	
Public contributions and donations	-	-	-	20,182,796	<b>20,182,796</b>	Assets donated by donars
Fines, Penalties and Forfeits	101,000	-	<b>101,000</b>	2,163,900	<b>2,062,900</b>	Increase in traffic control
Other transfer revenue 1	40,000	(40,000)	-	-	-	
<b>Total revenue from non-exchange transactions</b>	<b>256,975,000</b>	<b>9,003,922</b>	<b>265,978,922</b>	<b>331,173,051</b>	<b>65,194,129</b>	
<b>Total revenue</b>	<b>456,628,250</b>	<b>16,723,633</b>	<b>473,351,883</b>	<b>501,528,192</b>	<b>28,176,309</b>	
<b>Expenditure</b>						
Personnel	(159,569,262)	(1,553,391)	<b>(161,122,653)</b>	(169,775,771)	<b>(8,653,118)</b>	Provision made on accumulated leave and contineous employee benefits
Remuneration of councillors	(10,353,882)	-	<b>(10,353,882)</b>	(10,354,786)	<b>(904)</b>	
Depreciation and amortisation	(25,282,489)	(5,426,449)	<b>(30,708,938)</b>	(215,927,790)	<b>(185,218,852)</b>	Asset register enhanced
Impairment loss/ Reversal of impairments	-	-	-	(2,109,756)	<b>(2,109,756)</b>	
Finance costs	(3,227,000)	1,448,276	<b>(1,778,724)</b>	(947,282)	<b>831,442</b>	Loan application not realised
Lease rentals on operating lease	(10,290,011)	(959,294)	<b>(11,249,305)</b>	(14,750,082)	<b>(3,500,777)</b>	A lot of equipment hire during the year for unexpected repairs and drought
Bad debts written off	(44,000,000)	(5,000,000)	<b>(49,000,000)</b>	(84,545,849)	<b>(35,545,849)</b>	Debtors written off during financial period
Collection costs	(250,000)	139,741	<b>(110,259)</b>	(6,092)	<b>104,167</b>	
Bulk purchases	(67,560,750)	30	<b>(67,560,720)</b>	(53,292,708)	<b>14,268,012</b>	Saving due to demand control
Contracted Services	(15,842,747)	(3,170,198)	<b>(19,012,945)</b>	(17,223,877)	<b>1,789,068</b>	
Transfers and Subsidies	-	-	-	(2,501,241)	<b>(2,501,241)</b>	Income forgone treated as transfer and grants during the year
General Expenses	(69,623,284)	1,168,369	<b>(68,454,915)</b>	(53,431,135)	<b>15,023,780</b>	Increase departmental usage
<b>Total expenditure</b>	<b>(405,999,425)</b>	<b>(13,352,916)</b>	<b>(419,352,341)</b>	<b>(624,866,369)</b>	<b>(205,514,028)</b>	
<b>Operating deficit</b>	<b>50,628,825</b>	<b>3,370,717</b>	<b>53,999,542</b>	<b>(123,338,177)</b>	<b>(177,337,719)</b>	
Loss on disposal of assets and liabilities	-	-	-	(3,373,640)	<b>(3,373,640)</b>	
<b>Deficit before taxation</b>	<b>50,628,825</b>	<b>3,370,717</b>	<b>53,999,542</b>	<b>(126,711,817)</b>	<b>(180,711,359)</b>	

**Setsoto Local Municipality**  
 (Registration number Municipal demarcation code FS191)  
 Financial Statements for the year ended 30 June 2016

**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	
<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	<b>50,628,825</b>	<b>3,370,717</b>	<b>53,999,542</b>	<b>(126,711,817)</b>	<b>(180,711,359)</b>	
<b>Reconciliation</b>						

## **Accounting Policies**

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### **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) (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 trade 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 trade 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**

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### **1.2 Significant judgements and sources of estimation uncertainty (continued)**

#### **Impairment testing**

The recoverable amounts of cash-generating 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 20 - Provisions.

#### **Useful lives and residual values**

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 21.

#### **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**

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### **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.

### **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:

<b>Item</b>	<b>Useful life</b>
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.

### **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.

## Accounting Policies

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

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.

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

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

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	6 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

## **Accounting Policies**

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### **1.4 Property, plant and equipment (continued)**

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

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

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 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.

### **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.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

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.

## **Accounting Policies**

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### **1.5 Intangible assets (continued)**

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.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

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:

<b>Item</b>	<b>Useful life</b>
Computer software, other	3 - 5 years

### **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.

## **Accounting Policies**

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### **1.6 Heritage assets (continued)**

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.

#### **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.

#### **Subsequent measurement**

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

After recognition as an asset, a class of heritage assets, whose fair value can be measured reliably, is carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent impairment losses.

If a heritage asset's carrying amount is increased as a result of a revaluation, the increase is credited directly to a revaluation surplus. However, the increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in surplus or deficit.

If a heritage asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in surplus or deficit. However, the decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

#### **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.

## **Accounting Policies**

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### **1.7 Financial instruments (continued)**

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.

#### **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**

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### **1.7 Financial instruments (continued)**

#### **Subsequent measurement of financial assets and financial liabilities**

## **Accounting Policies**

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### **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 fair value.

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 balance sheet 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**

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### **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 .

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**

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### **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.

### **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 Revaluation reserve**

The surplus arising from the revaluation of property, plant and equipment is credited to a non-distributable reserve. The revaluation surplus is realised as revalued buildings are depreciated, through a transfer from the revaluation reserve to the accumulated surplus/deficit. On disposal, the net revaluation surplus is transferred to the accumulated surplus/deficit while gains or losses on disposal, based on revalued amounts, are credited or charged to the statement of financial performance.

## **Accounting Policies**

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### **1.13 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.

### **1.14 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 entity,
- 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 entity. 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-imbusement 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 entity,
- 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.

### **1.15 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.

## **Accounting Policies**

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### **1.15 Related parties (continued)**

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.

### **1.16 Commitments**

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

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

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

### **1.17 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.

## **Accounting Policies**

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### **1.18 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.

#### **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:

## **Accounting Policies**

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### **1.18 Impairment of non-cash-generating assets (continued)**

#### **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.

### **1.19 Employee benefits**

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

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.

## **Accounting Policies**

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### **1.19 Employee benefits (continued)**

#### **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.

#### **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.

## **Accounting Policies**

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### **1.19 Employee benefits (continued)**

#### **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**

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### **1.19 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**

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### **1.19 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**

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### **1.19 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**

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### **1.19 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.

### **1.20 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**

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### **1.20 Provisions and contingencies (continued)**

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of a activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

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 56.

### **1.21 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**

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### **1.21 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.

### **1.22 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.

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.

## **Accounting Policies**

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### **1.22 Revenue from non-exchange transactions (continued)**

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.

#### **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.

## **Accounting Policies**

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### **1.22 Revenue from non-exchange transactions (continued)**

#### **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.

### **1.23 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.

### **1.24 Comparative figures**

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

### **1.25 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.

### **1.26 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.

### **1.27 Irregular expenditure**

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

## **Accounting Policies**

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### **1.27 Irregular expenditure (continued)**

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

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

- with, a (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;
- with, a (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;
- of the (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
- with, a (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.

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.

### **1.28 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.

### **1.29 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.

### **1.30 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 01/07/2015 to 30/06/2016.

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

## **Accounting Policies**

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### **1.30 Budget information (continued)**

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.

### **1.31 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.

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**Notes to the Financial Statements**

2016  
R

2015  
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**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 2016 or later periods:

<b>Standard/ Interpretation:</b>	<b>Effective date: Years beginning on or after</b>	<b>Expected impact:</b>
• GRAP 18: Segment Reporting	01 April 2017	It is unlikely that standard will have a material impact on the municipality's annual financial statements.
• GRAP 20: Related parties	01 April 2017	It is unlikely that standard will have a material impact on the municipality's annual financial statements.
• GRAP 32: Service Concession Arrangements: Grantor	01 April 2016	It is unlikely that standard will have a material impact on the municipality's annual financial statements.
• GRAP 108: Statutory Receivables	01 April 2016	It is unlikely that standard will have a material impact on the municipality's annual financial statements.
• IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset	01 April 2016	It is unlikely that standard will have a material impact on the municipality's annual financial statements.
• GRAP 16 (as amended 2015): Investment Property	01 April 2016	It is unlikely that standard will have a material impact on the municipality's annual financial statements.
• GRAP 17 (as amended 2015): Property, Plant and Equipment	01 April 2016	It is unlikely that standard will have a material impact on the municipality's annual financial statements.
• GRAP 109: Accounting by Principals and Agents	01 April 2017	It is unlikely that standard will have a material impact on the municipality's annual financial statements.
• GRAP 21 (as amended 2015): Impairment of non-cash-generating assets	01 April 2017	It is unlikely that standard will have a material impact on the municipality's annual financial statements.

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**2. New standards and interpretations (continued)**

- |  |               |   |
|--|---------------|---|
| <ul style="list-style-type: none"> <li>• GRAP 26 (as amended 2015): Impairment of cash-generating assets</li> </ul>                      | 01 April 2017 | It is unlikely that standard will have a material impact on the municipality's annual financial statements. |
| <ul style="list-style-type: none"> <li>• Directive 12: The Selection of an Appropriate Reporting Framework by Public Entities</li> </ul> | 01 April 2018 | It is unlikely that standard will have a material impact on the municipality's annual financial statements. |

**3. Inventories**

Consumable Stores	1,225,056	1,062,728
Water	661,704	748,591
	<b>1,886,760</b>	<b>1,811,319</b>

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.

**Inventory pledged as security**

No inventory was pledged as security for the year.

**4. Other financial assets**

**Designated at fair value**

Listed shares	869,848	956,026
Sanlam Shares		
Unlisted shares	1,142,369	1,121,878
OVK / EFC Shares		
	<b>2,012,217</b>	<b>2,077,904</b>

**At amortised cost**

Other financial assets	1,087,787	1,027,269
Consist of a Sanlam Redemption fund and a housing collateral at ABSA Bank		
<b>Total other financial assets</b>	<b>3,100,004</b>	<b>3,105,173</b>

**Non-current assets**

Designated at fair value	2,012,217	2,077,904
At amortised cost	1,087,787	1,027,269
	<b>3,100,004</b>	<b>3,105,173</b>

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	2016 R	2015 R
<b>4. Other financial assets (continued)</b>		
<b>Financial assets at fair value</b>		
<b>Fair value hierarchy of financial assets at fair value</b>		
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.		
<b>Level 1</b>		
Sanlam	869,848	956,026
OVK	1,142,368	1,121,878
	<u>2,012,216</u>	<u>2,077,904</u>
As at 30 June 2016, the Sanlam share value was:	R60.36 (2015: R66.34).	
As at 30 June 2016, the OVK share value was as follow:	OVK Operations R13.57 (2015: R13.35)	
	OVK Holdings: R12.57 (2015: R12.31).	
	<u>2,012,216</u>	<u>2,077,904</u>
<b>Financial assets at amortised cost</b>		
<b>Fair values of financial assets measured or disclosed at fair value</b>		
Other financial assets	<u>1,087,787</u>	<u>1,027,269</u>
<b>5. Consumer debtors disclosure</b>		
<b>Gross balances</b>		
Consumer debtors - Rates	50,699,642	42,126,484
Consumer debtors - Electricity	40,970,010	48,872,344
Consumer debtors - Water	116,031,917	91,773,286
Consumer debtors - Sewerage	35,905,777	24,462,112
Consumer debtors - Refuse	45,666,405	37,629,197
Consumer debtors - Other	2,317,407	1,956,882
	<u>291,591,158</u>	<u>246,820,305</u>
<b>Less: Allowance for impairment</b>		
Consumer debtors - Rates	(11,416,026)	(18,765,383)
Consumer debtors - Electricity	(20,311,390)	(33,331,988)
Consumer debtors - Water	(53,422,543)	(32,987,272)
Consumer debtors - Sewerage	(26,248,169)	(15,672,774)
Consumer debtors - Refuse	(34,851,590)	(26,081,363)
Consumer debtors - Other	(2,157,148)	(946,877)
	<u>(148,406,866)</u>	<u>(127,785,657)</u>

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	2016 R	2015 R
<b>5. Consumer debtors disclosure (continued)</b>		
<b>Net balance</b>		
Consumer debtors - Rates	39,283,616	23,361,101
Consumer debtors - Electricity	20,658,620	15,540,356
Consumer debtors - Water	62,609,374	58,786,014
Consumer debtors - Sewerage	9,657,608	8,789,338
Consumer debtors - Refuse	10,814,815	11,547,834
Consumer debtors - Other	160,259	1,010,005
	<b>143,184,292</b>	<b>119,034,648</b>
<b>Rates</b>		
Current (0 -30 days)	3,414,247	7,111,223
31 - 60 days	2,836,292	2,959,471
61 - 90 days	2,738,825	2,712,505
91 - 120 days	2,689,986	2,044,912
121 + days	39,020,292	27,298,373
Less: Impairment	(11,416,026)	(18,765,383)
	<b>39,283,616</b>	<b>23,361,101</b>
<b>Electricity</b>		
Current (0 -30 days)	21,931,461	20,413,047
31 - 60 days	2,721,966	1,875,582
61 - 90 days	1,721,461	1,888,117
91 - 120 days	1,536,894	1,709,021
121 + days	13,058,228	22,986,577
Less: Impairment	(20,311,390)	(33,331,988)
	<b>20,658,620</b>	<b>15,540,356</b>
<b>Water</b>		
Current (0 -30 days)	5,133,380	6,187,640
31 - 60 days	5,686,079	2,551,649
61 - 90 days	5,471,285	2,493,706
91 - 120 days	5,139,068	2,847,768
121 + days	94,602,105	77,692,523
Less: Impairment	(53,422,543)	(32,987,272)
	<b>62,609,374</b>	<b>58,786,014</b>
<b>Sewerage</b>		
Current (0 -30 days)	1,991,689	1,635,802
31 - 60 days	1,771,926	1,461,471
61 - 90 days	1,720,439	1,437,706
91 - 120 days	1,692,405	1,433,264
121 + days	28,729,318	18,493,869
Less: Impairment	(26,248,169)	(15,672,774)
	<b>9,657,608</b>	<b>8,789,338</b>

