



Mantsopa Local Municipality (FS196)  
Financial statements  
for the year ended 30 June 2018  
Auditor-General of South Africa (AGSA)

# Mantsopa Local Municipality (FS196)

Financial Statements for the year ended 30 June 2018

## General Information

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<b>Legal form of entity</b>	A municipality, which is an organ of state within the local sphere of government exercising legislative and executive authority.
<b>Nature of business and principal activities</b>	A local authority providing municipal services and maintaining the best interest of the community in the Mantsopa Municipal area.
<b>Executive committee</b>	
Executive Mayor	Clr ME Tsoene(Chairperson)
Councillors	Clr YJ Jacobs Clr T Halse
<b>Grading of local authority</b>	3
<b>Chief Finance Officer (CFO)</b>	SA Nyapholi
<b>Accounting Officer</b>	TP Masejane
<b>Business address</b>	38 Joubert Street Ladybrand 9745
<b>Postal address</b>	Private Bag X11 Ladybrand 9745
<b>Bankers</b>	ABSA Bank
<b>Auditors</b>	Auditor-General of South Africa (AGSA)
<b>Attorneys</b>	Majavu Attorneys, PO Box 62241, Marshalltown, 2107 Morobane Incorporated 21 Reid Street, Westdene, Bloemfontein Mthembu and Mahomed, 10 Gunn Street, Universitas,Bloemfontein
<b>Telephone number</b>	(051) 924 0654
<b>Fax number</b>	(051) 924 0020
<b>Website</b>	<a href="http://www.mantsopa.fs.gov.za">www.mantsopa.fs.gov.za</a>

# Mantsopa Local Municipality (FS196)

Financial Statements for the year ended 30 June 2018

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



## Mantsopa Local Municipality (FS196)

Financial Statements for the year ended 30 June 2018

### Accounting Officer's Responsibilities and Approval

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

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

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

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

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

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2019 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

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

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

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

The financial statements set out on pages 5 to 84, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2018 and were signed on its behalf by:

  
\_\_\_\_\_  
TP Masejane  
Accounting Officer

# Mantsopa Local Municipality (FS196)

Financial Statements for the year ended 30 June 2018

## Accounting Officer's Report

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The accounting officer submits his report for the year ended 30 June 2018.

### 1. Review of activities

#### Main business and operations

### 2. Going concern

We draw attention to the fact that at 30 June 2018, the municipality had an accumulated surplus (deficit) of R 880 079 402 and that the municipality's total liabilities exceed its assets by R 880 079 402.

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

### 3. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year.

### 4. Accounting Officer's interest in contracts

The Accounting Officer had no interest in any contracts.

### 5. Accounting framework

The financial statements were prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board and prescribed by National Treasury.

### 6. Non-current assets

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

### 7. Accounting Officer

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

Name	Nationality
TP Masejane	RSA

### 8. Auditors

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

### 9. Retirement benefit obligation

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

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

# Mantsopa Local Municipality (FS196)

Financial Statements for the year ended 30 June 2018

## Statement of Financial Position as at 30 June 2018

Figures in Rand	Note(s)	2018	2017 Restated*
<b>Assets</b>			
Current Assets			
Inventories	3	7 026	5 397
Other receivables from exchange transactions	4	10 773 048	9 981 117
Other receivables from non-exchange transactions	5	829 792	577 003
VAT receivable	6	1 270 213	13 131 980
Receivables from exchange transactions	7	59 792 035	99 130 516
Receivables from non-exchange transactions	7	13 246 760	11 453 549
Current portion of long term receivables	12	6 198	6 137
Cash and cash equivalents	8	3 529 470	1 307 165
		<b>89 454 542</b>	<b>135 592 864</b>
Non-Current Assets			
Investment property	9	199 232 481	191 344 097
Property, plant and equipment	10	867 460 255	878 108 242
Investments	11	1 161 950	1 010 401
Long-term receivables	12	554 008	532 407
		<b>1 068 408 694</b>	<b>1 070 995 147</b>
<b>Total Assets</b>		<b>1 157 863 236</b>	<b>1 206 588 011</b>
<b>Liabilities</b>			
Current Liabilities			
Other financial liabilities	17	1 509 404	1 509 404
Finance lease obligation	18	1 049 448	970 759
Payables from exchange transactions	13	215 610 061	159 824 906
Payables from non-exchange transactions	14	2 175 739	1 316 736
Consumer deposits	15	1 693 456	1 594 050
Unspent conditional grants and receipts	16	73 909	-
Bank overdraft	8	-	119 958
		<b>222 112 017</b>	<b>165 335 813</b>
Non-Current Liabilities			
Other financial liabilities	17	4 807 002	4 394 501
Finance lease obligation	18	612 379	1 420 923
Employee benefit obligation	19	25 539 000	25 906 000
Provisions	20	24 713 436	22 074 719
		<b>55 671 817</b>	<b>53 796 143</b>
<b>Total Liabilities</b>		<b>277 783 834</b>	<b>219 131 956</b>
<b>Net Assets</b>		<b>880 079 402</b>	<b>987 456 055</b>
Accumulated surplus		880 079 402	987 456 055

