



SETSOTO
LOCAL
MUNICIPALITY

FINANCIAL
STATEMENTS
2009/2010

SETSOTO LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2010

General information (continued)

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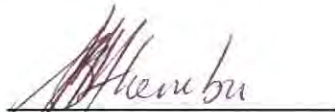
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SETSOTO LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2010

Approval of annual financial statements

I am responsible for the preparation of these annual financial statements, which are set out on pages 5 to 43, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in note 26 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.



Municipal Manager:

B J Mthembu

2010/08/31

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ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2010

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SETSOTO LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL POSITION
as at 30 June 2010

	Note	2010 R	2009 R
ASSETS			
Current assets			
Cash and cash equivalents	1	3 656 199	3 484 038
Trade and other receivables from exchange transactions	2	53 645 956	78 085 403
Other receivables from non-exchange transactions	3	2 044 055	1 380 954
Inventories	4	1 281 881	742 104
Investments	5	14 367 883	866 378
Current portion of receivables	6	3 573	3 573
VAT receivable	12	2 435 440	1 949 497
Non-current assets			
Non-current receivables	6	12 012	15 584
Investments	7	1 106 745	1 045 353
Property, plant and equipment	8	323 154 015	328 451 486
Total assets		401 707 758	416 024 372
LIABILITIES			
Current liabilities			
Trade and other payables from exchange transactions	9	18 459 238	17 629 140
Consumer deposits	10	1 963 685	1 853 881
VAT payable	11	12 068 492	15 822 044
Current provisions	13	760 007	343 943
Bank overdraft	1	20 189 599	18 075 933
Current portion of unspent conditional grants and receipts	14	32 205 544	16 441 776
Current portion of borrowings	15	3 582 728	3 198 770
Current portion of finance lease liability	16	3 809 013	2 399 547
Non-current liabilities			
Non-current borrowings	15	10 909 182	14 958 015
Non-current finance lease liability	16	6 711 191	8 543 808
Non-current provisions	17	3 356 298	2 393 860
Total liabilities		114 014 976	101 660 718
Net assets		287 692 782	314 363 654
NET ASSETS			
Housing Development Fund		271 810	271 810
Accumulated surplus		287 420 972	314 091 844
Total net assets		287 692 782	314 363 654

SETSOTO LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE
for the year ending 30 June 2010

	Note	2010 R	2009 R
Revenue			
Property rates	18	22 491 098	22 620 321
Service charges	19	86 241 547	81 321 818
Rental of facilities and equipment	20	688 892	691 288
Interest earned - external investments	21	600 665	924 400
Interest earned - outstanding receivables	22	17 579 202	19 403 254
Fines		295 724	235 823
Licences and permits		4 706	9 330
Government grants and subsidies	23	130 983 939	120 667 313
Other income	24	4 895 937	2 658 097
Total revenue		263 781 709	248 531 642
Expenses			
Employee related costs	25	80 380 859	70 036 114
Remuneration of councillors	26	8 013 148	6 921 702
Bad debts		79 879 078	20 800 000
Depreciation and amortisation expense	27	30 968 307	25 845 419
Repairs and maintenance		9 512 605	9 989 284
Finance costs	28	4 059 819	4 178 788
Bulk purchases	29	26 119 580	19 327 475
Grants and subsidies paid	30	14 861 718	13 032 720
General expenses	31	36 752 256	32 184 480
Total expenses		290 547 372	202 315 981
Surplus / (deficit) for the period		(26 765 663)	46 215 661

SETSOTO LOCAL MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS
as at 30 June 2010

	R		R		R		R		R	
	Housing Development Fund	Capital Replacement Reserve	Government Grant Reserve	Public Donation and Contribution Reserve	Total: Reserves	Accumulated Surplus/(Deficit)	Total: Net Assets			
Balance at 30 June 2008	271 810	590 580	259 755 904	53 635	260 671 929	26 099 720	288 753 834			
Correction of prior period error		(590 580)	(259 755 904)	(53 635)	(260 400 119)	223 844 224	(36 555 895)			
Restated balance	271 810	-	-	-	271 810	249 943 944	252 197 939			
Property, plant and equipment purchased		(2 042 567)			(2 042 567)	2 042 567				
Capital grants used to purchase PPE		2 042 567	37 777 736		37 777 736	(37 777 736)				
Contribution for the year			(20 978 600)	(5 672)	(20 984 272)	(20 984 272)				
Offsetting of depreciation			(16 799 135)	5 672	(16 793 463)	17 932 240	17 932 240			
Net gains and losses not recognised in the statement of financial performance						16 793 463				
Transfers to / from accumulated surplus/(deficit)						46 215 661				
Balance at 30 June 2009	271 810	-	0	-	271 810	314 091 844	316 345 840			
Correction of prior period error						94 791	94 791			
Restated balance	271 810	-	0	-	271 810	314 186 635	316 440 631			
Surplus / (deficit) for the period						(26 765 663)	(26 765 663)			
Balance at 30 June 2010	271 810	-	0	-	271 810	287 420 972	289 674 967			

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SETSOTO LOCAL MUNICIPALITY
CASH FLOW STATEMENT
as at 30 June 2010

	Note	2010 R	2009 R
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts		261 920 727	212 190 528
Taxation		23 467 362	20 334 983
Sales of goods and services		42 547 760	73 895 846
Grants		145 816 127	115 491 522
Interest received			14 123
Other receipts		50 089 478	2 454 054
Payments		264 034 393	219 028 233
Employee costs		84 823 122	70 036 114
Suppliers		175 151 453	144 813 331
Interest paid		4 059 819	4 178 788
Net cash flows from operating activities	33	(2 113 666)	(6 837 705)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of fixed assets		(25 670 840)	(62 030 011)
Proceeds from non-cash fixed assets donation			57 752 543
Proceeds from non-current receivables		3 573	3 573
Proceeds from non-current investments		16 425 947	(53 315)
Proceeds (to)/from call investments		13 501 505	183 098
Net cash flows from investing activities		4 260 185	(4 144 112)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		-	
Repayment of borrowings		(3 664 875)	(3 196 407)
Proceeds from finance lease liability		2 734 586	5 139 560
Repayment of finance lease liability		(3 157 737)	(1 184 122)
Net cash flows from financing activities		(4 088 026)	759 031
Net increase / (decrease) in net cash and cash equivalents		(1 941 507)	(10 222 786)
Net cash and cash equivalents at beginning of period		(14 591 893)	(4 369 107)
Net cash and cash equivalents at end of period	34	(16 533 400)	(14 591 893)

SETSOTO LOCAL MUNICIPALITY
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ending 30 June 2010

1 BASIS OF ACCOUNTING

1.1 BASIS OF PRESENTATION

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

These annual financial statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

The principal accounting policies adopted in the preparation of these annual financial statements are set out below.

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

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant policy.

1.2 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED AND EFFECTIVE

The following GRAP standards have been issued and are effective from the 01 July 2009 and have been adopted by the municipality subject to clause 1.1 above (Transitional provisions)

Reference	Topic
GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GRAP 4	The Effects of Changes in Foreign Exchange Rates
GRAP 5	Borrowing Costs
GRAP 6	Consolidated and Separate Financial Statements
GRAP 7	Investments in Associates
GRAP 8	Interests in Joint Ventures
GRAP 9	Revenue from Exchange Transactions
GRAP 10	Financial Reporting in Hyperinflationary Economies
GRAP 11	Construction Contracts
GRAP 12	Inventories
GRAP 13	Leases
GRAP 14	Events After the Reporting Date
GRAP 16	Investment Property
GRAP 17	Property, Plant and Equipment
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets
GRAP 100	Non-current Assets Held for Sale and Discontinued Operations
GRAP 101	Agriculture
GRAP 102	Intangible Assets

The following standards, amendments to standards and interpretations have been issued but are not yet effective and have not been early adopted by the municipality:

IAS 19 Employee Benefits - effective 1 January 2009

IFRIC 17 Distribution of Non-cash Assets to Owners - effective 1 July 2009

SETSOTO LOCAL MUNICIPALITY
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ending 30 June 2010

1.3 COMPARATIVE INFORMATION

Budget information in accordance with GRAP 1 and 24, has been provided in an annexure to these financial statements and forms part of the audited annual financial statements.

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

2. PRESENTATION CURRENCY

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

3. GOING CONCERN ASSUMPTION

These annual financial statements are prepared on the going concern basis. Although the Council receive Equitable Share from Government, it is being recognised as income to support the poor and indigent households, as part of Government's national guideline. The assumption is that the municipality will continue to operate as a going concern for at least the next 12 months.

4. HOUSING DEVELOPMENT FUND

The Housing Development Fund was established in terms of Section 15(5) and 16 of the Housing Act, (Act 107 of 1997), which came into operation on 1 April 1998, requires that the municipality maintain a separate housing operating account. Loans from National and Provincial Government used to finance housing developments undertaken by the Municipality were extinguished on 1 April 1998 and transferred to the Housing Development Fund.

The Housing Act also requires in terms of Section 14(4)(d)(ii)(aa) read with, *inter alia*, Section 16(2) that the net proceeds of any rental, sale of property or alienation, financed previously from government housing funds, be paid into a separate operating account and be utilised by the Municipality for housing development subject to the approval of the Provincial MEC responsible for housing.

SETSOTO LOCAL MUNICIPALITY
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ending 30 June 2010

5 PROPERTY, PLANT AND EQUIPMENT (PPE)

- 5.1 The 200/10 accounting policy regarding property, plant and equipment transactions is consistent with that applied in the 2008/09 financial year, in accordance with the transitional provisions granted according Directive 4.
- 5.2 PPE is stated:
- * At cost less accumulated depreciation, or
 - * Heritage assets, which are culturally significant resources and which are shown at cost, are not depreciated owing to the uncertainty regarding their estimated useful lives.
 - * Similarly, land is not depreciated as it is deemed to have an indefinite life.
- 5.3 Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery of the asset are enhanced in excess of the originally assessed standard of performance. If expenditure only restores the originally assessed standard of performance, then it is regarded as repairs and maintenance and is expensed. The enhancement of an existing asset so that its use is expanded or the further development of an asset so that its original life is extended are examples of subsequent expenditure which should be capitalised.
- 5.4 The cost of an item of property, plant and equipment acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets was measured at its fair value. If the acquired item could not be measured at its fair value, its cost was measured at the carrying amount of the asset given up.
- 5.5 The Municipality has adopted a capitalisation threshold whereby all expenditure below the threshold is expensed when incurred. The threshold is currently R7 500 per item of PPE. Where the value of bulk purchases of PPE with values of less than R 7 500 per item, these items are recognised as PPE in the Statement of Financial Position.