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	2016	2015
	R	R
<b>5. Consumer debtors disclosure (continued)</b>		
<b>Refuse</b>		
Current (0 -30 days)	1,106,142	1,444,441
31 - 60 days	2,170,853	1,715,011
61 - 90 days	2,111,465	1,698,851
91 - 120 days	2,079,787	1,707,483
121 + days	38,198,158	31,063,411
Less: Impairment	(34,851,590)	(26,081,363)
	<b><u>10,814,815</u></b>	<b><u>11,547,834</u></b>
<b>Other Debtors</b>		
Current (0 -30 days)	626,670	1,033,727
31 - 60 days	97,822	137,845
61 - 90 days	85,498	107,965
91 - 120 days	99,022	91,110
121 + days	1,408,395	586,235
Less: Impairment	(2,157,148)	(946,877)
	<b><u>160,259</u></b>	<b><u>1,010,005</u></b>

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	2016 R	2015 R
<b>5. Consumer debtors disclosure (continued)</b>		
<b>Summary of debtors by customer classification</b>		
<b>Consumers</b>		
Current (0 -30 days)	32,092,739	35,906,125
31 - 60 days	11,707,790	8,503,691
61 - 90 days	10,809,467	8,280,283
91 - 120 days	10,217,477	8,142,264
121 + days	183,152,425	156,801,705
	<b>247,979,898</b>	<b>217,634,068</b>
<b>Industrial/ commercial</b>		
Current (0 -30 days)	2,107,167	2,624,670
31 - 60 days	1,585,374	1,152,920
61 - 90 days	1,096,301	638,543
91 - 120 days	1,124,038	626,355
121 + days	13,114,655	9,330,171
	<b>19,027,535</b>	<b>14,372,659</b>
<b>National and provincial government</b>		
Current (0 -30 days)	3,682	3,386,086
31 - 60 days	1,991,774	1,044,419
61 - 90 days	1,943,206	1,420,026
91 - 120 days	1,895,647	1,064,938
121 + days	18,749,416	7,898,110
	<b>24,583,725</b>	<b>14,813,579</b>
<b>Total</b>		
Current (0 -30 days)	34,203,589	37,825,880
31 - 60 days	15,284,938	10,701,029
61 - 90 days	13,848,973	10,338,850
91 - 120 days	13,237,162	9,833,558
121 + days	215,016,496	178,120,988
	291,591,158	246,820,305
Less: Allowance for impairment	(148,406,866)	(127,785,657)
	<b>143,184,292</b>	<b>119,034,648</b>
<b>Reconciliation of allowance for impairment</b>		
Balance at beginning of the year	(127,785,657)	(192,724,644)
Contributions to allowance	(84,545,848)	(25,097,237)
Debt impairment written off against allowance	63,924,640	90,036,224
	<b>(148,406,865)</b>	<b>(127,785,657)</b>
<b>6. Receivables from exchange transactions</b>		
Consumer debtors - Electricity	20,658,620	15,540,356
Consumer debtors - Water	62,609,374	58,786,014
Consumer debtors - Sewerage	9,657,608	8,789,338
Consumer debtors - Refuse (Filtered)	10,814,815	11,547,834
Consumer debtors - Other 2	160,259	1,010,005
	<b>103,900,676</b>	<b>95,673,547</b>

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**Notes to the Financial Statements**

	2016	2015
	R	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	414,468	685,496
Sundry Debtors	5,496,420	5,496,420
Prepayments (Eskom and Fuel Deposits)	1,972,361	1,879,430
Rates (Details as per Note 5 above)	39,283,616	23,361,101
	<b>47,166,865</b>	<b>31,422,447</b>

**8. VAT receivable**

VAT Receivable	-	40,471,056
Vat Payable	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	8,707	8,707
Bank balances	3,587,897	583,817
Short-term deposits	59,320	3,109,584
	<b>3,655,924</b>	<b>3,702,108</b>

**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.

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**Notes to the Financial Statements**

	2016			2015		
	R			R		
<b>9. Cash and cash equivalents (continued)</b>						
<b>The municipality had the following bank accounts</b>						
Account number / description	Bank statement balances			Cash book balances		
	30 June 2016	30 June 2015	30 June 2014	30 June 2016	30 June 2015	30 June 2014
FNB BANK - Current Account - 620 480 92647	3,557,178	574,105	7,336,317	3,587,897	583,817	7,347,501
FNB BANK - Business Money Market - 621 517 83563	33,760	10,732	206,552	33,760	10,732	206,552
FNB BANK - NSTD Account - 620 490 46205	24,561	3,063,184	4,656,759	24,561	3,063,184	4,656,759
FNB BANK - Call Account - 623 105 40465	1,000	35,668	3,777,116	1,000	35,668	377,716
<b>Total</b>	<b>3,616,499</b>	<b>3,683,689</b>	<b>15,976,744</b>	<b>3,647,218</b>	<b>3,693,401</b>	<b>12,588,528</b>

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**Notes to the Financial Statements**

Figures in Rand

**10. Investment property**

	2016			2015		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	99,774,059	(25,199,883)	74,574,176	95,177,754	(24,001,330)	71,176,424

**Reconciliation of investment property - 2016**

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

**Reconciliation of investment property - 2015**

	Opening balance	Impairments	Total
Investment property	72,794,302	(1,617,878)	71,176,424

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.

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**11. Property, plant and equipment**

	2016			2015		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	54,607,900	-	54,607,900	56,969,000	-	56,969,000
Furniture and Office Equipment	6,367,737	(5,863,331)	504,406	6,370,215	(5,647,560)	722,655
Transport Assets	17,871,279	(11,135,164)	6,736,115	14,381,880	(9,452,643)	4,929,237
Computer Equipment	6,867,245	(5,710,766)	1,156,479	7,550,892	(6,233,219)	1,317,673
Infrastructure - Electricity	278,995,336	(96,451,607)	182,543,729	278,995,338	(85,268,555)	193,726,783
Buildings & Other Structure (Community)	428,655,062	(123,777,597)	304,877,465	353,114,720	(112,370,369)	240,744,351
Infrastructure: Waste Management	24,009,567	(2,384,367)	21,625,200	23,854,567	(1,343,807)	22,510,760
Infrastructure: Road, Pavement, Bridges & Stormwater	2,798,896,456	(1,356,287,808)	1,442,608,648	2,798,896,458	(1,205,295,821)	1,593,600,637
Machinery & Equipment	3,765,824	(2,787,060)	978,764	4,267,792	(2,865,365)	1,402,427
Infrastructure - Wastewater management	508,811,629	(105,918,579)	402,893,050	444,461,579	(91,107,150)	353,354,429
Infrastructure - Water	865,821,751	(137,036,796)	728,784,955	836,840,849	(117,588,497)	719,252,352
Work in Process	63,639,307	-	63,639,307	145,191,389	-	145,191,389
<b>Total</b>	<b>5,058,309,093</b>	<b>(1,847,353,075)</b>	<b>3,210,956,018</b>	<b>4,970,894,679</b>	<b>(1,637,172,986)</b>	<b>3,333,721,693</b>

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**11. Property, plant and equipment (continued)**

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

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment reversal	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)	-	(495,597)	-	1,156,479
Infrastructure - Electricity	193,726,783	-	-	-	(11,183,054)	-	182,543,729
Buildings & Other Structure (Community)	240,744,351	8,391,621	(512,392)	69,087,096	(12,958,247)	125,036	304,877,465
Infrastructure: Waste Management	22,510,760	155,000	-	-	(1,040,560)	-	21,625,200
Infrastructure: Road, Pavement, Bridges & Stormwater	1,593,600,637	-	-	(129,940)	(150,862,049)	-	1,442,608,648
Machinery & Equipment	1,402,427	133,017	(3,379)	-	(553,301)	-	978,764
Infrastructure - Wastewater management	353,354,429	1,730,471	(477,840)	63,354,669	(15,068,679)	-	402,893,050
Infrastructure - Water	719,252,352	4,018,112	-	24,962,790	(19,448,299)	-	728,784,955
Work in Process	145,191,389	75,852,473	-	(157,404,555)	-	-	63,639,307
	<b>3,333,721,693</b>	<b>94,338,855</b>	<b>(3,373,640)</b>	<b>(129,940)</b>	<b>(213,725,986)</b>	<b>125,036</b>	<b>3,210,956,018</b>

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**11. Property, plant and equipment (continued)**

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

	Opening balance	Additions	Transfers	Depreciation	Impairment loss	Total
Land	19,700,964	37,268,036	-	-	-	56,969,000
Furniture and Office Equipment	1,610,213	-	-	(887,488)	(70)	722,655
Transport Assets	5,776,012	988,135	-	(1,834,910)	-	4,929,237
Computer Equipment	1,916,779	-	-	(596,106)	(3,000)	1,317,673
Infrastructure - Electricity	199,353,994	5,503,036	-	(11,130,247)	-	193,726,783
Buildings & Other Structure (Community)	261,277,452	-	-	(10,700,489)	(9,832,612)	240,744,351
Infrastructure: Waste Management	2,946,803	20,605,814	-	(1,041,857)	-	22,510,760
Infrastructure: Road, Pavement, Bridges & Stormwater	1,751,671,944	-	-	(150,534,997)	(7,536,310)	1,593,600,637
Machinery & Equipment	2,054,594	-	-	(652,167)	-	1,402,427
Infrastructure - Wastewater management	364,242,625	751,617	-	(11,639,813)	-	353,354,429
Infrastructure - Water	714,224,402	23,933,908	-	(18,905,958)	-	719,252,352
Work in Process	114,769,669	61,558,205	(31,136,485)	-	-	145,191,389
	<b>3,439,545,451</b>	<b>150,608,751</b>	<b>(31,136,485)</b>	<b>(207,924,032)</b>	<b>(17,371,992)</b>	<b>3,333,721,693</b>

**Pledged as security**

No Property, Plant and Equipment was pledged as security.

**Assets subject to finance lease (Net carrying amount)**

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	2016 R	2015 R
<b>11. Property, plant and equipment (continued)</b>		
<b>Reconciliation of Work-in-Progress 2016</b>		
	Included within Infrastructure	Total
Opening balance	145,191,389	145,191,389
Additions/capital expenditure	78,619,806	78,619,806
Adjustment for Retension	(2,767,333)	(2,767,333)
Transferred to completed items	(157,404,555)	(157,404,555)
	<b>63,639,307</b>	<b>63,639,307</b>

**Reconciliation of Work-in-Progress 2015**

	Included within Property, Plant and Equipment	Included within Community	Total
Opening balance	62,214,956	-	62,214,956
Additions/capital expenditure	8,574,166	1,631,134	10,205,300
Correction of opening balances	102,959,695	-	102,959,695
Transferred to completed items	(30,188,562)	-	(30,188,562)
	<b>143,560,255</b>	<b>1,631,134</b>	<b>145,191,389</b>

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 44 & 55.

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.

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**12. Intangible assets**

	2016			2015		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	5,604,622	(2,457,910)	3,146,712	4,931,694	(1,454,663)	3,477,031

**Reconciliation of intangible assets - 2016**

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

**Reconciliation of intangible assets - 2015**

	Opening balance	Additions	Transfers	Amortisation	Total
Computer software, other	2,693,453	1,655,696	(104,000)	(768,118)	3,477,031

**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.

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**Notes to the Financial Statements**

	2016 R	2015 R				
<b>13. Heritage assets</b>						
	2016	2015				
	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 2016**

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

**Reconciliation of heritage assets 2015**

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

**14. Borrowings**

**At amortised cost**

Financial liabilities	6,284,291	6,825,513
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Refer to Appendix A for further details on the borrowings.

**Non-current liabilities**

At amortised cost	5,666,599	6,284,291
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**Current liabilities**

At amortised cost	617,692	541,222
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**15. Finance lease obligation**

It is Municipality's 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% (2015: 11%).

During the current financial year there were no financial leases and no new lease agreements were entered into.