# Mantsopa Local Municipality (FS196)

Financial Statements for the year ended 30 June 2018

## Statement of Financial Performance

Figures in Rand	Note(s)	2018	2017 Restated*
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Service charges	21	117 706 855	113 156 670
Other income	22	2 724 317	2 551 082
Interest earned	23	28 113 476	24 513 526
Dividends received	23	33 675	32 554
<b>Total revenue from exchange transactions</b>		<b>148 578 323</b>	<b>140 253 832</b>
<b>Revenue from non-exchange transactions</b>			
<b>Taxation revenue</b>			
Property rates	24	13 931 288	12 145 428
<b>Transfer revenue</b>			
Government grants & subsidies	25	114 194 192	138 604 850
Public contributions and donations	26	2 324 716	-
Fines, penalties and forfeits		527 300	598 630
<b>Total revenue from non-exchange transactions</b>		<b>130 977 496</b>	<b>151 348 908</b>
<b>Total revenue</b>	27	<b>279 555 819</b>	<b>291 602 740</b>
<b>Expenditure</b>			
Employee related costs	28	(83 980 312)	(78 119 377)
Councillor related costs	29	(6 831 982)	(5 933 234)
Increase / (decrease) in provisions	30	984 230	1 586 999
Depreciation and amortisation	31	(53 625 095)	(55 410 440)
Impairment loss		-	(605 518)
Finance costs	32	(21 319 032)	(19 012 351)
Rental of equipment and vehicles		(90 720)	-
Debt Impairment	33	(125 600 578)	13 920 641
Bulk purchases	34	(40 442 753)	(40 680 581)
Contracted services		(1 065 352)	(832 693)
Subsidies & Indigent Support		(16 116 877)	(59 966 113)
General expenses	35	(46 883 935)	(35 574 424)
<b>Total expenditure</b>		<b>(394 972 406)</b>	<b>(280 627 091)</b>
<b>Operating (deficit) surplus</b>		<b>(115 416 587)</b>	<b>10 975 649</b>
Loss on disposal of assets and liabilities		-	(14 762 430)
Fair value adjustments	36	8 039 934	7 198 083
		<b>8 039 934</b>	<b>(7 564 347)</b>
<b>(Deficit) surplus for the year</b>		<b>(107 376 653)</b>	<b>3 411 302</b>

# Mantsopa Local Municipality (FS196)

Financial Statements for the year ended 30 June 2018

## Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	1 008 210 540	1 008 210 540
Adjustments		
Prior year adjustments	(24 165 787)	(24 165 787)
<b>Balance at 01 July 2016 as restated*</b>	<b>984 044 753</b>	<b>984 044 753</b>
Changes in net assets		
Surplus for the year	3 411 302	3 411 302
Total changes	3 411 302	3 411 302
<b>Restated* balance at 01 July 2017 as restated*</b>	<b>987 456 055</b>	<b>987 456 055</b>
Changes in net assets		
Surplus for the year	(107 376 653)	(107 376 653)
Total changes	(107 376 653)	(107 376 653)
<b>Balance at 30 June 2018</b>	<b>880 079 402</b>	<b>880 079 402</b>