SETSOTO LOCAL MUNICIPALITY
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ending 30 June 2010

5.6 Depreciation and impairment losses

5.6.1 Depreciation is calculated on cost, using the straight line method, over the estimated useful lives of the assets. The depreciation rates are based on the following estimated useful lives, calculated on a full month completion:

	Years		Years
Infrastructure		Other	
Roads	10-30	Buildings	30
Electricity	20-30	Specialist vehicles	20
Water	15-20	Motor vehicles	5-7
Sewerage	15-20	Office equipment	3-7
		Furniture and fittings	7-10
Community		Emergency Equipment	5-15
Buildings	30	Plant and equipment	2-5
Recreational Facilities	20	Specialised plant and equipment	10-15
Security measures	3-5		

5.6.2 Incomplete construction work is stated at historic cost. Depreciation commences when the asset is capitalised.

5.6.3 The carrying amount of an item or a group of identical items of PPE is reviewed periodically in order to assess whether or not the recoverable amount has impaired below the carrying amount. When such an impairment has occurred, the carrying amount is reduced to the recoverable amount. The amount of the impairment is recognised as an expense immediately, unless it reverses a previous revaluation, in which case it is charged to the revaluation non distributable reserve.

5.7 Disposal and retirement of assets

- * Assets are written off on disposal or retirement.
- * The difference between the net book value of assets (cost less accumulated depreciation) and the sales proceeds is reflected as a gain or loss in the Statement of Financial Performance.

6. REVALUATION OF LAND AND BUILDINGS

Land and buildings are stated at revalued amounts, being the fair value at the date of revaluation less subsequent accumulated depreciation in respect of buildings. No revaluation of assets was done in 2009/2010 and advantage was taken of the transitional provisions granted in terms of Directive 4.

7. INVENTORIES

The 2009/10 accounting policy regarding inventory transactions is consistent with that applied in the 2008/09 financial year, in accordance with the transitional provisions of Directive 4.

Consumable stores and maintenance materials are valued at the lower of cost, determined on the weighted average cost basis, and net realisable value. If inventories are to be distributed at no charge or for a nominal charge they are valued at the lower of cost and current replacement cost.

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

Unsold properties are valued at the lower of cost and net realisable value on a weighted average cost basis. Direct costs are accumulated for each separately identifiable development. Costs also include a proportion of overhead costs.

Redundant and slow moving inventories are identified and written down with regard to their estimated economic or realisable values. Consumables are written down with regard to their age, condition and utility.

8. FINANCIAL INSTRUMENTS

Financial assets and financial liabilities must initially be recognized at cost.

The 2009/10 accounting policy regarding financial instrument transactions is consistent with that applied in the 2008/09 financial year.

SETSOTO LOCAL MUNICIPALITY
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ending 30 June 2010

8.1 Investments

Financial instruments, which include listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks, are stated at cost.

The municipality may have the following types of financial instruments.

* **Held to maturity (HTM) investments** are financial assets with fixed or determinable payments and fixed maturity where the entity has the positive intent and ability to hold the investment to maturity.

* **Loans and receivables** are financial assets that are created by providing money, goods or services directly to a debtor.

INITIAL MEASUREMENT of financial instruments is **at cost, which is the fair value** of the consideration given. The fair value is usually the transaction price or market price. **Transaction costs** are included in the initial measurement of financial assets. Transaction costs include fees and commissions paid to agents, advisors, brokers and dealers, levies by regulatory agencies and securities exchanges; and transfer taxes and duties. Transaction costs do not include debt premium or discount, financing costs or allocations of internal administrative or holding costs.

SUBSEQUENT MEASUREMENT of financial assets.

HTM investments and loans and receivables originated by the entity and not held for trading are subsequently recognised at **amortised cost using the effective interest rate method**. **Amortised cost** is the amount at which the financial asset was measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation of any difference between that initial amount and the maturity amount, and minus any write-down for impairment or uncollectability.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

8.3 Trade and Other Receivables

Accounts receivable are carried at anticipated realisable value. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Bad debts are written off in accordance with the council credit control policy, during the year in which they are identified.

8.4 Trade Payables

Trade creditors are stated at their nominal value.

8.5 Cash and Cash equivalents

Cash includes cash on hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks and cash investments, net of bank overdrafts.

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

9. UNUTILISED CONDITIONAL GRANTS

Unutilised conditional grants are reflected on the Statement of Financial Position as a creditor – Unutilised conditional grants. They represent unspent government grants, subsidies and contributions from the public. The following provision is set for the creation and utilisation of this creditor:

* Whenever an asset is purchased out of the unutilised conditional grant an amount equal to the cost price of the asset purchased is transferred from the Unutilised Conditional Grant into the statement of financial performance as revenue. Thereafter an equal amount is transferred on the Statement of changes in net assets to a Government Grant Reserve. This reserve is equal to the remaining depreciable value (book value) of assets purchased out of the Unutilised Conditional Grants. The Government Grant Reserve is used to offset depreciation charged on assets purchased out of the Unutilised Conditional Grants.

SETSOTO LOCAL MUNICIPALITY
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ending 30 June 2010

10. VALUE ADDED TAX

The Council accounts for Value Added Tax on the cash basis.

11. REVENUE RECOGNITION

Revenue shall be measured at the fair value of the consideration received or receivable.

The 2009/10 accounting policy regarding revenue transactions is consistent with that applied in the 2008/09 financial year, in accordance with the transitional provisions of Directive 4.

Revenue is derived from a variety of sources which include Rates levied, grants from other tiers of government and revenue from trading activities and other services provided.

Revenue is recognised when it is probable that future economic benefits or service potential will flow to the municipality and these benefits can be measured reliably.

11.1 Revenue from Exchange Transactions

Service charges relating to Electricity and Water are based on consumption. Meters are read and billed on a monthly basis and revenue is recognized as these services are used by consumers.

Sanitation charges are levied monthly at a flat rate based on the location of the property and the number of connections using the tariffs approved from Council.

Refuse charges are levied monthly at a flat rate based on the zoning of the site, using the tariffs approved from Council.

Various services are provided on a prepayment basis in which case no formal billing takes place and revenue is accrued when received.

Income in respect of housing rental and instalments are accrued monthly in advance.

Interest earned on investments is recognised in the Statement of Financial Performance on a time proportionate basis that takes into account the effective yield on the investment. Interest earned on the following investments is not recognised in the Statement of Financial Performance.

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

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

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

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

Interest on outstanding debtors is recognized on a time proportionate basis and is charged on all outstanding debtors older than 30 days.

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment is brought into use. Where public contributions have been received but the municipality has not met the condition, a liability is recognized.

SETSOTO LOCAL MUNICIPALITY
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ending 30 June 2010

11.2 Revenue from non-exchange transactions

Revenue from rates is recognized, when the legal entitlement to this revenue arises. A Differential Rating system is applied. In terms of this system assessment rates are levied on the land and improvements value of property and rebates are granted subject to certain conditions. A composite rating system charging different rate tariffs for different categories of ratepayers is employed.

Collection charges are recognized when such amounts are legally enforceable.

Interest on outstanding debtors is recognized on a time proportionate basis and is charged on all outstanding debtors older than 30 days.

Fines constitute both spot fines and summonses. Revenue from spot fines is recognised when payment is received, and the revenue from the issuing of summonses is only recognised when collected by the Courts. Due to the various legal processes that can apply to summonses and the inadequate information received from the Courts, it is not possible to measure this revenue when the summons is issued.

Donations are recognised on a cash receipt basis or where the donation is in the form of property, plant and equipment, when such items of property, plant and equipment are brought into use.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment are available for use.

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

12. 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.

13. PROVISIONS

A provision is recognised when the municipality has a present obligation (legal or constructive) as a result of a past event and it is probable (i.e. more likely than not) 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 amount of the obligation.

Provisions are reviewed at each Statement of Financial Position date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

13.1. Accrued Leave Pay

Liabilities for annual leave are recognised as they accrue to employees. The accrual is based on the total amount of accumulated leave days due to employees at year end and also on the basic salary of the employee.

13.2 Provision for bonuses

The Municipality makes provision for bonuses payable where at year end minimum bonus amounts owing to officials are contractually payable in the next financial year.

13.3 Provision for the rehabilitation of landfill sites

Provision for Landfill sites are made by Council, in the extent that the amount provided will be sufficient to rehabilitate the site in full when the site reaches its capacity.

13.4 Provision for removal of alien vegetation

No provision for alien vegetation are made by Council during the year.

SETSOTO LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

	Note	2010 R	2009 R
38.5 Pension and Medical Aid Deductions			
Opening balance		-	
Current year payroll deductions and Council Contributions		21 101 967	17 255 537
Amount paid - current year		(21 101 967)	(17 255 537)
Balance unpaid (included in payables)		<u>-</u>	<u>-</u>

38.6 Councillor's arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days as at -

	Total R	Outstanding less than 90 days R	Outstanding more than 90 days R
as at 30 June 2010			
Councillor T B Jakobo	4 902	532	4 370
Councillor M Malebo	1 883	482	1 401
Councillor M Malebo	8 168	778	7 390
Councillor T D Zim	1 409	374	1 035
Councillor T D Zim	7 434	440	6 995
Total Councillor Arrear Consumer Accounts	<u>23 797</u>	<u>2 606</u>	<u>21 190</u>
as at 30 June 2009			
Councillor T B Jakobo	6 431	532	5 898
Councillor M Malebo	5 134	778	4 356
Councillor T D Zim	764	374	390
Councillor T D Zim	7 480	440	7 041
Total Councillor Arrear Consumer Accounts	<u>19 810</u>	<u>2 124</u>	<u>17 686</u>

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

	Highest Amount Outstanding R	Ageing Days
as at 30 June 2010		
Councillor T B Jakobo	4 902	693 days
Councillor M Malebo	1 883	244 days
Councillor M Malebo	8 168	885 days
Councillor T D Zim	1 409	230 days
Councillor T D Zim	7 434	939 days
as at 30 June 2009		
Councillor T B Jakobo	6 431	1087 days
Councillor M Malebo	5 134	601 days
Councillor T D Zim	764	194 days
Councillor T D Zim	7 480	1058 days

38.6 Supply Chain Management Regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations, any deviation from the Supply Chain Management Policy needs to be approved/condoned by the Municipal Manager. The expenses incurred below have been condoned by the Municipal Manager.