**16. Payables from exchange transactions**

Trade payables	34,654,593	18,231,592
Payments received in advance	13,552,222	11,612,520
Bonus	3,610,017	3,443,094
Accrued leave pay	10,701,310	9,137,382
Other payables	3,942,498	3,336,465
Salary Control	2,739,075	1,775,184
Retension monies	2,619,302	5,386,635
	<b>71,819,017</b>	<b>52,922,872</b>

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**Notes to the Financial Statements**

	2016 R	2015 R
<b>16. Payables from exchange transactions (continued)</b>		
<b>Fair value of trade and other payables</b>		
<p>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.</p> <p>The management of the municipality is of the opinion that the carrying value of creditors approximate their fair values.</p>		
<b>17. VAT payable</b>		
<p>VAT is payable on the payment basis. Only once payment is received from debtors, VAT is paid over to SARS. No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies. The municipality has financial risk policies in place to ensure that payments are affected before the due date.</p>		
<b>18. Consumer deposits</b>		
Electricity	2,361,373	2,417,491
Water	127,889	-
Rental Deposits	32,185	11,511
	<b>2,521,447</b>	<b>2,429,002</b>
Guarantees held in lieu of electricity and other deposits		
<b>19. Unspent conditional grants and receipts</b>		
<b>Unspent conditional grants and receipts comprises of:</b>		
<b>Unspent conditional grants and receipts</b>		
Provincial Government - Free State	952,460	806,883
<b>Movement during the year</b>		
Balance at the beginning of the year	806,882	4,320,808
Additions during the year	267,881,537	250,342,633
Income recognition during the year	(267,735,959)	(253,856,558)
	<b>952,460</b>	<b>806,883</b>

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**Notes to the Financial Statements**

	2016 R	2015 R
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**20. Provisions**

**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
	<b>18,569,136</b>	<b>1,829,000</b>	<b>20,398,136</b>

**Reconciliation of provisions - 2015**

	Opening Balance	Additions	Reversed during the year	Total
Environmental rehabilitation	9,460,700	-	(264,700)	9,196,000
Long service bonus (short term portion)	1,168,000	39,000	-	1,207,000
Long service bonus (long term portion)	7,033,136	1,133,000	-	8,166,136
	<b>17,661,836</b>	<b>1,172,000</b>	<b>(264,700)</b>	<b>18,569,136</b>

Non-current liabilities	19,120,136	17,362,136	
Current liabilities	1,278,000	1,207,000	
	<b>20,398,136</b>	<b>18,569,136</b>	

**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	674	700
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The amounts recognised in the statement of financial position are as follows:

**Carrying value**

Present value long service awards liability - wholly unfunded	(9,373,000)	(8,201,000)
Service Cost	(1,207,000)	(1,063,000)
Interest Cost	(878,000)	(664,000)
Actuarial Benefits paid	1,128,192	748,186
Actuarial gains/(losses)	(198,192)	(193,186)
<b>As at 30 June</b>	<b>(10,528,000)</b>	<b>(9,373,000)</b>

**Valuation Assumptions**

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**Notes to the Financial Statements**

2016  
R

2015  
R

**20. 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	Assumed Value
	30-06-2016 (Current Valuation)	at 30-06-2015 (Preceding Valuation)
Discount Rate	Yield Curve	Yield Curve
CPI (Consumer Price Inflation)	Difference between nominal and real yield curve	Difference between nominal and real yield curve
Normal Salary Increase Rate	Equal to CPI+1%	Equal to CPI+1%
Net Effective Discount Rate	Yield Curve Based**	Yield Curve Based**

**Discount Rate**

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

\*\* The Net Effective Discount Rate is different for each relevant time period of the yield curves' various durations and therefore the Net Effective Discount Rate is based on the relationship between the (yield curve based) Discount Rate for each relevant time period and the (yield curve based) Salary Inflation for each relevant time period.

**Normal Salary Inflation Rate**

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:

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	2016	2015
	R	R

**20. Provisions (continued)**

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%
50 - 54	2%	2%
55 - 59	1%	1%
60 +	0%	0%

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	2016	2015
	R	R

**20. Provisions (continued)**

**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 10%;
- 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	0 Years - applied for extension
Clocolan	0 Years - applied for extension

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**Notes to the Financial Statements**

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2016	2015
R	R

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**21. 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**

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	2016 R	2015 R
<b>21. Employee benefit obligations (continued)</b>		
The Post Retirement Medical Plan is a defined benefit plan, of which the members are made up as follows:		
In-service (employee) members	529	520
Continuation members (e.g: Retirees, widows, orphans)	41	37
<b>Total Members</b>	<b>570</b>	<b>557</b>

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 the related actuarial practice guidance note (APN 301) of the Actuarial Society of South Africa and can therefore be used in the compilation of the Annual Financial Statements of the Municipality..

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 -	(43,612,000)	(41,184,000)
Service Cost	(2,215,000)	(1,994,000)
Interest Cost	(4,031,000)	(3,716,000)
Actuarial Benefits paid	1,430,621	1,279,204
Actuarial gains/(losses)	1,203,379	2,002,796
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<b>As at 30 June</b>	<b>(47,224,000)</b>	<b>(43,612,000)</b>

**Valuation Assumptions**

In estimating the liability for post-employment medical aid 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.

APN 301 states that 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- and medical aid inflation rates. We have assumed the following values for these variables:.

<b>Financial Variable</b>	<b>30-06-2016 Valuation</b>	<b>30-06-2015 Valuation</b>
Discount rate	Yield Curve	Yield Curve
Consumer price inflation	Difference between nominal and yield curves	Difference between nominal and yield curve
Medical aid Inflation	CPI+1%	CPI+1%
Net effective discount rate	Yield curve based	Yield curve based

**Discount Rate**

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

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2016	2015
R	R

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**21. Employee benefit obligations (continued)**

"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 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 main reasons for the actuarial gain can be attributed to the following factors:

- 1. Changes in economic variables** – 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. As a result, the interest rates, bond yields and inflation figures changed. This resulted in a higher net effective discount rate and hence an overall decrease in the liability of around R 1,450,000.
- 2. Membership changes** – Over the past financial year there were various changes in the membership data. An increase in membership, along with other small changes, resulted in an overall increase in the liability of around R 247,000.

The report is available for inspection at the Municipality.

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	2016 R	2015 R
<b>21. Employee benefit obligations (continued)</b>		
<b>Calculation of actuarial gains and losses</b>		
Actuarial (gains) losses – Plan assets	<u>1,203,379</u>	<u>(2,002,796)</u>
<b>22. Service charges</b>		
Sale of electricity	63,625,991	64,532,419
Sale of water	40,326,296	32,982,634
Sewerage and sanitation charges	21,382,193	18,109,760
Refuse removal	21,296,069	21,678,872
Other service charges	186,719	130,740
	<u><b>146,817,268</b></u>	<u><b>137,434,425</b></u>
<b>23. Rental of facilities and equipment</b>		
Rental of facilities	<u>1,563,900</u>	<u>1,298,235</u>
<b>24. Other income</b>		
Sundry income	471,707	5,132,747
Skills Development Claims	-	963,080
Cemetery Fees	452,164	290,016
Post Retirement Medical Actuarial Gain	1,203,379	2,002,796
	<u><b>2,127,250</b></u>	<u><b>8,388,639</b></u>
<b>25. Interest and Dividends received - investment</b>		
<b>Dividend revenue</b>		
Unlisted financial assets - Local	<u>36,226</u>	<u>32,189</u>
<b>Interest revenue</b>		
Interest earned on cash and bank	279,901	231,208
Investments and short term deposits	1,653,729	2,226,712
	<u><b>1,933,630</b></u>	<u><b>2,457,920</b></u>

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	2016 R	2015 R
<b>26. Property rates</b>		
<b>Rates received</b>		
Residential	35,965,493	23,132,687
State	23,518,774	22,321,699
Less: Income forgone	(18,393,873)	(13,307,629)
	<b><u>41,090,394</u></b>	<b><u>32,146,757</u></b>
<b>Valuations</b>		
Residential	2,353,176,499	2,344,134,099
Commercial	361,496,900	360,381,500
State	308,051,400	309,399,400
Municipal	32,762,700	32,015,600
Small holdings and farms	2,433,377,720	2,439,991,720
Churches	38,088,000	36,818,000
	<b><u>5,526,953,219</u></b>	<b><u>5,522,740,319</u></b>

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 (2015: R0.1) is applied to property valuations to determine assessment rates of residential. A general rate of R0.08 (2015: R0.8) is applied to property valuations to determine assessment rates of business.

Rebates of 82% (2015: 85%) 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.

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	2016 R	2015 R
<b>27. Government grants and subsidies</b>		
<b>Operating grants</b>		
Equitable share	166,309,000	165,381,001
EPWP Grant	2,042,000	2,632,000
Municipal Systems Improvement Grant (MSIG)	930,000	934,000
Financial Management Grant (FMG)	1,600,000	1,600,000
Provincial Government - Free State	5,354,424	3,013,925
Independent Development Trust	-	503,759
SETA Funding	1,416,639	-
	<u>177,652,063</u>	<u>174,064,685</u>
<b>Capital grants</b>		
MIG Grant	45,952,999	59,660,001
Lotto Grant	-	1,000,000
Department of Water Affairs Grant	42,630,898	15,871,065
INEG Grant	1,500,000	-
	<u>90,083,897</u>	<u>76,531,066</u>
	<b>267,735,960</b>	<b>250,595,751</b>

**Conditional and Unconditional**

Included in above are the following grants and subsidies received:

**Equitable Share**

Current-year receipts	166,309,000	165,381,001
Conditions met - transferred to revenue	(166,309,000)	(165,381,001)
	<u>-</u>	<u>-</u>

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 451 (2015: R 254), which is funded from the grant.

**MIG Grant**

Current-year receipts	45,952,999	59,660,000
Conditions met - transferred to revenue	(45,952,999)	(59,660,000)
	<u>-</u>	<u>-</u>

Conditions still to be met - remain liabilities (see note 19).

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	2,042,000	2,632,000
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	2016 R	2015 R
<b>27. Government grants and subsidies (continued)</b>		
Conditions met - transferred to revenue	(2,042,000)	(2,632,000)
	-	-

This grant is used in respect of job creation projects and programmes.

**Municipal Systems Improvement Grant (MSIG)**

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

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.

**Financial Management Grant (FMG)**

Current-year receipts	1,600,000	1,600,000
Conditions met - transferred to revenue	(1,600,000)	(1,600,000)
	-	-

The purpose of the grant is to promote and support reforms to financial management and the implementation of the MFMA.

**Department of Water Affairs Grant**

Current-year receipts	42,630,898	15,871,065
Conditions met - transferred to revenue	(42,630,898)	(15,871,065)
	-	-

This grant was used to address water loss control and assisting with water shortages in Clocolan, Marquard and Senekal during drought period.

**Provincial Government - Free State**

Balance unspent at beginning of year	806,883	3,320,809
Current-year receipts	5,500,000	500,000
Conditions met - transferred to revenue	(5,354,423)	(2,513,926)
Other	-	(500,000)
	<b>952,460</b>	<b>806,883</b>

Conditions still to be met - remain liabilities (see note 19).

Provincial Treasury give a R5 000 000 for the cleaning and maintenance of a pipeline.

COGTA also contributes R500 000 per year towards the Municipal Manager's salary.

**Independent Development Trust**

Current-year receipts	-	503,759
Other	-	(503,759)
	-	-

The Independent Development Trust Provide explanations of conditions still to be met and other relevant information.

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	2016 R	2015 R
<b>27. Government grants and subsidies (continued)</b>		
<b>INEG Grant</b>		
Current-year receipts	1,500,000	-
Conditions met - transferred to revenue	(1,500,000)	-
	-	-
Conditions still to be met - remain liabilities (see note 19).		
This grant is provided by the Department of Energy to upgrade the electric network.		
<b>SETA Funding</b>		
Current-year receipts	(1,416,639)	-
Conditions met - transferred to revenue	1,416,639	-
	-	-
Conditions still to be met - remain liabilities (see note 19).		
SETA will ensure that the skill requirements sector are identified and that adequate and appropriate skills are readily given to staff of the Municipality.		
<b>National Lottery</b>		
Current-year receipts	-	1,000,000
Conditions met - transferred to revenue	-	(1,000,000)
	-	-
Conditions still to be met - remain liabilities (see note 19).		
National Lottery gave this grant for the upgrading of the Hennie De Wet Stadium.		
<b>Changes in level of government grants</b>		
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.		
<b>28. Revenue</b>		
Service charges	146,817,268	137,434,425
Rental of facilities and equipment	1,563,900	1,298,235
Interest received (trading)	17,200,323	19,993,457
Licences and permits	100,173	13,553
Commissions received	207,208	224,093
Sale of land	369,163	824,007
Insurance Claims	-	306,953
Other income	2,127,250	8,388,639
Interest received - investment	1,933,630	2,457,920
Dividends received	36,226	32,189
Property rates	41,090,394	32,146,757
Government grants & subsidies	267,735,961	250,595,751
Public contributions and donations	20,182,796	-
Fines, Penalties and Forfeits	2,163,900	1,926,679
	<b>501,528,192</b>	<b>455,642,658</b>

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	2016 R	2015 R
<b>28. Revenue (continued)</b>		
<b>The amount included in revenue arising from exchanges of goods or services are as follows:</b>		
Service charges	146,817,268	137,434,425
Rental of facilities and equipment	1,563,900	1,298,235
Interest received (trading)	17,200,323	19,993,457
Licences and permits	100,173	13,553
Commissions received	207,208	224,093
Sale of land	369,163	824,007
Insurance claims	-	306,953
Other income	2,127,250	8,388,639
Interest received - investment	1,933,630	2,457,920
Dividends received	36,226	32,189
	<b>170,355,141</b>	<b>170,973,471</b>
<b>The amount included in revenue arising from non-exchange transactions is as follows:</b>		
<b>Taxation revenue</b>		
Property rates	41,090,394	32,146,757
<b>Transfer revenue</b>		
Government grants & subsidies	267,735,961	250,595,751
Public contributions and donations	20,182,796	-
Fines, Penalties and Forfeits	2,163,900	1,926,679
	<b>331,173,051</b>	<b>284,669,187</b>