# Mantsopa Local Municipality (FS196)

Financial Statements for the year ended 30 June 2018

## Cash Flow Statement

Figures in Rand	Note(s)	2018	2017 Restated*
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Cash receipts from customers		43 610 357	94 233 443
Grants		108 160 756	99 021 246
Interest income		28 113 476	24 513 526
Dividends received		33 675	32 554
		<u>179 918 264</u>	<u>217 800 769</u>
<b>Payments</b>			
Employee costs		(83 005 438)	(73 729 081)
Suppliers		(59 033 269)	(97 997 524)
Finance costs		(213 716)	(19 012 351)
		<u>(142 252 423)</u>	<u>(190 738 956)</u>
<b>Net cash flows from operating activities</b>	38	<u><b>37 665 842</b></u>	<u><b>27 061 811</b></u>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	10	(34 330 704)	(28 847 785)
Proceeds from sale of financial assets		1	-
Decrease/(increase) in Non-current investments		-	(20 607)
Proceeds from sale of long-term receivables		(21 662)	-
		<u>(34 352 366)</u>	<u>(28 868 392)</u>
<b>Net cash flows from investing activities</b>		<u><b>(34 352 366)</b></u>	<u><b>(28 868 392)</b></u>
<b>Cash flows from financing activities</b>			
Proceeds from other financial liabilities		412 501	-
Repayment of borrowings		(971 350)	(996 449)
Proceeds from borrowings		-	3 003 484
		<u>(558 849)</u>	<u>2 007 035</u>
<b>Net cash flows from financing activities</b>		<u><b>(558 849)</b></u>	<u><b>2 007 035</b></u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<u><b>2 342 263</b></u>	<u><b>200 454</b></u>
Cash and cash equivalents at the beginning of the year		1 187 207	986 753
<b>Cash and cash equivalents at the end of the year</b>	8	<u><b>3 529 470</b></u>	<u><b>1 187 207</b></u>

# Mantsopa Local Municipality (FS196)

Financial Statements for the year ended 30 June 2018

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

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

### Statement of Financial Performance

#### Revenue

##### Revenue from exchange transactions

Service charges	140 355 456	-	140 355 456	117 706 855	(22 648 601)	Note 53
Rental of facilities and equipment	1 069 625	-	1 069 625	1 145 836	76 211	Note 53
Interest received (trading)	25 000 000	-	25 000 000	27 349 484	2 349 484	Note 53
Other income - (rollup)	874 669	7 805 208	8 679 877	2 724 317	(5 955 560)	Note 53
Interest received - investment	400 000	320 000	720 000	28 113 476	27 393 476	Note 53
Gains on disposal of assets	-	500 000	500 000	-	(500 000)	Note 53
Dividends received	20 000	13 675	33 675	33 675	-	Note 53
<b>Total revenue from exchange transactions</b>	<b>167 719 750</b>	<b>8 638 883</b>	<b>176 358 633</b>	<b>177 073 643</b>	<b>715 010</b>	

##### Revenue from non-exchange transactions

##### Taxation revenue

Property rates	14 714 136	-	14 714 136	13 931 288	(782 848)	Note 53
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##### Transfer revenue

Government grants & subsidies	117 536 000	(20 025 100)	97 510 900	114 194 192	16 683 292	Note 53
Public contributions and donations	-	-	-	2 324 716	2 324 716	Note 53
Fines, penalties and forfeits	1 006 000	4 000	1 010 000	527 300	(482 700)	Note 53

<b>Total revenue from non-exchange transactions</b>	<b>133 256 136</b>	<b>(20 021 100)</b>	<b>113 235 036</b>	<b>130 977 496</b>	<b>17 742 460</b>	
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<b>Total revenue</b>	<b>300 975 886</b>	<b>(11 382 217)</b>	<b>289 593 669</b>	<b>308 051 139</b>	<b>18 457 470</b>	
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#### Expenditure