Incident

Deviations less than R200 000

Total amount condoned

1 165 909	-
<u>1 165 909</u>	<u>-</u>

39 CAPITAL COMMITMENTS

Commitments in respect of capital expenditure

- Approved and contracted for

Infrastructure

Community

Other

132 223 155	24 298 078
131 714 516	21 434 000
117 535	117 534
391 104	2 746 544

- Approved but not yet contracted for

Infrastructure

Other

-	-
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Total

<u>132 223 155</u>	<u>24 298 078</u>
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This expenditure will be financed from:

- Government Grants

- Own resources

131 714 516	21 551 534
508 639	2 746 544
<u>132 223 155</u>	<u>24 298 078</u>

SETSOTO LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

	Note	2010 R	2009 R
40 RETIREMENT BENEFIT INFORMATION			
40.1 Defined contribution plan			
The following are defined contribution plans: National Fund for Municipal Workers, SAMWU Provident Fund, Freestate Provident Fund and SALA. These contributions have been expensed.			
An amount of R11 969 295 (2009 : R9 996 085) was contributed by Council in respect of Councillors and employees retirement funding. These contributions have been expensed and are included in employee related costs for the year.			
40.2 Defined benefit plan			
The following are defined benefit plans Free State Pension Fund These are not treated as defined benefit plans as defined by IAS19, but are accounted for as defined contribution plans. This is in line with the exemption in IAS 19 par. 30 which states that where information required for proper defined benefit plan accounting is not available in respect of multi-employer and state plans, these should be accounted for as defined contribution plans. The municipality has been unsuccessful in obtaining the necessary information to support proper defined benefit plan accounting due to restrictions imposed by the multi-employer plan. It is therefore deemed impracticable to obtain this information at a suitable level of detail.			
An amount of R602 401 (2009 : R552 089) was contributed by Council in respect of Councillors and employees retirement funding. These contributions have been expensed and are included in employee related costs for the year.			
41 CONTINGENT LIABILITY			
41.1 Guarantees to Building Society and Banks in respect of housing loans to employees		40 684	41 300
41.2 Sanitation agreement - Beosumar vs Setsoto Municipality - Court settlement		-	1 278 831
Sanitation services contract was cancelled and a claim was forwarded to Council. The matter was settled at High Court level and the cost incurred was expensed during the year.			
41.3 LED - Project, Biofresh vs Setsoto Municipality - Court judgement infavour of Setsoto		-	13 041 285
41.4 Delictual Claims:		131 016	89 250
(1.) Leona Wagener vs. Setsoto Municipality - Claim for damages to the amount of R67 500 and the claim might be settled during the year 2010.			
(2.) Selloane E Molete vs. Setsoto Municipality & M May - Claim for damages against the property of the owner to amount of R38 610 and the process is still under review.			
(3.) Anton Erasmus vs. Setsoto Municipality - A letter of demand was issued against the Municipality to the amount of R24 906 based on negligence from Council. The matter will be disputed and will be awaiting the outcome of the court.			
41.5 SALA claim against Setsoto for the short deduction/increase in contribution rate, results to a possible High Court ruling. The first claim was settle to the amount of R681 933. A second claim arise and are currently in the process of settlement out of court.		245 545	681 933
42 IN-KIND DONATIONS AND ASSISTANCE			
The Municipality did not receive any in-kind donations and assistance during the financial year			
43 RELATED PARTIES			
Members of key management (refer to note 25)			
Compensation to councillors and other key management (refer to note 26)			
44 EVENTS AFTER THE REPORTING DATE			
No significant matters to report after reporting date			

SETSOTO LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

	Note	2010 R	2009 R
45 RISK MANAGEMENT			
45.1 Maximum credit risk exposure			
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.			
45.2 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.			
2010			
Gross finance lease obligations		534 966	1 080 167
Borrowings		236 906	485 115
2010			
Gross finance lease obligations		7 287 885	14 109 343
Borrowings		4 582 967	9 186 922

SETSOTO LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

	Note	2010 R	2009 R
45.2 2009		Not later than one month	Later than one month and not later than three months
Gross finance lease obligations		301 275	602 551
Borrowings		237 068	485 439
2009		Later than three months and not later than one year	Later than one year and not later than five years
Gross finance lease obligations		2 690 930	11 052 899
Borrowings		4 700 383	31 235 627

45.3 Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

OR

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the group 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.

At year end, financial instruments exposed to interest rate risk were as follows:

- Call deposits
- Notice deposits
- Long term annuity
- Development Bank of South Africa loan
- ABSA overdraft

46 GOING CONCERN

The municipality was faced with the following challenges during the year (2009/10):

1. Creditors turnover decreased from an average of 58 days to 25 days.
2. The consumer payment profile declined and as a result provision for bad debts was under provided with an average 29%. The average turnover and total outstanding debt has increased from 392 days to 438 days.
3. 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 however 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 honor its financial obligations and strive to maintain its assets, and will therefore continue to exist within the foreseeable future, as a going concern.

47 CHANGE IN ACCOUNTING POLICY

The following adjustments were made to amounts previously reported in the annual financial statements of the municipality arising from the implementation of new accounting policies and changes to existing policies

47.1 Provisions and Reserves

Balances previously reported		
Capital Replacement Reserve		590 580
Government Grant Reserve		139 180 665
Public Donation and Contribution Reserve		59 307
Total		<u>139 830 552</u>
Implementation of GRAP		
Transferred to Accumulated Surplus/(Deficit) (see 47.2 below)		(139 830 552)
Total		<u>(139 830 552)</u>

47.2 Accumulated Surplus/(Deficit)

Implementation of GRAP		
Excessive provisions and reserves no longer permitted (see 47.1 above)		139 830 552
Total		<u>139 830 552</u>

48 COMPARISON WITH THE BUDGET

The comparison of the Municipality's actual financial performance with that budgeted is set out in Annexures E(1) and E(2)

SETSOLO LOCAL MUNICIPALITY
APPENDIX A
SCHEDULE OF EXTERNAL LOANS
as at 30 June 2010

EXTERNAL LOANS	Interest Rate	Loan number	Redeemable Date	Balance at 30 June 2009		Received during the period	Redeemed/ written off during the period		Balance at 30 June 2010	Carrying Value of Property, Plant & Equipment		Other Costs in accordance with MFMA
				R	R		R	R		R	R	
LONG-TERM LOANS												
DBSA	14.55%	100	31/12/2014	3 366 923			1 223 160	2 143 763		-		
DBSA	14.55%	101	30/06/2015	606 718			220 413	386 305		-		
DBSA	14.55%	200	31/07/2015	2 038 863			740 693	1 298 170		-		
DBSA	15.00%	201	30/09/2010	30 149			19 831	10 318		-		
DBSA	16.75%	301	30/06/2020	2 165 400			77 895	2 087 505		-		
DBSA	14.55%	404	31/03/2010	575 098			208 926	366 172		302 112		
DBSA	11.36%	525	30/06/2025	6 788 992			175 078	6 613 914		2 576 435		
DBSA	11.43%	526	30/06/2010	2 459 371			902 517	1 556 854		4 622 673		
Inca	16.50%	102	30/04/2009	0				0		694 368		
Total long-term loans				18 031 514		-	3 588 513	14 463 001		8 195 608		
ANNUITY LOAN												
Santlam	0.00%	409	31/07/2010	125 271		-	96 363	28 909		402 979		
Total Annuity Loans				125 271		-	96 363	28 909		402 979		
FINANCE LEASE												
Bankfin	11.15%	524	01/12/2008	(0)				(0)		48 345		
Bateman	16.84%	527	01/03/2009	(0)				(0)		232 765		
Wesbank	15.89%	528	31/10/2009	13 075			12 224	851		-		
Wesbank	17.12%	529	01/09/2011	19 176			14 600	4 576		2 085		
Wesbank	16.01%	530	01/09/2011	18 759			14 816	3 943		2 135		
Wesbank	15.07%	531	01/09/2011	54 935			44 715	10 220		6 092		
Wesbank	15.31%	532	01/10/2011	35 909			28 570	7 339		5 631		
Wesbank	14.50%	533	01/10/2011	37 531			27 786	9 745		7 508		
Wesbank	14.50%	534	01/10/2011	37 531			27 786	9 745		7 508		
Wesbank	13.00%	535	31/12/2012	1 927 834			403 372	1 524 462		1 606 408		
Wesbank	13.00%	536	31/12/2012	3 803 407			795 810	3 007 597		1 870 104		
Bankfin	14.00%	537	30/04/2014	1 757 113			545 691	1 211 422		1 406 437		
Bankfin	14.00%	538	30/04/2014	3 238 086			509 993	2 728 093		2 533 895		
Fintech	13.00%	540	01/03/2012			1 664 250	450 058	1 214 193		1 359 138		
Fintech	13.00%	541	01/07/2012			1 070 336	282 318	788 018		874 108		
Total Finance Lease				10 943 355		2 734 586	3 157 737	10 520 204		9 962 159		
TOTAL EXTERNAL LOANS				29 100 140		2 734 586	6 822 612	25 012 114		18 560 746		

SETSOTO LOCAL MUNICIPALITY
APPENDIX B
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
as at 30 June 2010

	Cost / Revaluation				Accumulated Depreciation				Transfers	Other movements	Carrying Value
	Opening Balance	Additions	Disposals	Under Construction	Closing Balance	Opening Balance	Depreciation	Disposals			
	R	R	R	R	R	R	R	R	R	R	R
Land											
Land	19 985 901	-	-	-	19 985 901	-	-	-	-	-	19 985 901
Landfill Sites	-	-	-	-	-	-	-	-	-	-	-
Quarries	-	-	-	-	-	-	-	-	-	-	-
	19 985 901	-	-	-	19 985 901	-	-	-	-	-	19 985 901
Buildings											
	35 630 481	-	-	-	35 630 481	11 593 554	1 550 234	-	-	13 143 788	22 486 693
Infrastructure											
Drains	-	-	-	-	-	-	-	-	-	-	-
Roads	78 332 802	10 365 579	-	-	88 698 381	40 462 756	3 492 722	-	-	43 955 478	44 742 904
Sewerage Mains & Purification	231 666 459	7 754 157	-	-	239 420 616	44 853 500	15 440 118	-	-	60 293 618	179 126 998
Electricity Mains	24 648 960	-	-	-	24 648 960	16 552 165	633 601	-	-	17 185 766	7 463 194
Electricity Peak Load Equip	-	4 225 328	-	-	4 225 328	-	-	-	-	-	-
Water Mains & Purification	88 387 553	-	-	-	92 612 881	57 023 490	5 861 297	-	-	62 884 787	29 728 094
Reservoirs – Water	-	-	-	-	-	-	-	-	-	-	-
Water Meters	-	-	-	-	-	-	-	-	-	-	-
Storm Water	-	-	-	-	-	-	-	-	-	-	-
	423 035 775	22 345 064	-	-	445 380 839	158 891 911	25 427 738	-	-	184 319 649	261 061 190
Community Assets											
Parks & Gardens	-	-	-	-	-	-	-	-	-	-	-
Libraries	-	-	-	-	-	-	-	-	-	-	-
Recreation Grounds	3 177 756	178 713	-	-	3 356 469	2 769 811	79 638	-	-	2 849 449	507 020
Civic Buildings	4 068 311	-	-	-	4 068 311	2 216 555	126 836	-	-	2 343 391	1 724 920
Stadiums	-	-	-	-	-	-	-	-	-	-	-
Halls	-	-	-	-	-	-	-	-	-	-	-
Theatre	-	-	-	-	-	-	-	-	-	-	-
Swimming Pools	-	-	-	-	-	-	-	-	-	-	-
Cemeteries	-	-	-	-	-	-	-	-	-	-	-
	7 245 067	178 713	-	-	7 424 780	4 986 366	206 474	-	-	5 192 840	2 231 941
Heritage Assets											
Historical Buildings	-	-	-	-	-	-	-	-	-	-	-
Paintings & Artifacts	-	-	-	-	-	-	-	-	-	-	-
Total carried forward	485 898 224	22 523 777	-	-	508 422 001	175 471 831	27 184 446	-	-	202 656 277	305 765 724