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	2016 R	2015 R
<b>29. Employee related costs</b>		
Basic	99,251,220	92,895,349
Medical aid - company contributions	15,787,600	13,807,227
UIF	1,030,329	951,041
WCA	622,819	-
SDL	1,564,764	1,200,917
Leave pay provision charge	2,559,000	2,596,993
Defined contribution plans	16,547,100	15,510,209
Travel, motor car, accommodation, subsistence and other allowances	9,964,472	9,555,903
Overtime payments	9,897,619	7,742,816
Long-service awards	2,283,193	1,920,185
Acting allowances	1,039,801	607,394
Housing benefits and allowances	458,707	368,639
Holiday Bonus	7,402,110	6,245,391
Casual wages	23,943	-
Allowance - Telephone	560,050	557,361
Industrial Council Levies	783,044	57,866
	<b>169,775,771</b>	<b>154,017,291</b>
<b>Remuneration of Municipal Manager - Mr STR Ramakarane</b>		
Annual Remuneration	1,491,420	1,398,309
Contributions to UIF, Medical and Pension Funds	18,830	18,079
Travel , accommodation , motor car and other subsistence allowances	304,099	278,364
Other	92,375	93,324
	<b>1,906,724</b>	<b>1,788,076</b>
COGTA financed an annual amount of R500,000.00 towards the salary of the Municipal Manager. Please refer to note 27		
<b>Remuneration of Chief Finance Officer - Mr GT Banda</b>		
Annual Remuneration	1,053,623	937,882
Contributions to UIF, Medical and Pension Funds	12,321	11,163
Other	-	7,950
Travel , accommodation , motor car and other subsistence allowances	93,290	67,742
	<b>1,159,234</b>	<b>1,024,737</b>
<b>Remuneration of Corporate Services Director - Mr T Masejane</b>		
Annual Remuneration	909,587	880,720
Contributions to UIF, Medical and Pension Funds	11,358	11,017
Travel , accommodation , motor car and other subsistence allowances	183,284	133,268
Other	-	61,171
	<b>1,104,229</b>	<b>1,086,176</b>
<b>Remuneration of Development, Planning, Security Services - Mr M Ntheli</b>		
Annual Remuneration	909,587	809,665
Contributions to UIF, Medical and Pension Funds	11,358	10,363
Travel , accommodation , motor car and other subsistence allowances	208,284	133,632
Other	-	80,928

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	2016 R	2015 R
<b>29. Employee related costs (continued)</b>		
	<u><b>1,129,229</b></u>	<u><b>1,034,588</b></u>
<b>Remuneration of Engineering Services Director (Acting) - Mrs TF Zondi</b>		
Mrs TF Zondi was appointed as acting Director on 1 March 2013. She was permanently appointed to the position from 1 December 2013.		
<b>Remuneration of Technical Services Director - Mrs TF Zondi</b>		
Annual Remuneration	791,144	704,234
Contributions to UIF, Medical and Pension Funds	11,368	10,610
Travel , accommodation , motor car and other subsistence allowances	267,203	235,719
Other	79,575	73,388
	<u><b>1,149,290</b></u>	<u><b>1,023,951</b></u>
<b>30. Remuneration of councillors</b>		
Mayor	568,509	770,024
Speaker	454,808	620,639
Councillors	9,331,469	6,540,264
Executive Committee Members	-	1,953,320
	<u><b>10,354,786</b></u>	<u><b>9,884,247</b></u>
<b>31. Administrative expenditure</b>		
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.		
<b>32. Depreciation and amortisation</b>		
Property, plant and equipment	213,526,408	210,322,602
Investment property	1,398,135	-
Intangible assets	1,003,247	-
	<u><b>215,927,790</b></u>	<u><b>210,322,602</b></u>

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	2016 R	2015 R
<b>33. Impairment of assets</b>		
<b>Impairments</b>		
Property, plant and equipment	-	17,371,992
During the current year the Municipality embarked on a process to assess the condition of roads. After this assessment roads were impaired.		
Impairment Fines Debtors	2,023,578	1,326,800
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 reason for the change in accounting policy is as a result of an accounting guideline issued by National Treasury, which will have an impact on the application of GRAP 23 in the 2013 financial year.		
The change in accounting policy did result in a fair presentation of financial information		
Other financial liabilities	86,178	-
Describe the events and circumstances that led to the recognition or reversal of the impairment loss. The recoverable amount or [recoverable service amount] of the asset was based on its fair value less costs to sell or [its value in use.]		
	<b>2,109,756</b>	<b>18,698,792</b>
<b>34. Finance costs</b>		
Trade and other payables	109,144	15,931
Bank	-	1,143
Current borrowings	838,138	901,722
	<b>947,282</b>	<b>918,796</b>
<b>35. Debt impairment</b>		
Contributions to debt impairment provision	84,545,849	25,097,238
<b>36. Bulk purchases</b>		
Electricity	53,292,708	53,594,386
<b>37. Contracted services</b>		
Information Technology Services	69,296	-
Operating Leases	5,802,547	-
Specialist Services	11,352,034	7,582,086
Other Contractors	-	20,653,298
	<b>17,223,877</b>	<b>28,235,384</b>
<b>38. Grants and subsidies paid</b>		
<b>Other subsidies</b>		
Distitutional help	2,501,241	2,606,556

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	2016 R	2015 R
<b>39. Loss on disposal of assets</b>		
	<u>3,373,640</u>	<u>87,524</u>
<p>During the current year the Municipality disposed of old and redundant asset.</p> <p>There were also assets that were destroyed due to a fire and were paid out through insurance.</p>		
<b>40. General expenses</b>		
Advertising	705,801	671,253
Audit and Performance Audit Committee Expenses	551,522	357,727
Bank charges	518,579	406,154
Cleaning	-	273,494
Consulting and professional fees	-	4,658,975
Casualty insurance	-	66,172
Donations	-	23,365
Conferences and delegations	58,165	159,706
Disaster management	-	20,455
Insurance	1,011,413	1,401,385
Town planning	42,953	2,792
Conferences and delegations	2,852,390	51,796
Levies paid	-	862
Youth expenditure	-	244,508
Fuel and oil	5,158,904	3,788,189
Postage and courier	1,214,950	1,025,223
Printing and Stationery	1,723,512	2,066,805
Publicity	-	20,469
Protective clothing	961,595	275,045
License Fees	2,284,078	3,433,282
Security (Guarding of municipal property)	266,103	512,071
Subscriptions and membership fees	32,342	22,063
Telephone and fax	770,338	1,097,670
Training	-	1,099,956
Travel and subsistence	3,671,952	3,222,143
Valuation costs	-	208,678
Tourism development	500,000	469,298
Analysis	45,033	45,222
Casualty insurance	-	627,690
Departmental consumption	6,343,391	6,530,884
Manuring and weed control	-	61,352
Streetlight electricity consumption	-	942,755
Ward committee expenses	946,000	959,000
IDP establishment	-	238,584
Meter reading costs	-	69,295
Water & Chemicals	10,829,169	4,411,404
Skills development levy	-	1,335,997
Other expenses	12,942,945	7,453,576
	<u><b>53,431,135</b></u>	<u><b>48,255,295</b></u>

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	2016 R	2015 R
<b>41. Cash generated from operations</b>		
Deficit	(126,711,817)	(104,623,089)
<b>Adjustments for:</b>		
Depreciation and amortisation	215,927,790	210,322,602
Loss on sale of assets and liabilities	3,373,640	87,524
Impairment deficit	2,023,578	17,373,288
Debt impairment	84,545,849	25,097,238
Movements in retirement benefit assets and liabilities	3,612,000	2,428,000
Movements in provisions	1,829,000	907,300
Correction of VAT on Landfill Site Provision	-	(1,161,841)
Corrections effecting previous years	-	(46,536)
Reclassification of VAT	(30,915,341)	-
Correction of Asset Register	(5,372,598)	-
<b>Changes in working capital:</b>		
Inventories	(75,441)	(129,950)
Receivables from exchange transactions	(8,227,129)	-
Consumer debtors	(84,545,849)	(60,899,491)
Other receivables from non-exchange transactions	(15,744,418)	(13,555,560)
Payables from exchange transactions	18,896,145	10,177,282
VAT	41,330,705	14,900,765
Taxes and transfers payable (non exchange)	-	(29,290,116)
Unspent conditional grants and receipts	145,577	(3,513,926)
Consumer deposits	92,445	146,578
	<b>100,184,136</b>	<b>68,220,068</b>
<b>42. Capital commitments</b>		
<b>Commitments in respect of capital expenditure</b>		
<b>Already contracted for but not provided for</b>		
• Property, plant and equipment	136,116,998	16,769,441
• Investment property	10,866,107	14,093,262
• Other financial assets	4,904,550	4,683,700
	<b>151,887,655</b>	<b>35,546,403</b>
<b>Not yet contracted for and authorised by accounting officer</b>		
• Property, plant and equipment	21,167,299	40,001,291
• Investment property	20,978,052	599,428
	<b>42,145,351</b>	<b>40,600,719</b>
<b>Total capital commitments</b>		
Already contracted for but not provided for	151,887,655	35,546,403
Not yet contracted for and authorised by accounting officer	42,145,351	40,600,719
	<b>194,033,006</b>	<b>76,147,122</b>
<b>This expenditure will be financed from:</b>		
Grants, subsidies and own funding	194,033,006	76,147,122

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.

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	2016	2015
	R	R
<b>43. Related parties</b>		
<b>Related party transactions</b>		
<b>Purchases from (sales to) related parties</b>		
ERB Marketing	173,000	187,000
Lira Transport	30,150	-
Baseline Securities	62,920	54,250
Itumeleng Building & Training	137,635	626,606
Mtembana Construction	-	7,140

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 (2015 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.

**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 29 for key management and note 30 for Councillors.

**Setsoto Integrated Dairy**

Setsoto Integrated Dairy was a related party to the Municipality in the previous financial year. The Setsoto Integrated Dairy was deregistered in the previous financial year.

**44. 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.

The effects of the reclassification are as follows:

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**44. Comparative figures (continued)**

**Statement of financial position - extract**

	Comparative figures previously reported	Reclassificatio n	After reclassification
Investment Property	75,822,234	(4,645,811)	71,176,423
Property, plant and equipment	-	-	-
- Infrastructure	3,003,112,147	(3,003,112,147)	-
- Land	42,634,590	14,334,410	56,969,000
- Community(mSCOA - Buildings & Other Structures)	252,111,314	(11,622,630)	240,488,684
- Other property, plant and equipment	8,371,980	(8,371,980)	-
- Landfill (mSCOA - Infrastructure: Waste Management)	22,510,761	-	22,510,761
Intangible assets	3,477,031	-	3,477,031
Reclassified in terms of mSCOA	-	-	-
Infrastructure: Electricity	-	193,647,371	193,647,371
Infrastructure: Water	-	719,252,352	719,252,352
Infrastructure: Waste Water	-	353,354,429	353,354,429
Infrastructure: Road, Pavement, Bridges & Stormwater	-	1,593,600,637	1,593,600,637
Work in Progress	-	145,191,389	145,191,389
Transport Assets	-	4,929,237	4,929,237
Machinery & Equipment	-	1,402,427	1,402,427
Furniture and Office Equipment	-	722,642	722,642
Computer Equipment	-	1,317,674	1,317,674
Trade payables	23,618,228	(5,386,635)	18,231,593
Retentions	-	5,386,635	5,386,635
<b>Total</b>	<b>3,431,658,285</b>	<b>-</b>	<b>3,431,658,285</b>

**Statement of financial performance - extract**

	Comparative figures previously reported	Reclassificatio n	After reclassification
Interest Received	22,291,885	(19,388,904)	2,902,981
Interest received (trading)	-	19,388,904	19,388,904
Repairs and maintenance	20,653,298	(20,653,298)	-
Contracted services	7,582,086	20,653,298	28,235,384
Other income	8,612,732	(224,093)	8,388,639
Commissions received	-	224,093	224,093
<b>Total</b>	<b>59,140,001</b>	<b>-</b>	<b>59,140,001</b>

**45. Unauthorised expenditure**

Opening balance	-	147,032,593
Unauthorised expenditure	237,530,497	286,684,628
Irrecoverable and written off by the council	-	(147,032,593)
Condoned by Council	-	(286,684,628)
	<b>237,530,497</b>	<b>-</b>

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 unauthorised expenditure**

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**45. Unauthorised expenditure (continued)**

Overspending of expenditure votes, mainly contributed by depreciation on revalued assets.	-	-	237,530,497	147,032,593

**46. Fruitless and wasteful expenditure**

Opening balance			-	9,620
Fruitless and wasteful expenditure - current year			131,799	135,322
Irrecoverable and written off by the council			-	(144,942)
			<b>131,799</b>	<b>-</b>

Due to the fact that the elections were 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	-	-	83,469	135,322
Interest paid on VAT submission	-	-	48,330	-
			<b>131,799</b>	<b>135,322</b>

**47. Irregular expenditure**

Opening balance			401,698	63,310,946
Add: Irregular Expenditure - current year			2,188,129	33,449,533
Less: Amounts condoned			(1,858,489)	(96,358,781)
			<b>731,338</b>	<b>401,698</b>

**Overpayments of Councillors to be recouped**

Opening Balance			543,483	633,802
Current year			(11,338)	(90,319)
			<b>532,145</b>	<b>543,483</b>

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 were 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 irregular expenditure – current year**

**Details of irregular expenditure**

Expenditure item identified where the SCM process and procedures were not followed			1,153,706	1,454
Shortcomings on SCM processes identified during the audit			1,034,423	31,995
			<b>2,188,129</b>	<b>33,449</b>

**48. Auditors' remuneration**

Audit and Performance Audit Committee			551,522	357,727

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

**Contributions to organised local government (SALGA)**

Opening balance	(1,539,841)	(956,290)
Current year subscription / fee	1,563,375	1,231,700
Amount paid - current year	-	(1,815,251)
Discount early payment	(54,718)	-
	<u>(31,184)</u>	<u>(1,539,841)</u>

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 water losses is estimated to be between 7% and 10%

Estimated electricity losses	<u>7,014,382</u>	<u>16,658,061</u>
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**Electricity**

Percentage loss	<u>11%</u>	<u>21%</u>
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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 reticulation water losses	877,725	14,576,040
To townships not metered	-	5,713,617
	<u>877,725</u>	<u>20,289,657</u>

**Water**

Percentage loss	<u>4%</u>	<u>68%</u>
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**Audit fees**

Opening balance	6,199	-
Current year subscription / fee	4,610,660	5,814,216
Amount paid - current year	(4,478,717)	(5,808,017)
	<u>138,142</u>	<u>6,199</u>

**PAYE and UIF**

Current year subscription / fee	18,301,620	15,996,858
Amount paid - current year	(16,839,008)	(15,996,858)
	<u>1,462,612</u>	<u>-</u>

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

**Pension and Medical Aid Deductions**

Opening balance	2,006,235	-
Current year subscription / fee	42,462,884	51,098,692
Amount paid - current year	(40,847,321)	(49,092,457)
	<b>3,621,798</b>	<b>2,006,235</b>

**Skills Development Levy**

Current year subscription / fee	1,436,689	1,311,882
Amount paid - current year	(1,319,669)	(1,311,882)
	<b>117,020</b>	-

**VAT**

VAT receivable	-	40,471,056
VAT payable	859,649	-
	<b>859,649</b>	<b>40,471,056</b>

VAT output payables and VAT input receivables are shown in note 8 and 17.