Personnel	(81 265 033)	4 683	(81 260 350)	(83 980 312)	(2 719 962)	
Remuneration of councillors	(6 055 116)	(358 225)	(6 413 341)	(6 831 982)	(418 641)	
Increase / (decrease) in provisions	-	-	-	984 230	984 230	Note 53
Depreciation and amortisation	(5 032 167)	-	(5 032 167)	(53 625 095)	(48 592 928)	Note 53
Finance costs	(10 000 000)	-	(10 000 000)	(21 319 032)	(11 319 032)	Note 53
Lease rentals on operating lease	-	-	-	(90 720)	(90 720)	
Debt impairment	(44 527 551)	-	(44 527 551)	(125 600 578)	(81 073 027)	Note 53
Repairs and maintenance	-	-	-	(8 448 913)	(8 448 913)	Note 53
Bulk purchases	(40 532 700)	(190 000)	(40 722 700)	(40 442 753)	279 947	
Contracted services	(855 000)	(648 782)	(1 503 782)	(1 065 352)	438 430	Note 53
Subsidies and indigent support	(23 261 400)	-	(23 261 400)	(16 116 877)	7 144 523	Note 53
General expenses	(34 853 695)	(3 717 161)	(38 570 856)	(38 435 022)	135 834	Note 53
<b>Total expenditure</b>	<b>(246 382 662)</b>	<b>(4 909 485)</b>	<b>(251 292 147)</b>	<b>(394 972 406)</b>	<b>(143 680 259)</b>	
<b>Operating deficit</b>	<b>54 593 224</b>	<b>(16 291 702)</b>	<b>38 301 522</b>	<b>(86 921 267)</b>	<b>(125 222 789)</b>	
Fair value adjustments	-	-	-	8 039 934	8 039 934	Note 53
<b>Deficit before taxation</b>	<b>54 593 224</b>	<b>(16 291 702)</b>	<b>38 301 522</b>	<b>(78 881 333)</b>	<b>(117 182 855)</b>	

## Mantsopa Local Municipality (FS196)

Financial Statements for the year ended 30 June 2018

### Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis						
	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	<b>54 593 224</b>	<b>(16 291 702)</b>	<b>38 301 522</b>	<b>(78 881 333)</b>	<b>(117 182 855)</b>	



# Mantsopa Local Municipality (FS196)

Financial Statements for the year ended 30 June 2018

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis						
	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Statement of Financial Position</b>						
<b>Assets</b>						
<b>Current Assets</b>						
Inventories	-	-	-	7 026	7 026	Note 53
Other receivables from exchange transactions	-	-	-	10 773 048	10 773 048	Note 53
Other receivables from non-exchange transactions	-	-	-	829 792	829 792	Note 53
VAT receivable	-	-	-	1 268 431	1 268 431	Note 53
Receivables from exchange and non-exchange transactions	114 220 386	-	114 220 386	73 038 793	(41 181 593)	Note 53
Current portion of long term receivables	-	-	-	6 198	6 198	
Other debtors	5 000 000	-	5 000 000	-	(5 000 000)	
Current portion of long term receivables	6 000	-	6 000	-	(6 000)	
Cash and cash equivalents	200 000	-	200 000	3 529 470	3 329 470	Note 53
	<b>119 426 386</b>	<b>-</b>	<b>119 426 386</b>	<b>89 452 758</b>	<b>(29 973 628)</b>	
<b>Non-Current Assets</b>						
Investment property	62 573 405	-	62 573 405	199 232 481	136 659 076	Note 53
Property, plant and equipment	1 068 767 885	-	1 068 767 885	867 463 819	(201 304 066)	Note 53
Investments	1 462 452	-	1 462 452	1 161 950	(300 502)	Note 53
Long term Receivables from exchange transactions	200 000	-	200 000	6 198	(193 802)	
Long-term receivables	-	-	-	554 008	554 008	Note 53
	<b>1 133 003 742</b>	<b>-</b>	<b>1 133 003 742</b>	<b>1 068 418 456</b>	<b>(64 585 286)</b>	
<b>Total Assets</b>	<b>1 252 430 128</b>	<b>-</b>	<b>1 252 430 128</b>	<b>1 157 871 214</b>	<b>(94 558 914)</b>	
<b>Liabilities</b>						
<b>Current Liabilities</b>						
Other financial liabilities	940 310	(940 000)	310	1 509 404	1 509 094	
Finance lease obligation	-	-	-	1 049 448	1 049 448	Note 53
Payables from exchange transactions	71 663 413	-	71 663 413	215 610 060	143 946 647	Note 53
Payables from non-exchange transactions	-	-	-	2 175 739	2 175 739	Note 53
Consumer deposits	1 688 662	-	1 688 662	1 693 456	4 794	Note 53
Unspent conditional grants	-	-	-	73 909	73 909	
	<b>74 292 385</b>	<b>(940 000)</b>	<b>73 352 385</b>	<b>222 112 016</b>	<b>148 759 631</b>	
<b>Non-Current Liabilities</b>						
Other financial liabilities	5 804 965	-	5 804 965	4 807 002	(997 963)	Note 53
Finance lease obligation	-	-	-	612 379	612 379	
Employee benefit obligation	-	-	-	25 539 000	25 539 000	Note 53
Provisions	1 430 837	-	1 430 837	24 713 436	23 282 599	Note 53
	<b>7 235 802</b>	<b>-</b>	<b>7 235 802</b>	<b>55 671 817</b>	<b>48 436 015</b>	
<b>Total Liabilities</b>	<b>81 528 187</b>	<b>(940 000)</b>	<b>80 588 187</b>	<b>277 783 833</b>	<b>197 195 646</b>	
<b>Net Assets</b>	<b>1 170 901 941</b>	<b>940 000</b>	<b>1 171 841 941</b>	<b>880 087 381</b>	<b>(291 754 560)</b>	