SETSOLO LOCAL MUNICIPALITY
APPENDIX B
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
as at 30 June 2010

	Cost / Revaluation					Accumulated Depreciation					Other movements	Carrying Value	
	Opening Balance	Additions	Disposals	Under Construction	Closing Balance	Opening Balance	Depreciation	Disposals	Impairment loss/Reversal of impairment loss	Closing Balance			Transfers
	R	R	R	R	R	R	R	R	R	R	R	R	R
Total brought forward	485 898 224	22 523 777	-	-	508 422 001	175 471 831	27 184 446	-	-	202 656 277	-	-	305 765 724
Other Assets													
Office Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
Furniture & Fittings	3 744 130	92 778	-	-	3 836 908	2 060 729	480 746	-	-	2 541 475	-	-	1 295 433
Bins and Containers	-	-	-	-	-	-	-	-	-	-	-	-	-
Emergency Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
Motor vehicles	1 905 601	-	-	-	1 905 601	1 833 688	180 079	-	-	2 013 767	-	-	(108 166)
Fire engines	-	-	-	-	-	-	-	-	-	-	-	-	-
Refuse tankers	-	-	-	-	-	-	-	-	-	-	-	-	-
Computer Equipment	2 293 626	224 905	-	-	2 518 531	1 986 289	308 988	-	-	2 295 277	-	-	223 254
Computer Software (part of computer equipment)	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets	807 650	-	-	-	807 650	266 903	64 851	-	-	331 754	-	-	475 895
	8 751 007	317 683	-	-	9 068 690	6 147 610	1 034 664	-	-	7 182 274	-	-	1 886 416
Finance Lease Assets													
Office Equipment	18 299 720	2 829 378	-	-	21 129 098	6 134 976	2 216 173	-	-	8 351 149	-	-	12 777 948
Other Assets	7 418 225	-	-	-	7 418 225	4 163 273	531 026	-	-	4 694 299	-	-	2 723 926
	25 717 945	2 829 378	-	-	28 547 323	10 298 249	2 747 199	-	-	13 045 448	-	-	15 501 874
Total	520 367 176	25 670 838	-	-	546 038 014	191 917 690	30 966 309	-	-	222 883 999	-	-	323 154 015

SETSOTO LOCAL MUNICIPALITY
APPENDIX B
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
as at 30 June 2009

	Cost / Revaluation				Accumulated Depreciation				Transfers	Other movements	Carrying Value
	Opening Balance	Additions	Disposals	Under Construction	Closing Balance	Opening Balance	Depreciation	Disposals			
	R	R	R	R	R	R	R	R	R	R	R
Land											
Land	1 797 999	18 187 902	-	-	19 985 901	-	-	-	-	-	19 985 901
Landfill Sites	-	-	-	-	-	-	-	-	-	-	-
Quarries	-	-	-	-	-	-	-	-	-	-	-
	1 797 999	18 187 902	-	-	19 985 901	-	-	-	-	-	19 985 901
Buildings											
	35 630 481	-	-	-	35 630 481	10 023 408	1 568 146	-	-	11 591 554	24 038 927
Infrastructure											
Drains	-	-	-	-	-	-	-	-	-	-	-
Roads	60 104 914	18 227 889	-	-	78 332 802	37 819 827	2 642 928	-	-	40 462 756	37 870 047
Sewerage Mains & Purification	212 271 374	19 395 085	-	-	231 666 459	31 821 455	13 032 046	-	-	44 853 500	186 812 959
Electricity Mains	24 508 504	140 456	-	-	24 648 960	15 932 852	6 19 313	-	-	16 552 165	8 096 795
Electricity Peak Load Equip	-	-	-	-	-	-	-	-	-	-	-
Water Mains & Purification	88 267 189	120 364	-	-	88 387 553	52 861 488	4 162 002	-	-	57 023 490	31 364 063
Reservoirs – Water	-	-	-	-	-	-	-	-	-	-	-
Water Meters	-	-	-	-	-	-	-	-	-	-	-
Storm Water	-	-	-	-	-	-	-	-	-	-	-
	385 151 981	37 883 794	-	-	423 035 775	138 435 623	20 456 289	-	-	158 891 911	264 143 864
Community Assets											
Parks & Gardens	-	-	-	-	-	-	-	-	-	-	-
Libraries	-	-	-	-	-	-	-	-	-	-	-
Recreation Grounds	3 177 756	-	-	-	3 177 756	2 687 827	81 984	-	-	2 769 811	407 945
Civic Buildings	4 068 311	-	-	-	4 068 311	2 089 718	126 836	-	-	2 216 555	1 851 756
Stadiums	-	-	-	-	-	-	-	-	-	-	-
Halls	-	-	-	-	-	-	-	-	-	-	-
Theatre	-	-	-	-	-	-	-	-	-	-	-
Swimming Pools	-	-	-	-	-	-	-	-	-	-	-
Cemeteries	-	-	-	-	-	-	-	-	-	-	-
	7 246 067	-	-	-	7 246 067	4 777 545	208 820	-	-	4 986 366	2 259 702
Heritage Assets											
Historical Buildings	-	-	-	-	-	-	-	-	-	-	-
Paintings & Artifacts	-	-	-	-	-	-	-	-	-	-	-
Total carried forward	429 826 528	56 071 696	-	-	485 898 224	153 236 576	22 233 255	-	-	175 469 831	310 428 393

SETSOTO LOCAL MUNICIPALITY
APPENDIX B
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
as at 30 June 2009

	Cost / Revaluation				Accumulated Depreciation						Carrying Value		
	Opening Balance	Additions	Disposals	Under Construction	Closing Balance	Opening Balance	Depreciation	Disposals	Impairment loss/Reversal of impairment loss	Closing Balance		Transfers	Other movements
	R	R	R	R	R	R	R	R	R	R	R	R	
Total brought forward	429 826 528	56 071 696	-	-	485 898 224	153 236 576	22 233 255	-	-	175 469 831	-	-	310 428 393
Other Assets													
Office Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
Furniture & Fittings	3 382 161	361 969	-	-	3 744 130	1 515 354	545 375	-	-	2 060 729	-	-	1 683 401
Bins and Containers	-	-	-	-	-	-	-	-	-	-	-	-	-
Emergency Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
Motor vehicles	2 313 678	-	(408 077)	-	1 905 601	1 847 847	180 079	(194 238)	-	1 833 688	-	-	71 913
Fire engines	-	-	-	-	-	-	-	-	-	-	-	-	-
Refuse tankers	-	-	-	-	-	-	-	-	-	-	-	-	-
Computer Equipment	2 293 626	-	-	-	2 293 626	1 815 443	170 846	-	-	1 986 289	-	-	307 337
Computer Software (part of computer equipment)	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets	807 650	-	-	-	807 650	217 236	49 667	-	-	266 903	-	-	540 746
	8 797 115	361 969	(408 077)	-	8 751 007	5 395 880	945 967	(194 238)	-	6 147 610	-	-	2 603 397
Finance Lease Assets													
Office Equipment	12 703 374	5 596 346	-	-	18 299 720	4 037 445	2 097 532	-	-	6 134 976	-	-	12 164 743
Other Assets	7 418 225	-	-	-	7 418 225	3 596 607	566 666	-	-	4 163 273	-	-	3 254 952
	20 121 599	5 596 346	-	-	25 717 945	7 634 051	2 664 198	-	-	10 298 249	-	-	15 419 695
Total	458 745 242	62 030 011	(408 077)	-	520 367 176	166 266 508	25 843 420	(194 238)	-	191 915 690	-	-	328 451 486

SETSOTO LOCAL MUNICIPALITY
APPENDIX C
SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT
as at 30 June 2010

	Cost / Revaluation				Accumulated Depreciation				Carrying value	
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals		Closing Balance
	R	R	R	R	R	R	R	R	R	
Executive & Council	11 524 038	2 922 155			14 446 193	5 225 294	3 293 497		8 518 791	5 927 402
Finance & Admin	36 515 079	224 905			36 739 984	8 116 511	434 458		8 550 969	28 189 015
Planning & Development	1 282 232				1 282 232	-			-	1 282 232
Health	2 337 523				2 337 523	22 345 884	24 322		22 370 206	(20 032 682)
Community & Social Services	22 240 376	178 713			22 419 089	5 315 048	481 653		5 796 701	16 622 388
Housing	5 076 063				5 076 063	2 039 914	1 242 444		3 282 358	1 793 705
Public Safety	711 744	11 581			723 325	577 230	80 144		657 374	65 952
Sport & Recreation	8 367 143				8 367 143	4 667 363	317 069		4 984 432	3 382 711
Environmental Protection	32 931				32 931	5 488			5 488	27 443
Waste Management	235 113 687	7 754 157			242 867 844	26 340 068	15 260 080		41 600 148	201 267 696
Road Transport	83 481 488	10 353 999			93 835 487	43 134 668	4 780 482		47 915 150	45 920 338
Water	88 829 229	4 225 328			93 054 557	57 351 842	4 350 070		61 701 912	31 352 645
Electricity	24 812 158				24 812 158	16 752 894	704 094		17 456 988	7 355 170
Other	58 775				58 775	58 775			58 775	-
Total	520 382 467	25 670 838	-	-	546 053 305	191 930 978	30 968 313	-	222 899 291	323 154 015

SETSOTO LOCAL MUNICIPALITY
APPENDIX D
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE
for the year ended 30 June 2010