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

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**49. 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 2016:

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 MA Mahlangu	520	755	1,275
Councillor MJ Raboroko	592	7,065	7,657
Councillor MM Mothibeli	315	737	1,052
Councillor PI Mavaleliso	459	2,972	3,431
Councillor MP Thamae	379	141	520
Councillor T G Makhwanyane	546	4,768	5,314
Councillor TB Jakobo	7,084	21,879	28,963
Councillor VR Mohala	386	9,841	10,227
	<b>17,244</b>	<b>81,340</b>	<b>98,584</b>

30 June 2015	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Councillor KS Mokhuoane	564	2,865	3,429
Councillor MD Malebo	643	66	709
Councillor RV Mohala	965	7,514	8,479
Councillor T J Tsolo	665	1,643	2,308
Councillor PI Mavaleliso	837	3,048	3,885
Councillor MH Semahla	947	2,574	3,521
Councillor MA Mahlangu	844	769	1,613
Councillor MC Nakasi	519	2,534	3,053
Councillor MM Rasunyane	688	1,874	2,562
Councillor MS Maduna	6,316	1,565	7,881
Councillor Mohlomi	684	172	856
	<b>13,672</b>	<b>24,624</b>	<b>38,296</b>

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

30 June 2016	Highest outstanding amount	Aging (in days)
Councillor C P Marwick	821	75
Councillor D L Mohapi	1,389	176
Councillor K E Koalane	12,897	2,087
Councillor M C Nakasi	4,754	432
Councillor M D Malebo	7,452	650

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

Councillor M P Mohlomi	1,540	129
Councillor TJ 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 MA Mahlangu	2,961	262
Councillor MJ Raboroko	10,823	890
Councillor MM Mothibeli	3,346	366
Councillor PI Mavaleliso	4,714	596
Councillor MP Thamae	1,171	211
Councillor T G Makhwanyane	5,571	986
Councillor TB Jakobo	29,470	498
Councillor VR Mohala	11,460	971
	<b>123,625</b>	<b>15,185</b>

30 June 2015

	Highest outstanding amount	Aging (in days)
Councillor KS Mokhuoane	3,567	464
Councillor MD Malebo	817	156
Councillor RV Mohala	10,651	1,088
Councillor TJ Tsolo	2,310	284
Councillor PI Mavaleliso	4,373	462
Councillor MH Semahla	3,522	349
Councillor MA Mahlangu	1,666	197
Councillor MC Nakasi	3,113	429
Councillor MM Rasunyane	2,746	317
Councillor MS Maduna	8,450	128
Councillor Mohlomi	856	151
	<b>42,071</b>	<b>4,025</b>

**50. 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.

**51. 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	-
JCB Backhoe x 2	1,880,000	-
	<b>20,182,796</b>	<b>-</b>

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**51. 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.

**52. Events after the reporting date**

Disclosed in contingent liabilities (note 57), there was a claim for R256 253 in regards of an arbitration awards case. Judgment on 26 September 2016 had been made in favour of the municipality for an amount of R105 157, 22

**53. 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 approved 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 2015	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings	617,692	-	-	5,666,599
Payables from exchange transactions	74,522,470	-	-	-
Consumer deposits	2,521,447	-	-	-
Unspent conditional grants and receipts	952,460	-	-	-
Provisions	1,278,000	-	-	19,120,136

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**53. 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	2016	2015
FNB BANK - Current Account - 620 480 92647	3,561,590	583,817
FNB BANK - Business Money Market - 621 517 83563	33,760	10,732
FNB BANK - Savings Account - 620 490 46205	24,561	3,063,184
FNB BANK - Call Account - 623 105 40465	1,000	35,668
Sanlam Shares	869,848	956,026
OVK / EFC Shares	1,142,368	1,121,878
Other Financial Assets	1,087,787	1,027,269

**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 2016 and 2015, 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.

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**54. 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 (18,896,145) (2015: R 10,177,282);
- The municipality incurred a deficit of R 126,711,817 during the year (2015: deficit R 104,623,089);
- The creditors are not paid within 30 days as required by the MFMA;
- Debt collection period has not improved during the current year;
- The gross outstanding debtors increased from R 246,820,305 in 2015 to R 291,591,158 as at 30 June 2016;
- The provision for doubtful debts have been estimated at R (148,406,866) (2015: R (127,785,657)). This equates to approximately 51% of gross outstanding debtors (2015: 52%).
- At 30 June 2016 the municipality's current liabilities amounted to R 78,048,265 (2015: R 57,906,979), whilst the current assets amounted to R 156,610,225 (2015: R 173,080,477).

We draw attention to the fact that at 30 June 2016, the municipality had accumulated surplus of R 3,313,713,233 and that the municipality's total assets exceed its liabilities by R 3,313,713,233.

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.

**55. 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.

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

**Statement of financial position**

Investment Property - Cost	-	(8,691)
Investment Property - Accumulated Depreciation	-	5,383,708
Land - Cost	-	(2,953,399)
Community - Cost	-	(4,975,179)
Community - Accumulated Depreciation	-	3,522,261
Infrastructure - Cost	-	67,131,062
Infrastructure - Accumulated Depreciation	-	67,999,186
Landfill Site - Accumulated Depreciation	-	(129,941)
Opening Accumulated Surplus or Deficit	-	(79,571,559)

**Statement of Financial Performance**

Depreciation	-	(51,498,912)
Impairment	-	(4,898,536)

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**55. Prior period errors (continued)**

**Inventory - Unsold Properties Held for Resale**

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 Unsold Properties held for resale was corrected.

**Statement of financial position**

Inventory - Unsold Properties Held for Resale	-	(2,311,000)
Opening Accumulated Surplus or Deficit	-	2,311,000

**Provision - Environmental rehabilitation**

With the prior year audit was established that the above provision includes VAT. This was accordingly corrected.

**Statement of financial position**

VAT Receivable	-	(1,161,841)
Opening Accumulated Surplus or Deficit	-	1,161,841

**56. Contingencies**

**Contingent Liabilities - Pending claims**

Damage to property - register available at Municipality	6,197,547	10,574,998
Costs to defend these cases	728,200	1,438,700
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	256,253	256,253
	<u>7,182,000</u>	<u>12,269,951</u>

**Contingent assets**

There is a civil claim against Sharp Connect a service provider whose contract was terminated in July 2015. They continued deducting money from 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.

**57. 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. The lease agreements have escalations of 10% per year. There are no renewal and/or purchase options.

**Operating leases - as lessee (expense)**

Within one year	1,516,469	1,516,469
Year two and three	252,750	1,769,214
	<u>1,769,219</u>	<u>3,285,683</u>

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.

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**57. Operating lease (continued)**

**Operating leases - as lessor (income)**

Within one year	506,204	691,174
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**58. Changes in accounting policy**

The financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice on a basis consistent with the prior year except for the adoption of the following new or revised standards that were adopted in 2014 Financial year and had therefore a impact on that years' information.:

-

**59. Accumulated surplus**

**Changes to Accumulated Surplus**

	Opening Balance	Total
Opening balance	3,341,949,228	3,341,949,228
Changes in regards to Non-Current Assets	79,906,652	79,906,652
Depreciation expense corrected in terms of above correction	56,397,443	56,397,443
Correction of Inventory Erven	(2,311,000)	(2,311,000)
Provision - Environmental rehabilitation	(1,161,841)	(1,161,841)
Current year corrections to Non-Current Assets	(3,440,091)	(3,440,091)
Reclassification of VAT	(30,915,341)	(30,915,341)
Surplus/(deficit) for the year	(126,711,817)	(126,711,817)
	<b>3,313,713,233</b>	<b>3,313,713,233</b>

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**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
<b>2016</b>											
<b>Financial Performance</b>											
Property rates	38,500,000	3,543,922	42,043,922	-	-	42,043,922	41,090,394	-	(953,528)	98 %	107 %
Service charges	166,662,000	7,474,711	174,136,711	-	-	174,136,711	146,817,268	-	(27,319,443)	84 %	88 %
Investment revenue	1,400,000	400,000	1,800,000	-	-	1,800,000	1,969,856	-	169,856	109 %	141 %
Transfers recognised - operational	218,334,000	5,500,000	223,834,000	-	-	223,834,000	177,652,063	-	(46,181,937)	79 %	81 %
Other own revenue	31,732,250	(195,000)	31,537,250	-	-	31,537,250	23,731,917	-	(7,805,333)	75 %	75 %
<b>Total revenue (excluding capital transfers and contributions)</b>	<b>456,628,250</b>	<b>16,723,633</b>	<b>473,351,883</b>	-	-	<b>473,351,883</b>	<b>391,261,498</b>	-	<b>(82,090,385)</b>	<b>83 %</b>	<b>86 %</b>
Employee costs	(159,569,262)	(1,553,391)	(161,122,653)	-	-	(161,122,653)	(169,775,771)	-	(8,653,118)	105 %	106 %
Remuneration of councillors	(10,353,882)	-	(10,353,882)	-	-	(10,353,882)	(10,354,786)	-	(904)	100 %	100 %
Debt impairment	(44,000,000)	(5,000,000)	(49,000,000)	-	-	(49,000,000)	(84,545,849)	-	(35,545,849)	173 %	192 %
Depreciation and asset impairment	(25,282,489)	(5,426,449)	(30,708,938)	-	-	(30,708,938)	(218,037,546)	-	(187,328,608)	710 %	862 %
Finance charges	(3,227,000)	1,448,276	(1,778,724)	-	-	(1,778,724)	(947,282)	-	831,442	53 %	29 %
Materials and bulk purchases	(67,560,750)	30	(67,560,720)	-	-	(67,560,720)	(53,292,708)	-	14,268,012	79 %	79 %
Transfers and grants	-	(2,030,830)	(2,030,830)	-	-	(2,030,830)	(2,501,241)	-	(470,411)	123 %	DIV/0 %
Other expenditure	(96,006,042)	(790,552)	(96,796,594)	-	-	(96,796,594)	(88,784,826)	-	8,011,768	92 %	92 %
<b>Total expenditure</b>	<b>(405,999,425)</b>	<b>(13,352,916)</b>	<b>(419,352,341)</b>	-	-	<b>(419,352,341)</b>	<b>(628,240,009)</b>	-	<b>(208,887,668)</b>	<b>150 %</b>	<b>155 %</b>
<b>Surplus/(Deficit)</b>	<b>50,628,825</b>	<b>3,370,717</b>	<b>53,999,542</b>	-	-	<b>53,999,542</b>	<b>(236,978,511)</b>	-	<b>(290,978,053)</b>	<b>(439)%</b>	<b>(468)%</b>

**Setsoto Local Municipality**  
(Registration number Municipal demarcation code FS191)  
Financial Statements for the year ended 30 June 2016

**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	45,953,000	1,500,000	47,453,000	-		47,453,000	90,083,898		42,630,898	190 %	196 %
Contributions recognised - capital and contributed assets	-	-	-	-		-	20,182,796		20,182,796	DIV/0 %	DIV/0 %
<b>Surplus (Deficit) after capital transfers and contributions</b>	<b>96,581,825</b>	<b>4,870,717</b>	<b>101,452,542</b>	<b>-</b>		<b>101,452,542</b>	<b>(126,711,817)</b>		<b>(228,164,359)</b>	<b>(125)%</b>	<b>(131)%</b>
<b>Surplus/(Deficit) for the year</b>	<b>96,581,825</b>	<b>4,870,717</b>	<b>101,452,542</b>	<b>-</b>		<b>101,452,542</b>	<b>(126,711,817)</b>		<b>(228,164,359)</b>	<b>(125)%</b>	<b>(131)%</b>
<b>Capital expenditure and funds sources</b>											
Total capital expenditure	12,656,447	61,749,350	74,405,797	-		74,405,797	99,608,089		25,202,292	134 %	787 %