# Mantsopa Local Municipality (FS196)

Financial Statements for the year ended 30 June 2018

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis						
	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Net Assets</b>						
<b>Net Assets Attributable to Owners of Controlling Entity</b>						
<b>Reserves</b>						
Accumulated surplus	1 170 901 941	940 000	<b>1 171 841 941</b>	880 087 381	<b>(291 754 560)</b>	Note 53

The main reason for the above adjustments and/or changes between the approved and final budget is the reallocation and changes in the forecast of income and expenditure needs.

# Mantsopa Local Municipality (FS196)

Financial Statements for the year ended 30 June 2018

## Accounting Policies

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### 1. Presentation of Financial Statements

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

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

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

#### 1.1 Presentation currency

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

#### 1.2 Going concern assumption

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

#### 1.3 Significant judgements and sources of estimation uncertainty

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

##### Trade receivables / held to maturity investments and / or loans and receivables

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

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

##### Allowance for slow moving, damaged and obsolete stock

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

##### Fair value estimation

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

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

# Mantsopa Local Municipality (FS196)

Financial Statements for the year ended 30 June 2018

## Accounting Policies

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### 1.3 Significant judgements and sources of estimation uncertainty (continued)

#### Impairment testing

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

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

#### Provisions

Provisions were raised and management determined an estimate based on the information available. Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to the present value where the time value effect is material. Additional disclosure of these estimates of provisions are included in note 20 - Provisions.

#### Useful lives and residual values

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

#### Post retirement benefits

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

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 19.

#### Effective interest rate

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

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

#### Allowance for doubtful debts

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

# Mantsopa Local Municipality (FS196)

Financial Statements for the year ended 30 June 2018

## Accounting Policies

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### 1.3 Significant judgements and sources of estimation uncertainty (continued)

#### GRAP 24 : Presentation of budget information

The comparison of budget and actual amounts present separately for each level of legislative oversight:  
the approved and final budget amounts, and;  
the actual amounts on a comparable basis.

### 1.4 Investment property

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

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

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

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

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

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

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

#### Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

If the entity determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the entity determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the entity measures that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The entity applies the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

Once the entity becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

All properties held to earn market-related rentals or for capital appreciation or both and that are not used for administrative purposes and that will not be sold within the next 12 months are classified as Investment Properties.