	2009		2010		2010	
	Actual Income	Actual Expenditure	Actual Income	Actual Expenditure	Actual Income	Actual Expenditure
	R	R	R	R	R	R
	19 316 372	(36 671 820)	9 481 011	(54 150 661)	9 481 011	(54 150 661)
	45 172 087	(18 504 647)	43 066 743	(20 487 111)	43 066 743	(20 487 111)
	-	(132 823)	45 904	(88 174)	45 904	(88 174)
	-	(2 562 334)	55 642	(3 085 899)	55 642	(3 085 899)
	393 866	(4 295 413)	404 162	(5 359 301)	404 162	(5 359 301)
	230 185	(4 282 404)	288 820	(5 548 347)	288 820	(5 548 347)
	81 693	(8 212 317)	68 707	(10 252 438)	68 707	(10 252 438)
	-	(35 604)	-	(37 440)	-	(37 440)
	65 817 120	(44 343 384)	81 259 312	(90 925 031)	81 259 312	(90 925 031)
	31 542 541	(14 739 417)	10 354 738	(18 051 683)	10 354 738	(18 051 683)
	38 596 124	(30 025 285)	50 022 479	(50 117 132)	50 022 479	(50 117 132)
	47 381 654	(36 824 553)	68 734 191	(43 683 088)	68 734 191	(43 683 088)
	-	(1 686 181)	-	(1 167 635)	-	(1 167 635)
	248 531 642	(202 316 180)	263 781 709	(302 953 939)	263 781 709	(302 953 939)
		10 672 533		12 406 566		12 406 566
	248 531 642	(191 643 647)	263 781 709	(290 547 372)	263 781 709	(26 765 663)

Less: Inter-Department Charges

Total

SETSOTO LOCAL MUNICIPALITY

APPENDIX E (1)

ACTUAL VERSUS BUDGET

for the year ended 30 June 2010

	<u>2010 Actual R</u>	<u>2010 Budget R</u>	<u>2010 Variance R</u>	<u>2010 Variance %</u>	<u>Explanation of Significant Variances</u>
REVENUE					
Property rates	22 491 098	20 120 207	2 370 891	11.78%	greater than 10% versus Budget
Property rates - penalties imposed and collection charges			-	0.00%	Implementation of MPRA which include farms
Service charges	86 241 547	83 468 274	2 773 273	3.32%	
Regional Services Levies - turnover			-	0.00%	
Regional Services Levies - remuneration			-	0.00%	
Rental of facilities and equipment	688 692	558 493	130 199	23.31%	New contracts/leases incurred
Interest earned - external investments	600 665	2 932 298	(2 331 633)	-79.52%	Decrease in investment and investment period.
Interest earned - outstanding debtors	17 579 202	15 150 448	2 428 754	16.03%	Increase in outstanding debt
Dividends received			-	0.00%	
Fines	295 724	210 428	85 296	40.53%	More effective law enforcement
Licences and permits	4 676	-	4 676	0.00%	
Income for agency services			-	0.00%	
Government grants and subsidies	130 983 939	153 433 000	(22 449 061)	-14.63%	Decrease in conditional grants received.
Other income	4 896 167	4 932 215	(36 048)	-0.73%	
Public contributions, donated/contributed PPE			-	0.00%	
Gains on disposal of property, plant and equipment			-	0.00%	
Total Revenue	263 781 709	280 805 362	(17 023 653)	-6.06%	
EXPENDITURE					
Employee related costs	(80 380 859)	(77 301 570)	(3 079 289)	3.98%	
Remuneration of Councillors	(8 013 148)	(7 365 557)	(647 591)	8.79%	
Bad debts	(79 879 078)	(13 125 000)	(66 754 078)	508.60%	Implementation of impairment of debtors result in variance
Collection costs			-	0.00%	
Depreciation	(30 968 307)	(16 728 494)	(14 239 813)	85.12%	Under budgeting of vote
Repairs and maintenance	(9 512 605)	(22 144 768)	12 632 163	-57.04%	Negative cashflow relates to lack of repairs done
Interest on external borrowings	(4 059 819)	(11 895 143)	7 835 323	-65.87%	No new loans taken up as budgeted.
Bulk purchases	(26 119 580)	(24 186 094)	(1 933 487)	7.99%	
Contracted services			-	0.00%	
Grants and subsidies paid	(14 861 718)	(15 317 533)	455 816	-2.98%	
General expenses - other	(49 158 823)	(42 694 553)	(6 464 270)	15.14%	Increase in Audit cost
Loss on disposal of property, plant and equipment			-	0.00%	
Total Expenditure	(302 953 939)	(230 758 712)	(72 195 227)	31.29%	
NET SURPLUS/(DEFICIT) FOR THE YEAR	(39 172 230)	50 046 650	(89 218 879)	-178.27%	

SETSOTO LOCAL MUNICIPALITY

APPENDIX E (1)

ACTUAL VERSUS BUDGET

for the year ended 30 June 2009

	2009 Actual R	2009 Budget R	2009 Variance R	2009 Variance %	Explanation of Significant Variances greater than 10% versus Budget
REVENUE					
Property rates	22 620 321	23 422 278	(801 957)	-3.42%	
Property rates - penalties imposed and collection charges	-	-	-	0.00%	
Service charges	81 654 469	72 822 180	8 832 289	12.13%	
Regional Services Levies - turnover	-	-	-	0.00%	
Regional Services Levies - remuneration	691 288	666 148	25 140	3.77%	
Rental of facilities and equipment	924 400	750 000	174 400	23.25%	
Interest earned - external investments	19 403 254	17 500 000	1 903 254	10.88%	
Interest earned - outstanding debtors	-	-	-	0.00%	
Dividends received	235 823	211 600	24 223	11.45%	
Fines	9 330	8 000	1 330	16.63%	
Licences and permits	-	-	-	0.00%	
Income for agency services	120 667 313	112 630 945	8 036 368	7.14%	
Government grants and subsidies	2 325 445	2 154 846	170 599	7.92%	
Other income	-	-	-	0.00%	
Public contributions, donated/contributed PPE	-	-	-	0.00%	
Gains on disposal of property, plant and equipment	-	-	-	0.00%	
Total Revenue	248 531 643	230 165 997	18 365 646	7.98%	
EXPENDITURE					
Employee related costs	(70 036 114)	(71 497 092)	1 460 978	-2.04%	
Remuneration of Councillors	(6 921 702)	(7 051 842)	130 140	-1.85%	
Bad debts	(20 800 000)	(20 800 000)	-	0.00%	
Collection costs	-	-	-	0.00%	
Depreciation	(25 845 419)	(17 929 000)	(7 916 419)	44.15%	
Repairs and maintenance	(9 989 284)	(10 409 689)	420 405	-4.04%	
Interest on external borrowings	(4 178 788)	(6 769 083)	2 590 295	-38.27%	
Bulk purchases	(19 327 475)	(19 358 213)	30 738	-0.16%	
Contracted services	-	-	-	0.00%	
Grants and subsidies paid	(13 032 720)	(14 936 025)	1 903 305	-12.74%	
General expenses - other	(43 025 436)	(34 742 324)	(8 283 112)	23.84%	
Loss on disposal of property, plant and equipment	-	-	-	0.00%	
Total Expenditure	(213 156 938)	(203 493 268)	(9 663 670)	4.75%	
NET SURPLUS/(DEFICIT) FOR THE YEAR	35 374 705	26 672 729	8 701 976	32.62%	

SETSOTO LOCAL MUNICIPALITY
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ending 30 June 2010

14. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

15. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's 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.

16. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful 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.

17. LEASES

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

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

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are accrued on a straight-line basis over the term of the relevant lease.

18. BORROWING COSTS

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalized to the cost of that asset unless it is inappropriate to do so. The municipality ceases the capitalization of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalize borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established. Borrowing costs incurred other than on qualifying assets are recognized as an expense in surplus or deficit when incurred.

19. RETIREMENT BENEFITS

The 2009/10 accounting policy regarding retirement benefit transactions is consistent with that applied in the 2008/09 financial year, in accordance with the transitional provisions of Directive 4.

SETSOTO LOCAL MUNICIPALITY
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ending 30 June 2010

19.1 Pension / Retirement Fund

The Council and its employees contribute to various Pension and Retirement Funds and its councillors contribute to the Pension Fund for Municipal Councillors. These funds provide retirement benefits to such employees and councillors.

The retirement benefits are calculated in accordance with the rules of the funds.

Current contributions are charged against the operating account of the Council at a percentage of the pensionable remuneration paid to employees or councillors.

A provision is made for the best estimate of the current cost of gratuities payable to employees that were not previously members of a pension fund.

A provision is raised as the best estimate of the current cost of paying future pensions to employees who have become disabled as a result of injuries sustained whilst on duty.

19.2 Medical Aid: Continued Members

Council provides certain post retirement medical benefits by funding the medical aid contributions of certain retired members of the municipality. According to the rules of the medical aid funds, with which Council is associated, a member (who is on the current condition of service), on retirement, is entitled to remain a continued member of such medical aid fund, in which case the member is liable for 30% or 40% of the medical aid membership fee, and Council for the remaining 70% or 60%. Council adopted a policy whereby the age of staff appointed under the new conditions of service would determine their portion of contribution to the medical aid on retirement.

These contributions are charged to the operating account when paid. In addition Council will contribute annually for the next 15 years towards funding the obligations, which could arise to pay for the future medical costs of employees and retirees.

20 GRANTS-IN-AID

The Municipality annually awards grants to individuals and organisations based on merit. When making these transfers, Council does not:

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

These transfers are recognised in the financial statements as expenses in the period that the events giving rise to the transfer occurred.

21 ROUNDING

The amounts reflected in the financial statements of the Municipality are all in Rand, and all amounts are rounded off to the nearest Rand.