**Setsoto Local Municipality**  
(Registration number Municipal demarcation code FS191)  
Financial Statements for the year ended 30 June 2016

**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
<b>Cash flows</b>											
Net cash from (used) operating	-	-	-	-	-	-	100,184,136	-	100,184,136	DIV/0 %	DIV/0 %
Net cash from (used) investing	-	-	-	-	-	-	(99,602,920)	-	(99,602,920)	DIV/0 %	DIV/0 %
Net cash from (used) financing	-	-	-	-	-	-	(627,400)	-	(627,400)	DIV/0 %	DIV/0 %
<b>Net increase/(decrease) in cash and cash equivalents</b>	-	-	-	-	-	-	<b>(46,184)</b>	-	<b>(46,184)</b>	<b>DIV/0 %</b>	<b>DIV/0 %</b>
Cash and cash equivalents at the beginning of the year	-	-	-	-	-	-	3,702,108	-	3,702,108	DIV/0 %	DIV/0 %
<b>Cash and cash equivalents at year end</b>	-	-	-	-	-	-	<b>3,655,924</b>	-	<b>(3,655,924)</b>	<b>DIV/0 %</b>	<b>DIV/0 %</b>

**Setsoto Local Municipality**  
(Registration number Municipal demarcation code FS191)  
Financial Statements for the year ended 30 June 2016

**Appropriation Statement**

	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome
	R	R	R	R
<b>2015</b>				
<b>Financial Performance</b>				
Property rates				32,146,757
Service charges				137,434,425
Investment revenue				2,490,109
Transfers recognised - operational				174,064,685
Other own revenue				32,975,616
<b>Total revenue (excluding capital transfers and contributions)</b>				<b>379,111,592</b>
Employee costs	-	-	-	(154,017,291)
Remuneration of councillors	-	-	-	(9,884,247)
Debt impairment	-	-	-	(25,097,238)
Depreciation and asset impairment	-	-	-	(229,021,394)
Finance charges	-	-	-	(918,796)
Materials and bulk purchases	-	-	-	(53,594,386)
Transfers and grants	-	-	-	(2,606,556)
Other expenditure	-	-	-	(85,125,839)
<b>Total expenditure</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(560,265,747)</b>
<b>Surplus/(Deficit)</b>				<b>(181,154,155)</b>
Transfers recognised - capital				76,531,066
<b>Surplus (Deficit) after capital transfers and contributions</b>				<b>(104,623,089)</b>
<b>Surplus/(Deficit) for the year</b>				<b>(104,623,089)</b>
<b>Capital expenditure and funds sources</b>				
Total capital expenditure				8,003,205

**Setsoto Local Municipality**  
 (Registration number Municipal demarcation code FS191)  
 Financial Statements for the year ended 30 June 2016

**Appropriation Statement**

	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome
	R	R	R	v
<b>Cash flows</b>				
Net cash from (used) operating				68,220,068
Net cash from (used) investing				(76,637,957)
Net cash from (used) financing				(477,638)
<b>Net increase/(decrease) in cash and cash equivalents</b>				<b>(8,895,527)</b>
Cash and cash equivalents at the beginning of the year				12,597,635
<b>Cash and cash equivalents at year end</b>				<b>3,702,108</b>

## Setsoto Local Municipality

(Registration number Municipal demarcation code FS191)

### Appendix A

June 2016

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

Loan Number	Redeemable	Balance at 30 June 2015	Interest for the period	Redeemed written off during the period	Balance at 30 June 2016	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
		Rand	Rand	Rand	Rand	Rand	Rand
<b>Development Bank of South Africa</b>							
DBSA Loan @ 16.75%	13457	2020-06-30	1,442,236	-	203,508	1,238,728	-
DBSA Loan @ 11.36%	101389	2024-12-31	5,383,277	-	337,714	5,045,563	-
			<b>6,825,513</b>	<b>-</b>	<b>541,222</b>	<b>6,284,291</b>	<b>-</b>
<b>Total external loans</b>							
Development Bank of South Africa			6,825,513	-	541,222	6,284,291	-
			<b>6,825,513</b>	<b>-</b>	<b>541,222</b>	<b>6,284,291</b>	<b>-</b>

# Setsoto Local Municipality

## Appendix B

June 2016

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

<b>Cost/Revaluation</b>	<b>Accumulated depreciation</b>
-------------------------	---------------------------------

	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
<b>Land and buildings</b>														
Land (Separate for AFS purposes)	56,969,000	-	(2,361,100)	-	-	-	54,607,900	-	-	-	-	-	-	54,607,900
	<b>56,969,000</b>	<b>-</b>	<b>(2,361,100)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>54,607,900</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>54,607,900</b>
<b>Infrastructure</b>														
Roads, Pavements & Bridges	2,798,896,458	-	-	(129,940)	-	-	2,798,766,518	1,205,295,821	-	-	(150,862,049)	-	1,356,157,870	1,442,608,648
Transmission & Reticulation	278,995,338	-	-	-	-	-	278,995,338	(85,268,555)	-	-	(11,183,054)	-	(96,451,609)	182,543,729
Water purification	836,840,849	4,018,112	-	24,962,790	-	-	865,821,751	(117,588,497)	-	-	(19,448,299)	-	(137,036,796)	728,784,955
Sewerage purification	444,461,579	1,730,471	(477,840)	63,354,669	-	-	509,068,879	(91,107,150)	-	-	(15,068,679)	-	(106,175,829)	402,893,050
Waste Management	23,854,567	155,000	-	-	-	-	24,009,567	(1,343,807)	-	-	(1,040,560)	-	(2,384,367)	21,625,200
Work in Progress	145,191,389	75,852,473	-	(157,404,555)	-	-	63,639,307	-	-	-	-	-	-	63,639,307
	<b>4,528,240,180</b>	<b>81,756,056</b>	<b>(477,840)</b>	<b>(69,217,036)</b>	<b>-</b>	<b>-</b>	<b>4,540,301,360</b>	<b>1,500,603,830</b>	<b>-</b>	<b>-</b>	<b>(197,602,641)</b>	<b>-</b>	<b>1,698,206,471</b>	<b>2,842,094,889</b>
<b>Community Assets</b>														
General	353,114,720	8,391,621	(512,392)	69,087,096	-	-	430,081,045	(112,370,369)	-	-	(12,958,247)	125,036	(125,203,580)	304,877,465
	<b>353,114,720</b>	<b>8,391,621</b>	<b>(512,392)</b>	<b>69,087,096</b>	<b>-</b>	<b>-</b>	<b>430,081,045</b>	<b>(112,370,369)</b>	<b>-</b>	<b>-</b>	<b>(12,958,247)</b>	<b>125,036</b>	<b>(125,203,580)</b>	<b>304,877,465</b>

**Setsoto Local Municipality**

**Appendix B**

June 2016

**Analysis of property, plant and equipment as at 30 June 2016**  
**Cost/Revaluation** **Accumulated depreciation**

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	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
<b>Other property, plant and equipment</b>														
General vehicles	14,381,880	3,489,392	-	-	-	-	<b>17,871,272</b>	(9,452,643)	-	-	(1,682,514)	-	<b>(11,135,157)</b>	6,736,115
Plant & equipment	4,267,792	133,017	(3,379)	-	-	-	<b>4,397,430</b>	(2,865,365)	-	-	(553,301)	-	<b>(3,418,666)</b>	978,764
Computer Equipment	7,550,892	347,325	(12,922)	-	-	-	<b>7,885,295</b>	(6,233,219)	-	-	(495,597)	-	<b>(6,728,816)</b>	1,156,479
Furniture & Fittings	6,370,217	221,444	(6,007)	-	-	-	<b>6,585,654</b>	(5,647,560)	-	-	(433,686)	-	<b>(6,081,246)</b>	504,408
	<b>32,570,781</b>	<b>4,191,178</b>	<b>(22,308)</b>	-	-	-	<b>36,739,651</b>	<b>(24,198,787)</b>	-	-	<b>(3,165,098)</b>	-	<b>(27,363,885)</b>	<b>9,375,766</b>

# Setsoto Local Municipality

## Appendix B

June 2016

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

**Cost/Revaluation** **Accumulated depreciation**

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	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
<b>Total property plant and equipment</b>														
Land and buildings	56,969,000	-	(2,361,100)	-	-	-	<b>54,607,900</b>	-	-	-	-	-	-	54,607,900
Infrastructure	4,528,240,180	81,756,056	(477,840)	(69,217,036)	-	-	<b>4,540,301,360</b>	1,500,603,830	-	-	(197,602,641)	-	<b>1,698,206,471</b>	2,842,094,889
Community Assets	353,114,720	8,391,621	(512,392)	69,087,096	-	-	<b>430,081,045</b>	(112,370,369)	-	-	(12,958,247)	125,036	<b>(125,203,580)</b>	304,877,465
Other property, plant and equipment	32,570,781	4,191,178	(22,308)	-	-	-	<b>36,739,651</b>	(24,198,787)	-	-	(3,165,098)	-	<b>(27,363,885)</b>	9,375,766
	<b>4,970,894,681</b>	<b>94,338,855</b>	<b>(3,373,640)</b>	<b>(129,940)</b>	-	-	<b>5,061,729,956</b>	<b>1,637,172,986</b>	-	-	<b>(213,725,986)</b>	<b>125,036</b>	<b>1,850,773,936</b>	<b>3,210,956,020</b>
<b>Intangible assets</b>														
Computers - software & programming	3,379,999	1,655,695	-	(104,000)	-	-	<b>4,931,694</b>	686,545	-	-	(768,118)	-	<b>(81,573)</b>	3,477,031
	<b>3,379,999</b>	<b>1,655,695</b>	-	<b>(104,000)</b>	-	-	<b>4,931,694</b>	<b>686,545</b>	-	-	<b>(768,118)</b>	-	<b>(81,573)</b>	<b>3,477,031</b>
<b>Investment properties</b>														
Investment property	95,177,754	4,596,306	-	-	-	-	<b>99,774,060</b>	(24,001,330)	-	-	-	(1,198,554)	<b>(25,199,884)</b>	74,574,176
	<b>95,177,754</b>	<b>4,596,306</b>	-	-	-	-	<b>99,774,060</b>	<b>(24,001,330)</b>	-	-	-	<b>(1,198,554)</b>	<b>(25,199,884)</b>	<b>74,574,176</b>
<b>Total</b>														
Land and buildings	56,969,000	-	(2,361,100)	-	-	-	<b>54,607,900</b>	-	-	-	-	-	-	54,607,900
Infrastructure	4,528,240,180	81,756,056	(477,840)	(69,217,036)	-	-	<b>4,540,301,360</b>	1,500,603,830	-	-	(197,602,641)	-	<b>1,698,206,471</b>	2,842,094,889
Community Assets	353,114,720	8,391,621	(512,392)	69,087,096	-	-	<b>430,081,045</b>	(112,370,369)	-	-	(12,958,247)	125,036	<b>(125,203,580)</b>	304,877,465
Other property, plant and equipment	32,570,781	4,191,178	(22,308)	-	-	-	<b>36,739,651</b>	(24,198,787)	-	-	(3,165,098)	-	<b>(27,363,885)</b>	9,375,766
Intangible assets	3,379,999	1,655,695	-	(104,000)	-	-	<b>4,931,694</b>	686,545	-	-	(768,118)	-	<b>(81,573)</b>	3,477,031
Investment properties	95,177,754	4,596,306	-	-	-	-	<b>99,774,060</b>	(24,001,330)	-	-	-	(1,198,554)	<b>(25,199,884)</b>	74,574,176
	<b>5,069,452,434</b>	<b>100,590,856</b>	<b>(3,373,640)</b>	<b>(233,940)</b>	-	-	<b>5,166,435,710</b>	<b>1,660,487,771</b>	-	-	<b>(214,494,104)</b>	<b>(1,073,518)</b>	<b>1,876,055,393</b>	<b>3,289,007,227</b>



## Appendix D

June 2016

### 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
<b>Municipality</b>					
102,335,700	81,808,255	20,527,445	53,943,951	92,409,827	(38,465,876)
1,550,193	37,874,648	(36,324,455)	80,520,270	46,319,496	34,200,774
-	23,400	(23,400)	-	517,786	(517,786)
247,101	7,391,856	(7,144,755)	548,094	4,498,488	(3,950,394)
1,384,863	20,651,735	(19,266,872)	17,997,519	21,687,511	(3,689,992)
1,955,028	16,548,636	(14,593,608)	2,228,718	18,192,685	(15,963,967)
26,782,736	8,221,265	18,561,471	49,989	11,037,742	(10,987,753)
36	-	36	-	-	-
93,464,663	42,213,952	51,250,711	37,329,109	37,796,996	(467,887)
36,223,722	277,496,011	(241,272,289)	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
118,444,553	85,372,499	33,072,054	(101,163,155)	55,691,274	44,819,293
<b>455,642,657</b>	<b>616,663,195</b>	<b>(161,020,538)</b>	<b>284,268,345</b>	<b>612,653,884</b>	<b>(126,711,817)</b>
<b>Municipal Owned Entities Other charges</b>					
455,642,657	616,663,195	(161,020,538)	284,268,345	612,653,884	(126,711,817)
<b>455,642,657</b>	<b>616,663,195</b>	<b>(161,020,538)</b>	<b>284,268,345</b>	<b>612,653,884</b>	<b>(126,711,817)</b>