SETSOTO LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

	Note	2010 R	2009 R
1 CASH AND CASH EQUIVALENTS			
Cash and cash equivalents consist of the following:			
Cash on hand		9 796	8 796
Cash at bank		(20 189 599)	(18 075 933)
Call deposits		3 646 403	3 475 242
		(16 533 400)	(14 591 894)
The Municipality has the following bank accounts: -			
<u>Current Account (Primary Bank Account)</u>			
First National Bank - Ficksburg Branch: Account Number 62048092647			
Cash book balance at beginning of year		(18 075 933)	(12 751 578)
Cash book balance at end of year		(20 189 599)	(18 075 933)
Bank statement balance at beginning of year		(4 438 556)	(7 072 035)
Bank statement balance at end of year		(7 311 215)	(4 438 556)
<u>Savings Account</u>			
First National Bank - Ficksburg Branch: Account Number 62049046205			
Cash book balance at beginning of year		3 475 242	5 929 296
Cash book balance at end of year		3 646 403	3 475 242
Bank statement balance at beginning of year		3 475 242	4 441 015
Bank statement balance at end of year		3 646 367	3 475 242
Pledged Investments - Above savings account is pledged with FNB as security for the overdraft facility.			
<u>Cash on hand</u>			
Total cash and cash equivalents		3 656 199	3 484 038
Total bank overdraft		20 189 599	18 075 933

	Gross Balances R	Provision for Doubtful Debts R	Net Balance R
2 TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS			
<u>Trade receivables</u>			
as at 30 June 2010			
Service debtors			
Rates	15 689 300	(12 104 115)	3 585 185
Electricity	11 161 178	(8 610 721)	2 550 457
Water	46 906 615	(36 187 916)	10 718 699
Sewerage	30 879 648	(23 823 295)	7 056 353
Refuse	41 869 580	(32 301 902)	9 567 678
Current Debtors (Other)	88 256 341	(68 088 757)	20 167 584
Total	234 762 662	(181 116 706)	53 645 956
as at 30 June 2009			
Service debtors			
Rates	19 091 017	(11 657 854)	7 433 163
Electricity	6 344 781	(3 874 415)	2 470 366
Water	40 552 336	(24 763 123)	15 789 213
Sewerage	27 367 717	(16 711 988)	10 655 729
Refuse	37 477 733	(22 885 629)	14 592 104
Current Debtors (Other)	69 717 612	(42 572 783)	27 144 829
Total	200 551 196	(122 465 793)	78 085 403

SETSOTO LOCAL MUNICIPALITY
NOTES TO THE FINANANCIAL STATEMENTS
for the year ended 30 June 2010

Note	2010 R	2009 R
2 Rates: Ageing		
Current (0 – 30 days)	969 023	675 247
31 - 60 Days	526 668	385 425
61 - 90 Days	446 719	350 711
91 - 120 Days	421 063	326 724
121 - 365 Days	13 325 827	17 352 910
+ 365 Days		
Total	15 689 300	19 091 017

Electricity, Water, Refuse and Sewerage: Ageing

Current (0 – 30 days)	11 528 688	5 581 661
31 - 60 Days	4 117 469	11 919 685
61 - 90 Days	4 119 881	2 796 845
91 - 120 Days	2 401 538	2 674 315
121 - 365 Days	108 649 445	88 770 061
+ 365 Days		
Total	130 817 021	111 742 567

Summary of Debtors by Customer Classification

	Consumers R	Industrial / Commercial / Other R	National and Provincial Government R
as at 30 June 2010			
Current (0 – 30 days)	12 990 674	11 575 898	(1 433 988)
31 - 60 Days	4 161 374	2 782 695	275 314
61 - 90 Days	4 190 346	2 213 658	262 571
91 - 120 Days	2 483 252	2 145 105	255 095
121 - 365 Days	118 117 159	69 202 410	5 541 099
Sub-total	141 942 805	87 919 766	4 900 091
Less: Provision for doubtful debts	(114 205 851)	(66 910 855)	-
Total debtors by customer classification	27 736 954	21 008 911	4 900 091
as at 30 June 2009			
Current (0 – 30 days)	5 557 017	22 473 708	11 173
31 - 60 Days	11 929 385	6 642 966	172 148
61 - 90 Days	2 858 404	3 442 985	183 640
91 - 120 Days	2 817 928	1 530 241	136 216
121 - 365 Days	98 291 083	37 831 787	6 672 514
Sub-total	121 453 817	71 921 687	7 175 691
Less: Provision for doubtful debts	(88 429 633)	(34 036 160)	-
Total debtors by customer classification	33 024 184	37 885 527	7 175 691

Reconciliation of the doubtful debt provision

Balance at beginning of the year	122 465 792	68 956 054
Contributions to provision	79 879 078	67 800 000
Doubtful debts written off against provision	(21 228 164)	(14 290 262)
Reversal of provision		
Balance at end of year	181 116 706	122 465 792

Trade receivables past due but not impaired

Trade receivables which are less than 2 months past due are not considered to be impaired. At 30 June 2010, R 17 141 848 (2009: R 18 562 018) were past due but not impaired.

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

1 month past due	12 497 711	6 256 908
2 months past due	4 644 137	12 305 110

Trade receivables impaired

As of 30 June 2010, trade receivables of R 129 364 473 (2009: R 112 271 566) were impaired and provided for.

The ageing of these receivables is as follows:

3 to 4 months	7 389 201	6 148 595
Over 4 months	121 975 272	106 122 971

The fair value of trade receivables approximates their carrying amounts.

SETSOTO LOCAL MUNICIPALITY
NOTES TO THE FINANANCIAL STATEMENTS
for the year ended 30 June 2010

	Note	2010 R	2009 R
3 OTHER RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS			
Subsidies		233 236	187 331
Salary related		379 263	
Other debtors		1 316 693	1 045 613
Prepayments (Various immaterial amounts)		114 865	148 010
Total Other Debtors		2 044 055	1 380 954

4 INVENTORIES

Closing balance of inventories:

Consumable stores		1 281 881	742 104
Maintenance materials: Water		49 836	29 647
Maintenance materials: Electricity		597 868	261 330
Water (Purified) and Water Chemicals		322 949	282 903
		311 228	168 225

Slow moving inventory is included in the total inventory as these inventory items are regarded as emergency inventory and is not regularly available in the open

5 INVESTMENTS

Deposits		14 367 883	866 378
		14 367 883	866 378

6 NON-CURRENT RECEIVABLES

Sport Club loans		15 585	19 157
		15 585	19 157
Less : Current portion transferred to current receivables		(3 573)	(3 573)
Sport Club loans		(3 573)	(3 573)
Total		12 012	15 584

SPORT CLUB LOANS

A Loan was granted to the Squash Club for the purpose of erecting the facility and is repayable on an annual basis at 0% interest. This loan will be fully repaid in 2014. This loan was granted before the implementation of the MFMA.

7 INVESTMENTS

Financial Instruments

Fixed Deposits		934 185	872 793
Listed Investments		172 560	172 560
		1 106 745	1 045 353

Guarantees to Banks in respect of housing collateral investments to employees to the amount of R40 684. (2008/09 - R41 299)

SETSOTO LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

8 PROPERTY, PLANT AND EQUIPMENT

The Municipality did not review the useful life or the depreciation method used on the asset recognised in the annual financial statements for the 2009/2010 financial year due to transitional provisions granted in terms of Directive 4.

Due to the process of identifying any asset that may be impaired for reporting purposes on the carrying value of the different asset categories included above could not be determined and as a result no impairment loss has been recognised in the 2009/2010 financial year. This is also due to the application of transitional provisions in terms of Directive 4.

Included in land and buildings are items that may meet the definition of investment property but have been included as Property, plant and equipment because the process of identifying investment property for reporting purposes. These items will be transferred to investment property once they have been identified as investment property in terms of GRAP 16.

Included in Property, plant and equipment are items that meet the definition of inventory but have been included as Property, plant and equipment because the process of identifying inventory for reporting purposes. These items will be transferred to inventory once they have been identified as inventory in terms of GRAP

8.1 Reconciliation of Carrying Value

	Land	Buildings	Infrastructure	Community	Other Assets	Finance lease assets	Total
	R	R	R	R	R	R	R
as at 1 July 2009	19 985 901	24 038 927	264 143 864	2 259 702	2 603 397	15 419 695	328 451 485
Cost/Revaluation	19 985 901	35 630 481	423 035 775	7 246 067	8 751 007	25 717 945	520 367 176
Accumulated depreciation and impairment losses	-	11 591 554	158 891 911	4 986 366	6 147 610	10 298 249	191 915 690
Acquisitions	-	-	22 345 064	178 713	317 683	2 829 378	25 670 838
Depreciation	-	1 550 234	25 427 738	206 474	1 034 664	2 747 199	30 966 309
as at 30 June 2010	19 985 901	22 486 693	261 061 190	2 231 941	1 886 416	15 501 874	323 154 015
Cost/Revaluation	19 985 901	35 630 481	445 380 839	7 424 780	9 068 690	28 547 323	546 038 014
Accumulated depreciation and impairment losses	-	13 143 788	184 319 649	5 192 840	7 182 274	13 045 448	222 883 999

Refer to Appendix B for more detail on property, plant and equipment

SETSOTO LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2009

8.1 Reconciliation of Carrying Value

	Land		Buildings		Infrastructure		Community		Other Assets		Finance lease assets		Total	
	R	R	R	R	R	R	R	R	R	R	R	R	R	R
as at 1 July 2008	1 797 999	25 607 073	246 716 358	2 468 522	3 401 235	12 487 548	292 478 735							
Cost/Revaluation	1 797 999	35 630 481	385 151 981	7 246 067	8 797 115	20 121 599	458 745 242							
Accumulated depreciation and impairment losses	-	10 023 408	138 435 623	4 777 545	5 395 880	7 634 051	166 266 508							
Acquisitions	18 187 902	-	37 883 794	-	361 969	5 596 346	62 030 011							
Depreciation	-	1 568 146	20 456 289	208 820	945 967	2 664 198	25 843 420							
Carrying value of disposals	-	-	-	-	(602 315)	-	(602 315)							
Cost/Revaluation	-	-	-	-	(408 077)	-	(408 077)							
Accumulated depreciation and impairment losses	-	-	-	-	(194 238)	-	(194 238)							
as at 30 June 2009	19 985 901	24 038 927	264 143 864	2 259 702	2 603 397	15 419 695	328 451 486							
Cost/Revaluation	19 985 901	35 630 481	423 035 775	7 246 067	8 751 007	25 717 945	520 367 176							
Accumulated depreciation and impairment losses	-	11 591 554	158 891 911	4 986 366	6 147 610	10 298 249	191 915 690							

Refer to Appendix B for more detail on property, plant and equipment

8.2 Other information

Fully depreciated property, plant and equipment still in use at cost.

Note	2010
	R

	97 291 051
	<u>97 291 051</u>

The Municipality has taken advantage of the transitional provisions set out in GRAP 17 and Directive 4. The Municipality is in the process of itemizing all infrastructure and community assets and will recalculate accumulated depreciation once this exercise has been completed within the time frame set in Directive 4. At present depreciation on these assets is calculated on an averaging basis whereby an average useful life has been estimated for each category of infrastructure and community assets, using global historical costs recorded in the accounting records. Furthermore, the Municipality has not assessed whether items of property, plant and equipment are impaired. It is expected that an assessment of impairments will be done with in the time frame set in Directive 4.

Clinic assets to the book value of R911 008 are included and will be removed from the asset register once the title deed of the assets are formally transferred to Dept. of Health. Once the municipality receives the title deed of Erf 636, Senekal as a donation from the Dept. of Public Works, the amount of R1 188 000 will be added to the asset register.

SETSOTO LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

Note	2010 R	2009 R
9 TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS		
Trade creditors	1 604 597	6 215 606
Payments received in advance	3 857 495	870 679
Staff annual bonus and Performance bonus	3 802 032	1 907 446
Staff leave accrual	6 606 288	6 462 958
Compensation Commissioner	1 498 248	1 031 724
Salary control accounts	335 084	
Other creditors	755 493	1 140 727
Total creditors	18 459 238	17 629 140

The fair value of trade and other payables approximates their carrying amounts.

10 CONSUMER DEPOSITS

Electricity and Water	1 935 503	1 827 972
Other	28 182	25 910
Total consumer deposits	1 963 685	1 853 881

No interest is paid or accrued to the deposits held in respect of consumers. No guarantees was held in lieu of any deposits.

11 VAT PAYABLE

VAT payable	12 068 492	15 822 044
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VAT is payable on the receipts basis. VAT is paid over to SARS only once payment is received from debtors.

12 VAT RECEIVABLE

VAT receivable	2 435 440	1 949 497
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VAT 201 claims was submitted to SARS and expect refunds from SARS in due course.

13 PROVISIONS

Current portion of Long-service provision (see note 17)	760 007	343 943
Total Provisions	760 007	343 943

Other disclosure
Provision for Long Service Bonus has been made for employees qualifying according the years of service.

The movement in current provisions are reconciled as follows: -

	Long Service Bonus	
as at 1 July 2009	-	343 943
Contributions to provision	-	760 007
Expenditure incurred	-	(343 943)
as at 30 June 2010	-	760 007
as at 1 July 2008	-	343 943
Contributions to provision	-	343 943
as at 30 June 2009	-	343 943

SETSOTO LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

Note	2010 R	2009 R
14 UNSPENT CONDITIONAL GRANTS AND RECEIPTS		
14.1 Unspent Conditional Grants from other spheres of Government		
MIG Grants	(48 978 206)	(30 561 700)
LED Grants	843 914	725 816
District Municipal Grants	15 829 361	13 655 182
MSIG Grants	-	-
14.2 Other Unspent Conditional Grants and Receipts		
Provincial Grants	101 387	(259 074)
Other Grants	(2 000)	(2 000)
Total Unspent Conditional Grants and Receipts	(32 205 544)	(16 441 776)
Non-current unspent conditional grants and receipts		
Current portion of unspent conditional grants and receipts	(32 205 544)	(16 441 776)

See Note 23 for reconciliation of grants and receipts.

15 BORROWINGS

Long-term Loans	10 909 183	14 948 379
Annuity Loans	(0)	9 636
	10 909 182	14 958 015
Less : Current portion transferred to current liabilities	3 582 728	3 198 770
Long-term Loans	3 553 819	3 083 135
Annuity Loans	28 909	115 635
Total borrowings	14 491 910	18 156 785

Refer to Appendix A for more detail on borrowings.

16 FINANCE LEASE LIABILITY

2010	Minimum lease payment R	Future finance charges R	Present value of minimum lease payments R
Amounts payable under finance leases			
Within one year	4 775 060	966 047	3 809 013
Within two to five years	7 096 521	385 330	6 711 191
	11 871 582	1 351 377	10 520 204
Less: Amount due for settlement within 12 months (current portion)			3 809 013
			6 711 191

The average lease term is 5 years and the average effective borrowing rate is 14.65%. Some leases have fixed repayment terms and other escalate with 15% per annum. No arrangements have been entered into for contingent rent. Obligations under finance leases are secured by the lessor's title to the leased asset.

2009	Minimum lease payment R	Future finance charges R	Present value of minimum lease payments R
Amounts payable under finance leases			
Within one year	3 594 756	1 195 209	2 399 547
Within two to five years	11 052 899	2 509 091	8 543 808
	14 647 655	3 704 300	10 943 355
Less: Amount due for settlement within 12 months (current portion)			2 399 547
			8 543 808

The average lease term is 5 years and the average effective borrowing rate is 14.65%. Some leases have fixed repayment terms and other escalate with 15% per annum. No arrangements have been entered into for contingent rent. Obligations under finance leases are secured by the lessor's title to the leased asset.

SETSOTO LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

	Note	2010 R	2009 R
17 NON-CURRENT PROVISIONS			
Provision for rehabilitation of landfill sites		2 218 698	1 479 132
Provision for long-service awards		1 137 600	914 728
Total Non-Current Provisions		<u><u>3 356 298</u></u>	<u><u>2 393 860</u></u>
<p>The provision for rehabilitation of landfill sites relates to the legal obligation to rehabilitate landfill sites used for waste disposal. It is calculated as the present value of the future obligation, discounted at 6%, over an average period of 30 years.</p> <p>The first long-service award is payable after 5 years of continuous service, there after at every 5 years of continuous service. The provision is an estimate of the long-service based on staff component as at 30 June 2010.</p> <p>The movement in the non-current provision is reconciled as follows: -</p>			
Provision for rehabilitation of landfill sites:			
Balance at the beginning of year		1 479 132	739 566
Contributions to provision		739 566	739 566
Balance at the end of year		<u><u>2 218 698</u></u>	<u><u>1 479 132</u></u>
Provision for long-service awards:			
Balance at the beginning of year		914 728	832 947
Contributions to provision		1 706 191	147 460
Expenditure incurred		(723 312)	278 265
Transfer to current provisions		(760 007)	(343 944)
Balance at the end of year		<u><u>1 137 600</u></u>	<u><u>914 728</u></u>
18 PROPERTY RATES			
Actual			
Residential / Commercial		14 278 184	13 677 615
State		8 212 913	8 942 705
Total		<u><u>22 491 098</u></u>	<u><u>22 620 321</u></u>
Valuations			
		<i>July 2009</i>	<i>July 2008</i>
		<i>R000's</i>	<i>R000's</i>
Residential		1 598 583	400 723
Commercial		373 565	157 898
Government		130 630	159 023
Agricultural Land		1 117 938	
Indigent Owners		123 493	
Municipal		64 928	
Total Property Valuations		<u><u>3 409 137</u></u>	<u><u>717 644</u></u>
<p>Valuations on land and buildings are performed every five years. The last valuation came into effect on 1 July 2009. Interim valuations are processed on a continuous basis to take into account changes in individual property values due to alterations.</p> <p>A general rate of R0.02927 (2009) is applied to property valuations to determine assessment rates. Rebates of 20% are granted to state property owners. Rates are levied on a monthly basis on property owners.</p> <p>Interest at prime plus 1% per annum is levied on outstanding rates.</p>			
19 SERVICE CHARGES			
Sale of electricity		30 730 886	27 720 782
Sale of water		26 165 305	24 677 142
Refuse removal		15 922 186	15 813 208
Sewerage and sanitation charges		13 155 631	12 986 549
Other Services		267 538	124 136
Total Service Charges		<u><u>86 241 547</u></u>	<u><u>81 321 818</u></u>
20 RENTAL OF FACILITIES AND EQUIPMENT			
Rental of facilities		611 616	602 838
Rental of equipment		-	2 395
Other rentals		77 276	86 055
Total rentals		<u><u>688 892</u></u>	<u><u>691 288</u></u>

SETSOTO LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

	Note	2010 R	2009 R
21 INTEREST EARNED - EXTERNAL INVESTMENTS			
Bank		600 665	924 400
Total interest		600 665	924 400
22 INTEREST EARNED - OUTSTANDING RECEIVABLES			
Debtors		17 579 202	19 403 254
Total interest		17 579 202	19 403 254
23 GOVERNMENT GRANTS AND SUBSIDIES			
Equitable share		107 565 127	81 654 577
MIG Grant		21 933 812	37 777 736
Other Government Grants and Subsidies		1 485 000	1 235 000
Total Government Grant and Subsidies		130 983 939	120 667 313
23.1 Equitable Share			
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 R167.90 (2008, R167.90), which is funded from the grant.			
23.2 MIG Grant			
Balance unspent at beginning of year		13 241 241	13 241 241
Current year receipts		37 516 000	37 777 736
Conditions met - transferred to revenue		(21 933 812)	(37 777 736)
Conditions still to be met - remain liabilities (see note 14)		28 823 429	13 241 241
23.3 Other Government Grants and Subsidies			
Balance unspent at beginning of year		261 074	11 431 350
Current year receipts		1 485 000	1 235 000
Conditions met - transferred to revenue		(1 845 461)	(12 405 276)
Conditions still to be met - remain liabilities (see note 14)		(99 387)	261 074
23.4 Changes in levels of government grants			
Based on the allocations set out in the Division of Revenue Act, (Act 1of 2009), no significant changes in the level of government grant funding are expected over the forth coming 3 financial years.			
24 OTHER INCOME, PUBLIC CONTRIBUTIONS AND DONATIONS			
Other income			
Other Income		4 837 250	2 658 097
Sale of Land - Housing		58 687	-
Total Other Income		4 895 937	2 658 097
25 EMPLOYEE RELATED COSTS			
Employee related costs - Salaries and Wages		52 638 578	46 504 543
Employee related costs - Contributions for UIF, pensions and medical aids		13 225 109	10 728 400
Travel, motor car, accommodation, subsistence and other allowances		4 363 191	4 832 033
Housing benefits and allowances		255 362	311 813
Overtime payments		3 348 110	2 640 330
Performance and other bonuses		6 407 180	3 660 340
Long-service awards		143 330	1 358 654
Total Employee Related Costs		80 380 859	70 036 114

SETSOTO LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

	Note	2010 R	2009 R
25 Remuneration of the Municipal Manager			
Annual Remuneration		887 598	556 353
Travel, motor car, accommodation, subsistence and other allowances		139 586	195 159
Contributions to UIF, Medical and Pension Funds		24 823	38 019
Total		1 052 006	789 531
Remuneration of the Chief Finance Officer			
Annual Remuneration		422 660	245 146
Travel, motor car, accommodation, subsistence and other allowances		148 590	62 505
Contributions to UIF, Medical and Pension Funds		165 508	53 270
Total		736 758	360 921
Remuneration of Individual Executive Directors			
	Technical Services R	Corporate Services R	Community Services R
2010			
Annual Remuneration	-	518 004	597 720
Performance- and other bonuses	-	-	-
Travel, motor car, accommodation, subsistence and other allowances	-	100 141	140 951
Contributions to UIF, Medical and Pension Funds	-	143 609	112 276
Total	-	761 754	850 948
2009			
Annual Remuneration	566 758	541 544	560 149
Performance- and other bonuses	-	-	-
Travel, motor car, accommodation, subsistence and other allowances	122 147	140 042	157 306
Contributions to UIF, Medical and Pension Funds	184 212	155 449	128 029
Total	873 117	837 035	845 484
26 REMUNERATION OF COUNCILLORS			
Executive Mayor		421 353	404 761
Speaker		337 193	323 968
Executive Committee Members		1 043 553	1 009 643
Councillors		3 104 182	2 989 632
Councillors' pension and medical aid contributions		116 129	424 830
Councillors' Telephone allowance		1 407 626	318 529
Councillors' Travelling allowances		1 583 113	1 450 340
Total Councillors' Remuneration		8 013 148	6 921 702
In-kind Benefits			
The Mayor and Speaker are full-time. Each is provided with an office and secretarial support at the cost of the Council.			
The Mayor has use of the Council owned vehicle for official duties. The Mayor has one full-time driver.			
27 DEPRECIATION AND AMORTISATION EXPENSE			
Property, plant and equipment		30 968 307	25 845 419
Total Depreciation and Amortisation		30 968 307	25 845 419
28 FINANCE COSTS			
Borrowings		3 599 240	3 633 295
Bank overdrafts		460 579	545 493
Total Finance Costs		4 059 819	4 178 788