**Setsoto Local Municipality**

**Appendix E(1)**

June 2016

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

	<b>Current year 2015 Act. Bal. Rand</b>	<b>Current year 2015 Adjusted budget Rand</b>	<b>Variance Rand</b>	<b>Var</b>	<b>Explanation of Significant Variances greater than 10% versus Budget</b>
<b>Revenue</b>					
Sale of goods	-	20,000	(20,000)	(100.0)	
Service charges	146,817,268	174,136,711	(27,319,443)	(15.7)	
Rental of facilities and equipment	1,563,899	1,259,000	304,899	24.2	
Interest received (trading)	17,200,323	27,000,000	(9,799,677)	(36.3)	
Licences and permits	100,173	40,000	60,173	150.4	
Rates	41,090,394	42,043,922	(953,528)	(2.3)	
Fines, Penalties & Forfeites	2,163,900	101,000	2,062,900	2,042.5	Increase traffic control
Government grants & subsidies	267,735,960	223,834,000	43,901,960	19.6	
Commissions received	207,208	220,000	(12,792)	(5.8)	
Other income 1	369,163	500,000	(130,837)	(26.2)	Increase in Sundry Services
Other income 2	20,182,796	585,200	19,597,596	3,348.9	
Other income - (rollup)	2,127,250	1,777,050	350,200	19.7	Increase in Sundry Services
Interest received - investment	1,933,630	1,800,000	133,630	7.4	
Dividends received	36,226	35,000	1,226	3.5	
	<b>501,528,190</b>	<b>473,351,883</b>	<b>28,176,307</b>	<b>6.0</b>	
<b>Other income Expenses</b>					
Personnel	(169,775,775)	(161,122,653)	(8,653,122)	5.4	
Remuneration of councillors	(10,354,785)	(10,353,882)	(903)	-	
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	(2,109,756)	-	(2,109,756)	-	
Finance costs	(947,282)	(1,778,724)	831,442	(46.7)	

**Setsoto Local Municipality**

**Appendix E(1)**

June 2016

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

	<b>Current year 2015 Act. Bal.</b>	<b>Current year 2015 Adjusted budget</b>	<b>Variance</b>	<b>Explanation of Significant Variances greater than 10% versus Budget</b>
Bad debts written off	(84,545,840)	(49,000,000)	(35,545,840)	72.5 As a result of debtors with old debt written off
Collection costs	(6,092)	(110,259)	104,167	(94.5) Contract to appoint service providers not yet finalised
Other	-	(11,249,305)	11,249,305	(100.0) Unexpected/Unplanned repairs
Bulk purchases	(53,292,708)	(67,560,720)	14,268,012	(21.1)
Contracted Services	(17,223,878)	(19,012,945)	1,789,067	(9.4)
Transfers and Subsidies	(2,501,241)	-	(2,501,241)	- 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	(624,866,364)	(419,352,341)	(205,514,023)	49.0
Gain or loss on disposal of assets and liabilities	(3,373,640)	-	(3,373,640)	-
Net surplus/ (deficit) for the year	(126,711,814)	53,999,542	(180,711,356)	(334.7)

**Setsoto Local Municipality**

**Appendix E(2)**

June 2016

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

	Yearly		Yearly		
	Additions	Revised Budget	Variance	Variance	Explanation of significant
	Rand	Rand	Rand	%	variances from budget
<b>Municipality</b>					
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)	-	
	<b>94,427,775</b>	<b>76,206,733</b>	<b>(18,221,042)</b>	<b>(24)</b>	

**Setsoto Local Municipality**

**Appendix F**

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

June 2016

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts				Quarterly Expenditure				
		Jun	Sep	Dec	Mar	Jun	Jun	Sep	Dec	Mar
MIG	National Treasury	15,823,000	13,339,000	-	16,791,000	-	(8,291,315)	(11,684,897)	(7,277,172)	(15,313,174)
FMG	National Treasury	1,600,000	-	-	-	-	(180,534)	(273,842)	(578,877)	(201,639)
MSIG	National Treasury	930,000	-	-	-	-	(600,559)	-	(34,270)	(49,690)
EPWP	Free State Provincial Department of Public Works	817,000	613,000	612,000	-	-	(758,798)	(339,110)	(390,735)	(382,784)
DWA	Department of Water Affairs	-	12,154,667	14,822,592	15,653,640	-	-	(15,129,664)	(14,949,624)	(12,551,610)
COGTA	Department of Cooperative Governance and Traditional Affairs	500,000	806,883	-	-	-	(500,000)	-	(806,883)	-
PIG	Provincial Treasury	-	4,047,541	-	-	-	-	-	(1,425,000)	(1,425,000)
INEG	Department of Energy	1,000,000	500,000	-	-	-	-	-	(358,907)	(1,141,093)
LGSETA	Local Government Sector Education Training Authority	6,011	66,456	1,247,331	96,842	-	-	(6,011)	(66,456)	(1,247,331)
EQUITABLE SHARE	National Treasury	69,296,000	55,436,000	-	41,577,000	-	(69,296,000)	(55,436,000)	-	(41,577,000)
		89,972,011	86,963,547	16,681,923	74,118,482	-	(79,627,206)	(82,869,524)	(25,887,924)	(73,889,321)

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 2016**

	2015/2016							2014/2015						
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
<b>Revenue - Standard</b>														
<b>Governance and administration</b>	<b>133,406,200</b>	<b>7,842,000</b>	<b>141,248,200</b>	-		<b>141,248,200</b>	<b>134,464,222</b>		<b>(6,783,978)</b>	<b>95 %</b>	<b>101 %</b>			<b>103,885,896</b>
Executive and council	48,199,050	420,000	48,619,050	-		48,619,050	52,427,465		3,808,415	108 %	109 %			33,061,528
Budget and treasury office	81,307,500	5,400,000	86,707,500	-		86,707,500	80,520,270		(6,187,230)	93 %	99 %			69,361,696
Corporate services	3,899,650	2,022,000	5,921,650	-		5,921,650	1,516,487		(4,405,163)	26 %	39 %			1,462,672
<b>Community and public safety</b>	<b>1,808,500</b>	<b>5,000</b>	<b>1,813,500</b>	-		<b>1,813,500</b>	<b>20,824,320</b>		<b>19,010,820</b>	<b>1,148 %</b>	<b>1,151 %</b>			<b>30,369,728</b>
Community and social services	413,500	-	413,500	-		413,500	548,094		134,594	133 %	133 %			247,101
Sport and recreation	34,000	5,000	39,000	-		39,000	49,989		10,989	128 %	147 %			26,782,736
Public safety	180,000	-	180,000	-		180,000	2,228,718		2,048,718	1,238 %	1,238 %			1,955,028
Housing	1,181,000	-	1,181,000	-		1,181,000	17,997,519		16,816,519	1,524 %	1,524 %			1,384,863
<b>Economic and environmental services</b>	<b>30,339,850</b>	<b>-</b>	<b>30,339,850</b>	-		<b>30,339,850</b>	<b>51,764,490</b>		<b>21,424,640</b>	<b>171 %</b>	<b>171 %</b>			<b>36,223,758</b>
Road transport	30,339,850	-	30,339,850	-		30,339,850	51,764,490		21,424,640	171 %	171 %			36,223,722
<b>Trading services</b>	<b>305,473,350</b>	<b>133,796,189</b>	<b>439,269,539</b>	-		<b>439,269,539</b>	<b>325,930,348</b>		<b>(113,339,191)</b>	<b>74 %</b>	<b>107 %</b>			<b>324,131,955</b>
Electricity	116,835,000	118,310,517	235,145,517	-		235,145,517	101,163,155		(133,982,362)	43 %	87 %			36
Water	109,175,350	10,485,672	119,661,022	-		119,661,022	141,049,360		21,388,338	118 %	129 %			230,667,257
Waste water management	46,117,000	-	46,117,000	-		46,117,000	37,329,110		(8,787,890)	81 %	81 %			53,047,374
Waste management	33,346,000	5,000,000	38,346,000	-		38,346,000	46,388,723		8,042,723	121 %	139 %			40,417,288
<b>Total Revenue - Standard</b>	<b>471,027,900</b>	<b>141,643,189</b>	<b>612,671,089</b>	<b>-</b>		<b>612,671,089</b>	<b>532,983,380</b>		<b>(79,687,709)</b>	<b>87 %</b>	<b>113 %</b>			<b>494,611,337</b>

**Appendix G1  
Budgeted Financial Performance (revenue and expenditure by standard classification)  
for the year ended 30 June 2016**

	2015/2016							2014/2015							
	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
<b>Expenditure - Standard</b>															
<b>Governance and administration</b>	<b>131,311,190</b>	<b>(161,932)</b>	<b>131,149,258</b>	-	-	<b>131,149,258</b>	<b>141,495,607</b>	-	<b>10,346,349</b>	<b>108 %</b>	<b>108 %</b>	-	-	-	<b>119,595,379</b>
Executive and council	85,348,369	(1,531,532)	83,816,837	-	-	83,816,837	95,176,111	-	11,359,274	114 %	112 %	-	-	-	50,722,971
Budget and treasury office	45,962,821	1,369,600	47,332,421	-	-	47,332,421	46,319,496	-	(1,012,925)	98 %	101 %	-	-	-	30,997,760
<b>Community and public safety</b>	<b>43,195,210</b>	<b>5,099,755</b>	<b>48,294,965</b>	-	-	<b>48,294,965</b>	<b>55,934,206</b>	-	<b>7,639,241</b>	<b>116 %</b>	<b>129 %</b>	-	-	-	<b>52,836,892</b>
Community and social services	4,417,458	137,244	4,554,702	-	-	4,554,702	4,498,480	-	(56,222)	99 %	102 %	-	-	-	7,391,856
Sport and recreation	10,514,760	(1,852,229)	8,662,531	-	-	8,662,531	11,037,743	-	2,375,212	127 %	105 %	-	-	-	8,221,265
Public safety	15,528,048	439,250	15,967,298	-	-	15,967,298	18,192,685	-	2,225,387	114 %	117 %	-	-	-	16,548,636
Housing	12,734,944	6,375,490	19,110,434	-	-	19,110,434	21,687,512	-	2,577,078	113 %	170 %	-	-	-	20,651,735
Health	-	-	-	-	-	-	517,786	-	517,786	DIV/0 %	DIV/0 %	-	-	-	23,400
<b>Economic and environmental services</b>	<b>38,486,511</b>	<b>191,550,425</b>	<b>230,036,936</b>	-	-	<b>230,036,936</b>	<b>225,983,923</b>	-	<b>(4,053,013)</b>	<b>98 %</b>	<b>587 %</b>	-	-	-	<b>277,408,477</b>
Road transport	38,486,511	191,550,425	230,036,936	-	-	230,036,936	225,983,923	-	(4,053,013)	98 %	587 %	-	-	-	277,408,477
<b>Trading services</b>	<b>200,482,774</b>	<b>45,716,507</b>	<b>246,199,281</b>	-	-	<b>246,199,281</b>	<b>236,281,461</b>	-	<b>(9,917,820)</b>	<b>96 %</b>	<b>118 %</b>	-	-	-	<b>378,933,056</b>
Electricity	87,347,974	9,588,728	96,936,702	-	-	96,936,702	55,691,274	-	(41,245,428)	57 %	64 %	-	-	-	-
Water	42,288,767	25,520,527	67,809,294	-	-	67,809,294	98,518,156	-	30,708,862	145 %	233 %	-	-	-	336,719,104
Waste water management	34,537,133	11,688,805	46,225,938	-	-	46,225,938	37,796,996	-	(8,428,942)	82 %	109 %	-	-	-	6,087,441
Waste management	36,308,900	(1,081,553)	35,227,347	-	-	35,227,347	44,275,035	-	9,047,688	126 %	122 %	-	-	-	36,126,511
<b>Total Expenditure - Standard</b>	<b>413,475,685</b>	<b>242,204,755</b>	<b>655,680,440</b>	-	-	<b>655,680,440</b>	<b>659,695,197</b>	-	<b>4,014,757</b>	<b>101 %</b>	<b>160 %</b>	-	-	-	<b>828,773,804</b>
<b>Surplus/(Deficit) for the year</b>	<b>57,552,215</b>	<b>(100,561,566)</b>	<b>(43,009,351)</b>	-	-	<b>(43,009,351)</b>	<b>(126,711,817)</b>	-	<b>(83,702,466)</b>	<b>295 %</b>	<b>(220)%</b>	-	-	-	<b>(334,162,467)</b>

**Appendix G2  
Budgeted Financial Performance (revenue and expenditure by municipal vote)  
for the year ended 30 June 2016**