SETSOTO LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

	Note	2010 R	2009 R
29 BULK PURCHASES			
Electricity		26 119 580	19 327 475
Total Bulk Purchases		26 119 580	19 327 475
30 GRANTS AND SUBSIDIES PAID			
Grant/subsidy to Indigent consumers		8 915 767	8 026 101
Grant/subsidy to free basic Electricity		5 945 951	5 006 619
		14 861 718	13 032 720
31 GENERAL EXPENSES			
Included in general expenses are the following:-			
Analysis		17 595	15 084
Advertising		192 594	353 392
Audit fees		3 394 599	1 850 675
Bank charges		156 336	146 892
Casualty Insurance		467 239	2 506
Chemicals		3 530 306	3 633 602
Cleaning		63 896	82 209
Collection cost		20 067	13 821
Conferences and delegations		35 596	40 752
Departmental consumption		3 787 023	2 332 126
Entertainment		138 770	219 986
Fuel and oil		2 453 372	3 148 038
Furniture and Equipment		1 710 268	382 490
IDP, LDO establishment		300 927	39 641
Industrial Council Levies		414 246	26 057
Insurance		2 478 825	1 936 330
Legal expenses		3 429 772	1 014 352
Licence fees - (Computers, Radio's & Vehicles)		1 513 031	872 494
Manuring, weed control, plants and Seeds		17 891	22 552
Magazines & Subscription fees		71	3 716
Medical contribution old employees		659 947	618 038
Meter reading cost		57 747	48 697
Office expenditure		180 405	859 907
Other		168 895	119 733
Pauper and Indigent Burials		42 717	63 512
Postage		981 879	653 267
Printing and stationery		1 183 771	1 210 980
Publicity		354 846	360 402
Refreshments		55 081	148 442
Rental of office equipment		655 679	1 553 990
Salga		-	428 781
Security costs		42 798	60 669
Skills development levies		538 612	742 096
Software changes		802 108	140 317
Stocks and material		95 964	81 798
Streetlight consumption		1 027 994	1 533 399
Telephone cost		1 209 637	1 355 267
Testing of equipment		27 287	4 650
Townplanning		236 150	101 515
Training		410 461	1 345 380
Travel and subsistence		1 493 203	844 017
Uniforms & overalls		162 509	668 350
Valuation costs		614 071	1 117 757
Ward committee		358 500	680 553
Water research		-	7 188
Youth expenditure		530 010	559 493
Landfill site provision		739 566	739 566
		36 752 256	32 184 480
32 GAIN / (LOSS) ON SALE OF ASSETS			
Property, plant and equipment		-	-
Total Gain / (Loss) on Sale of Assets		-	-

SETSOTO LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

Note	2010 R	2009 R
33 CASH GENERATED BY OPERATIONS		
Surplus/(deficit) for the year	(26 765 663)	46 047 436
Adjustment for:-		
Depreciation and amortisation	30 968 307	25 845 419
Contribution to provisions - non-current	962 438	821 346
Contribution to provisions - current	416 064	334 006
Contribution to Bad debt provision	58 650 914	6 509 738
Finance costs	(4 059 819)	4 178 788
Interest earned	(18 179 867)	(20 327 653)
Grants recognized as income	(21 159 771)	(11 671 614)
Operating surplus before working capital changes:	20 832 602	51 135 151
(Increase)/decrease in inventories	(539 777)	(21 908)
(Increase)/decrease in trade receivables	(34 211 467)	(54 081 895)
(Increase)/decrease in other receivables	(659 528)	(673 932)
(Increase)/decrease in VAT receivable	(485 942)	5 372 241
Increase/(decrease) in conditional grants and receipts	15 763 768	(8 230 814)
Increase/(decrease) in trade payables	830 098	(2 771 956)
Increase/(decrease) in consumer deposits	109 803	137 267
Increase/(decrease) in VAT payable	(3 753 552)	2 298 141
Cash generated by/(utilised in) operations	(2 113 995)	(6 837 705)

34 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statement comprise the following:

Bank balances and cash	3 656 199	3 484 038
Bank overdrafts	(20 189 599)	(18 075 933)
Net cash and cash equivalents (net of bank overdrafts)	(16 533 400)	(14 591 894)

35 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION

Long-term liabilities (see Note 15)	14 491 910	18 156 785
Used to finance property, plant and equipment – at cost	(14 491 910)	(18 156 785)
Sub- total	-	-
Cash set aside for the repayment of long-term liabilities	-	-
Cash invested for repayment of long-term liabilities	-	-

Long-term liabilities have been utilised in accordance with the Municipal Finance Management Act. Sufficient cash has been set aside to ensure that long-term liabilities can be repaid on redemption date.

36 CORRECTION OF ERROR

The comparative amount has been restated as follows:

Provision for Landfill sites not account in 2007/08 financial year		(739 522)
Provision for Bad Debt in terms of GRAP implementation		(47 000 000)
Account finance lease from 2008/09	94 791	
Non cash back Reserves transferred to Accumulate Surplus/Deficit account.		260 400 119
Correction of Unconditional Grants disclosed as conditional grants previously.		
Approval received from National and Provincial Treasury for correction	-	11 183 627
Net effect on surplus/(deficit) for the year	94 791	223 844 224

SETSOTO LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

	Note	2010 R	2009 R																		
UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE																					
37 DISALLOWED																					
37.1 Unauthorised expenditure																					
Reconciliation of unauthorised expenditure																					
Opening balance		2 639 032	2 599 032																		
Unauthorised expenditure current year		72 195 227	40 000																		
Unauthorised expenditure awaiting authorisation		<u>74 834 259</u>	<u>2 639 032</u>																		
<table border="0" style="width: 100%;"> <tr> <td style="width: 50%;">Incident</td> <td style="width: 50%;">Disciplinary steps/criminal proceedings</td> </tr> <tr> <td colspan="2">Total expenditure 2007/2008 exceeded. R2 599 032.</td> </tr> <tr> <td colspan="2">Credit Card payment without documentation. R40 000.</td> </tr> <tr> <td colspan="2">Total expenditure 2009/2010 exceeded. R 72 195 227.</td> </tr> </table>				Incident	Disciplinary steps/criminal proceedings	Total expenditure 2007/2008 exceeded. R2 599 032.		Credit Card payment without documentation. R40 000.		Total expenditure 2009/2010 exceeded. R 72 195 227.											
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Total expenditure 2007/2008 exceeded. R2 599 032.																					
Credit Card payment without documentation. R40 000.																					
Total expenditure 2009/2010 exceeded. R 72 195 227.																					
37.2 Fruitless and wasteful expenditure																					
Reconciliation of fruitless and wasteful expenditure																					
Opening balance -		610 424	610 424																		
Fruitless and wasteful expenditure current year		736 718																			
Condoned or written off by Council																					
To be recovered – contingent asset (see note 10)																					
Fruitless and wasteful expenditure awaiting condonement		<u>1 347 142</u>	<u>610 424</u>																		
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Payments made to Vic Computers. (2009/10 - R 60 840)																					
Payments to Biofresh personnel wages. (2009/10 - R 633 653)																					
37.3 Irregular expenditure																					
Reconciliation of irregular expenditure																					
Opening balance		21 664 619	25 360 177																		
Irregular expenditure current year		5 444 347	7 474 718																		
Condoned or written off by Council			(11 170 276)																		
Transfer to receivables for recovery – not condoned																					
Irregular expenditure awaiting condonement		<u>27 108 966</u>	<u>21 664 619</u>																		
<table border="0" style="width: 100%;"> <tr> <td style="width: 50%;">Incident</td> <td style="width: 50%;">Disciplinary steps/criminal proceedings</td> </tr> <tr> <td colspan="2">Councillors paid in excess of the upper limits.(2007/08 - R687 587)</td> </tr> <tr> <td colspan="2">Councillors paid in excess of the upper limits.(2008/09 - R173 820)</td> </tr> <tr> <td colspan="2">Unspent conditional grants in terms of DoRA. (2007/08 - R24 672 590)</td> </tr> <tr> <td colspan="2">Maxprof expenses paid for the recovery of VAT. (2008/09 - R1 319 322)</td> </tr> <tr> <td colspan="2">Non availability of Tender Documents (2008/2009 - R842 016)</td> </tr> <tr> <td colspan="2">Long-term Lease not approved by council i.t.o. MFMA. (2008/09 - R5 139 560)</td> </tr> <tr> <td colspan="2">Payments where SCM procedure were not followed. (2009/10 - R 2 709 761)</td> </tr> <tr> <td colspan="2">Long-term Lease not approved by council i.t.o. MFMA. SCM procedures not followed. (2009/10 - R2 734 586)</td> </tr> </table>				Incident	Disciplinary steps/criminal proceedings	Councillors paid in excess of the upper limits.(2007/08 - R687 587)		Councillors paid in excess of the upper limits.(2008/09 - R173 820)		Unspent conditional grants in terms of DoRA. (2007/08 - R24 672 590)		Maxprof expenses paid for the recovery of VAT. (2008/09 - R1 319 322)		Non availability of Tender Documents (2008/2009 - R842 016)		Long-term Lease not approved by council i.t.o. MFMA. (2008/09 - R5 139 560)		Payments where SCM procedure were not followed. (2009/10 - R 2 709 761)		Long-term Lease not approved by council i.t.o. MFMA. SCM procedures not followed. (2009/10 - R2 734 586)	
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ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE																					
38 MANAGEMENT ACT																					
38.1 Contributions to organised local government																					
Opening balance		435 185	50 380																		
Council subscriptions			384 805																		
Amount paid - current																					
Balance unpaid (included in payables)		<u>435 185</u>	<u>435 185</u>																		
The balance unpaid represents the fee for the year and was paid during the 2009/2010 financial year.																					
38.2 Audit fees																					
Opening balance		324 899																			
Current year audit fee		3 394 599	1 850 675																		
Amount paid - current year		(3 719 498)	(1 525 776)																		
Balance unpaid (included in payables)		<u>-</u>	<u>324 899</u>																		
38.3 VAT																					
VAT input receivables and VAT output payables are shown in note 12 & 13. All VAT returns have been submitted by the due date throughout the year.																					
38.4 PAYE and UIF																					
Opening balance		-	-																		
Current year payroll deductions		1 685 092	6 041 155																		
Amount paid - current year		(1 685 092)	(6 041 155)																		
Balance unpaid (included in payables)		<u>-</u>	<u>-</u>																		