	2015/2016										2014/2015				
	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
<b>Revenue by Vote</b>															
Executive & COUNCIL	48,666,182	502,650	49,168,832	-	-	49,168,832	52,427,465	-	3,258,633	107 %	108 %	-	-	-	73,727,183
Budget and Treasury office	77,059,728	(17,240,728)	59,819,000	-	-	59,819,000	80,520,270	-	20,701,270	135 %	104 %	-	-	-	52,844,365
CORPORATE SUPPORT SERVICES	4,421,953	306,652	4,728,605	-	-	4,728,605	1,516,487	-	(3,212,118)	32 %	34 %	-	-	-	399,702
COMMUNITY SERVICES	453,640	(106,081)	347,559	-	-	347,559	548,094	-	200,535	158 %	121 %	-	-	-	186,054
Sport and Recreation	57,240	(31,794)	25,446	-	-	25,446	49,989	-	24,543	196 %	87 %	-	-	-	33,289
Public Safety	291,600	(11,001)	280,599	-	-	280,599	2,228,718	-	1,948,119	794 %	764 %	-	-	-	1,458,499
Housing	546,480	3,520	550,000	-	-	550,000	17,997,519	-	17,447,519	3,272 %	3,293 %	-	-	-	3,979,835
Road Transport	28,556,698	(1,318)	28,555,380	-	-	28,555,380	51,764,490	-	23,209,110	181 %	181 %	-	-	-	25,754,400
Electricity	108,654,175	9,656,344	118,310,519	-	-	118,310,519	101,163,155	-	(17,147,364)	86 %	93 %	-	-	-	97,338,205
Water	113,855,109	(965,611)	112,889,498	-	-	112,889,498	141,049,360	-	28,159,862	125 %	124 %	-	-	-	138,999,943
Waste Water management	28,359,966	1,680,843	30,040,809	-	-	30,040,809	37,329,110	-	7,288,301	124 %	132 %	-	-	-	26,533,927
Waste management	37,769,032	2,132,371	39,901,403	-	-	39,901,403	46,388,723	-	6,487,320	116 %	123 %	-	-	-	33,721,904
<b>Total Revenue by Vote</b>	<b>448,691,803</b>	<b>(4,074,153)</b>	<b>444,617,650</b>	<b>-</b>	<b>-</b>	<b>444,617,650</b>	<b>532,983,380</b>	<b>-</b>	<b>88,365,730</b>	<b>120 %</b>	<b>119 %</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,319,455,505</b>
<b>Expenditure by Vote to be appropriated</b>															
Executive and council	45,521,357	10,185,024	55,706,381	-	-	55,706,381	85,259,328	-	29,552,947	153 %	187 %	-	-	-	55,074,137
Budget and treasury office	32,520,426	41,783,503	74,303,929	-	-	74,303,929	46,319,496	-	(27,984,433)	62 %	142 %	-	-	-	39,535,930
Corporate services	28,967,153	(49,463,526)	(20,496,373)	-	-	(20,496,373)	9,916,783	-	30,413,156	(48)%	34 %	-	-	-	43,115,477
Community and social services	7,045,133	(6,276,925)	768,208	-	-	768,208	4,498,488	-	3,730,280	586 %	64 %	-	-	-	10,186,334
Sport and recreation	9,503,916	(9,286,968)	216,948	-	-	216,948	11,037,743	-	10,820,795	5,088 %	116 %	-	-	-	33,599,193
Public safety	13,771,931	(13,557,656)	214,275	-	-	214,275	18,192,685	-	17,978,410	8,490 %	132 %	-	-	-	12,044,693
Housing	7,538,363	(7,367,721)	170,642	-	-	170,642	21,687,511	-	21,516,869	12,709 %	288 %	-	-	-	6,912,430
Road transport	22,472,228	(22,428,907)	43,321	-	-	43,321	225,983,923	-	225,940,602	521,650 %	1,006 %	-	-	-	15,567,763
Electricity	82,406,473	26,037,460	108,443,933	-	-	108,443,933	55,691,274	-	(52,752,659)	51 %	68 %	-	-	-	69,285,450
Water	50,826,079	54,421,607	105,247,686	-	-	105,247,686	98,518,156	-	(6,729,530)	94 %	194 %	-	-	-	261,771,316
Waste water management	42,392,326	(20,149,558)	22,242,768	-	-	22,242,768	37,796,996	-	15,554,228	170 %	89 %	-	-	-	29,442,542
Waste management	43,930,281	(11,764,022)	32,166,259	-	-	32,166,259	44,275,035	-	12,108,776	138 %	101 %	-	-	-	39,260,833
Health	-	-	-	-	-	-	517,786	-	517,786	DIV/0 %	DIV/0 %	-	-	-	-
<b>Total Expenditure by Vote</b>	<b>386,895,666</b>	<b>(7,867,689)</b>	<b>379,027,977</b>	<b>-</b>	<b>-</b>	<b>379,027,977</b>	<b>659,695,204</b>	<b>-</b>	<b>280,667,227</b>	<b>174 %</b>	<b>171 %</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>615,804,102</b>
<b>Surplus/(Deficit) for the year</b>	<b>61,796,137</b>	<b>3,793,536</b>	<b>65,589,673</b>	<b>-</b>	<b>-</b>	<b>65,589,673</b>	<b>(126,711,824)</b>	<b>-</b>	<b>(192,301,497)</b>	<b>(193)%</b>	<b>(205)%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,703,651,403</b>

**Appendix G3  
Budgeted Financial Performance (revenue and expenditure)  
for the year ended 30 June 2016**

	2015/2016						2014/2015								
	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
<b>Revenue By Source</b>															
Property rates	38,500,000	3,543,922	42,043,922	-		42,043,922	41,090,394		(953,528)	98 %	107 %				32,146,757
Service charges - electricity revenue	79,335,000	-	79,335,000	-		79,335,000	63,625,991		(15,709,009)	80 %	80 %				64,532,419
Service charges - water revenue	35,525,000	7,474,711	42,999,711	-		42,999,711	40,326,296		(2,673,415)	94 %	114 %				32,982,634
Service charges - sanitation revenue	26,685,000	-	26,685,000	-		26,685,000	21,382,194		(5,302,806)	80 %	80 %				18,109,761
Service charges - refuse revenue	25,117,000	-	25,117,000	-		25,117,000	21,296,069		(3,820,931)	85 %	85 %				21,678,872
Service charges - other	-	-	-	-		-	186,719		186,719	DIV/0 %	DIV/0 %				130,740
Rental of facilities and equipment	1,254,000	5,000	1,259,000	-		1,259,000	1,563,899		304,899	124 %	125 %				1,298,235
Interest earned - external investments	28,400,000	400,000	28,800,000	-		28,800,000	19,133,954		(9,666,046)	66 %	67 %				22,451,376
Dividends received	35,000	35,000	70,000	-		70,000	36,226		(33,774)	52 %	104 %				32,189
Fines	101,000	101,000	202,000	-		202,000	2,163,900		1,961,900	1,071 %	2,142 %				1,926,679
Licences and permits	-	40,000	40,000	-		40,000	100,173		60,173	250 %	DIV/0 %				13,553
Transfers recognised - operational	218,334,000	5,500,000	223,834,000	-		223,834,000	267,735,960		43,901,960	120 %	123 %				250,595,751
Other revenue	3,342,250	(376,000)	2,966,250	-		2,966,250	26,478,916		23,512,666	893 %	792 %				9,831,216
Gains on disposal of PPE	-	-	-	-		-	(3,373,640)		(3,373,640)	DIV/0 %	DIV/0 %				(87,524)
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>456,628,250</b>	<b>16,723,633</b>	<b>473,351,883</b>	<b>-</b>		<b>473,351,883</b>	<b>501,747,051</b>		<b>28,395,168</b>	<b>106 %</b>	<b>110 %</b>				<b>455,642,658</b>

**Appendix G3**  
**Budgeted Financial Performance (revenue and expenditure)**  
**for the year ended 30 June 2016**

	2015/2016							2014/2015							
	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 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
<b>Expenditure By Type</b>															
Employee related costs	159,569,262	1,553,391	161,122,653	-	-	161,122,653	169,775,775	-	8,653,122	105 %	106 %	-	-	-	154,017,291
Remuneration of councillors	10,353,882	-	10,353,882	-	-	10,353,882	10,354,785	-	903	100 %	100 %	-	-	-	9,884,247
Debt impairment	44,000,000	5,000,000	49,000,000			49,000,000	84,545,848	-	35,545,848	173 %	192 %	-	-	-	25,097,237
Depreciation & asset impairment	25,282,489	5,426,449	30,708,938			30,708,938	218,037,546	-	187,328,608	710 %	862 %	-	-	-	210,322,602
Finance charges	3,227,000	(1,448,276)	1,778,724			1,778,724	947,282	-	(831,442)	53 %	29 %	-	-	-	918,797
Bulk purchases	67,560,750	(30)	67,560,720			67,560,720	53,292,708	-	(14,268,012)	79 %	79 %	-	-	-	53,594,386
Contracted services	15,842,747	3,170,198	19,012,945			19,012,945	17,223,878	-	(1,789,067)	91 %	109 %	-	-	-	28,235,384
Transfers and grants	-	-	-			-	2,501,241	-	2,501,241	DIV/0 %	DIV/0 %	-	-	-	2,606,556
Other expenditure	80,163,295	(348,816)	79,814,479			79,814,479	71,779,802	-	(8,034,677)	90 %	90 %	-	-	-	75,589,247
<b>Total Expenditure</b>	<b>405,999,425</b>	<b>13,352,916</b>	<b>419,352,341</b>	<b>-</b>	<b>-</b>	<b>419,352,341</b>	<b>628,458,865</b>	<b>-</b>	<b>209,106,524</b>	<b>150 %</b>	<b>155 %</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>560,265,747</b>
<b>Surplus/(Deficit)</b>	<b>50,628,825</b>	<b>3,370,717</b>	<b>53,999,542</b>	<b>-</b>		<b>53,999,542</b>	<b>(126,711,814)</b>		<b>(180,711,356)</b>	<b>(235)%</b>	<b>(250)%</b>				<b>(104,623,089)</b>
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	<b>50,628,825</b>	<b>3,370,717</b>	<b>53,999,542</b>	<b>-</b>		<b>53,999,542</b>	<b>(126,711,814)</b>		<b>(180,711,356)</b>	<b>(235)%</b>	<b>(250)%</b>				<b>(104,623,089)</b>
<b>Surplus/(Deficit) after taxation</b>	<b>50,628,825</b>	<b>3,370,717</b>	<b>53,999,542</b>	<b>-</b>		<b>53,999,542</b>	<b>(126,711,814)</b>		<b>(180,711,356)</b>	<b>(235)%</b>	<b>(250)%</b>				<b>(104,623,089)</b>
<b>Surplus/(Deficit) attributable to municipality</b>	<b>50,628,825</b>	<b>3,370,717</b>	<b>53,999,542</b>	<b>-</b>		<b>53,999,542</b>	<b>(126,711,814)</b>		<b>(180,711,356)</b>	<b>(235)%</b>	<b>(250)%</b>				<b>(104,623,089)</b>
<b>Surplus/(Deficit) for the year</b>	<b>50,628,825</b>	<b>3,370,717</b>	<b>53,999,542</b>	<b>-</b>		<b>53,999,542</b>	<b>(126,711,814)</b>		<b>(180,711,356)</b>	<b>(235)%</b>	<b>(250)%</b>				<b>(104,623,089)</b>

**Appendix G4**  
**Budgeted Capital Expenditure by vote, standard classification and funding**  
**for the year ended 30 June 2016**

2015/2016										2014/2015				
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 2016**

	2015/2016							2014/2015							
	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
<b>Capital Expenditure - Standard</b>															
Community and public safety	206,733	-	206,733	-	-	206,733	206,733	-	-	100 %	100 %	-	-	-	4,106,564
Community and social services	206,733	-	206,733	-	-	206,733	206,733	-	-	100 %	100 %	-	-	-	1,226,564
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
<b>Total Capital Expenditure - Standard</b>	<b>76,206,733</b>	<b>-</b>	<b>76,206,733</b>	<b>-</b>	<b>-</b>	<b>76,206,733</b>	<b>94,427,775</b>	<b>-</b>	<b>18,221,042</b>	<b>124 %</b>	<b>124 %</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>166,895,923</b>
<b>Funded by:</b>															

**Setsoto Local Municipality**  
**Appendix G5**  
**Budgeted Cash Flows**  
**for the year ended 30 June 2016**

	2015/2016						2015		
	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
<b>Cash flow from operating activities</b>									
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)
<b>Net cash flow from/used operating activities</b>	<b>104,699,896</b>	<b>(4,291,223)</b>	<b>100,408,673</b>	<b>100,408,673</b>	<b>100,184,136</b>	<b>(224,537)</b>	<b>100 %</b>	<b>96 %</b>	<b>68,220,068</b>
<b>Cash flow from investing activities</b>									
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	- %	- %	-
<b>Net cash flow from/used investing activities</b>	<b>(4,084,835)</b>	<b>(3,117,961)</b>	<b>(7,202,796)</b>	<b>(7,202,796)</b>	<b>(99,602,920)</b>	<b>(92,400,124)</b>	<b>1,383 %</b>	<b>2,438 %</b>	<b>(76,637,957)</b>
<b>Cash flow from financing activities</b>									
Repayment of borrowing	-	-	-	-	(627,400)	(627,400)	DIV/0 %	DIV/0 %	(477,638)
<b>Net cash flow from/used financing activities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(627,400)</b>	<b>(627,400)</b>	<b>DIV/0 %</b>	<b>DIV/0 %</b>	<b>(477,638)</b>
<b>Net increase/(decrease) in cash held</b>	<b>100,615,061</b>	<b>(7,409,184)</b>	<b>93,205,877</b>	<b>93,205,877</b>	<b>(46,184)</b>	<b>(93,252,061)</b>	<b>- %</b>	<b>- %</b>	<b>(8,895,527)</b>
Cash/cash equivalents at the year begin:					3,702,108				12,597,635
<b>Cash/cash equivalents at the year end:</b>	<b>100,615,061</b>	<b>(7,409,184)</b>	<b>93,205,877</b>	<b>93,205,877</b>	<b>3,655,924</b>	<b>(93,252,061)</b>	<b>4 %</b>	<b>4 %</b>	