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

# Mantsopa Local Municipality (FS196)

Financial Statements for the year ended 30 June 2018

## Accounting Policies

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### 1.5 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

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

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

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

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

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

# Mantsopa Local Municipality (FS196)

Financial Statements for the year ended 30 June 2018

## Accounting Policies

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

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

Item	Depreciation method	Average useful life
Land	Straight line	Infinite
Buildings	Straight line	25 - 50 years
Improvements	Straight line	25 - 50 years
Plant and machinery	Straight line	3 - 10 years
Furniture and fixtures	Straight line	3 - 10 years
Vehicles	Straight line	3 - 7 years
Heavy machinery and vehicles	Straight line	3 - 10 years
Office equipment	Straight line	2 - 7 years
Infrastructure assets		
Electricity	Straight line	7 - 50 years
Roads	Straight line	8 - 50 years
Storm water	Straight line	30 - 50 years
Community assets		
Buildings	Straight line	20 - 50 years
Recreational facilities	Straight line	7 - 50 years
Security measures	Straight line	3 - 5 years
Other property, plant and equipment		
Other equipment	Straight line	2 - 10 years
Fences and gates	Straight line	15 - 25 years
Paving	Straight line	50 years
Other equipment	Straight line	3 - 10 years
Other leased Assets - Computer equipment and copiers	Straight line	3 years

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

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

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

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

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

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

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

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

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 10).

# Mantsopa Local Municipality (FS196)

Financial Statements for the year ended 30 June 2018

## Accounting Policies

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### 1.6 Financial instruments

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

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

A derivative is a financial instrument or other contract with all three of the following characteristics:

Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').

It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.

It is settled at a future date.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

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

A financial asset is:

cash;

a residual interest of another entity; or

a contractual right to:

- receive cash or another financial asset from another entity; or
- exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

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

deliver cash or another financial asset to another entity; or

exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.



# Mantsopa Local Municipality (FS196)

Financial Statements for the year ended 30 June 2018

## Accounting Policies

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### 1.6 Financial instruments (continued)

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

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

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

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

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

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

# Mantsopa Local Municipality (FS196)

Financial Statements for the year ended 30 June 2018

## Accounting Policies

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### 1.6 Financial instruments (continued)

#### Classification

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Other receivables from exchange transactions	Financial asset measured at amortised cost
Other receivables from non-exchange transactions	Financial asset measured at amortised cost
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost
Vat receivable	Financial asset measured at amortised cost
Other financial assets	Financial asset measured at fair value
Long-term receivables	Financial asset measured at amortised cost

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Other financial liabilities	Financial liability measured at amortised cost
Payables from exchange transactions	Financial liability measured at amortised cost
Payables from non-exchange transactions	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost
Vat Payable	Financial liability measured at amortised cost

#### Initial recognition

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

The entity recognises financial assets using trade date accounting.

#### Initial measurement of financial assets and financial liabilities

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

The entity measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value].

The entity first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the entity analyses a concessionary loan into its component parts and accounts for each component separately. The entity accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

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

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

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

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

# Mantsopa Local Municipality (FS196)

Financial Statements for the year ended 30 June 2018

## Accounting Policies

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### 1.6 Financial instruments (continued)

#### Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

#### Reclassification

The entity does not reclassify a financial instrument while it is issued or held unless it is:  
combined instrument that is required to be measured at fair value; or  
an investment in a residual interest that meets the requirements for reclassification.

Where the entity cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined instrument at fair value. This requires a reclassification of the instrument from amortised cost or cost to fair value.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the entity reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from cost to fair value.

#### Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

#### Impairment and uncollectibility of financial assets

The entity assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

# Mantsopa Local Municipality (FS196)

Financial Statements for the year ended 30 June 2018

## Accounting Policies

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### 1.6 Financial instruments (continued)

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

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

### Derecognition

#### Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity :
  - derecognise the asset; and
  - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

If the entity transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognise either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continue to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the entity recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

# Mantsopa Local Municipality (FS196)

Financial Statements for the year ended 30 June 2018

## Accounting Policies

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### 1.6 Financial instruments (continued)

#### Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

#### Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Dividends or similar distributions relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Distributions to holders of residual interests are recognised by the entity directly in net assets. Transaction costs incurred on residual interests are accounted for as a deduction from net assets. Income tax [where applicable] relating to distributions to holders of residual interests and to transaction costs incurred on residual interests are accounted for in accordance with the International Accounting Standard on Income Taxes.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability.

### 1.7 Leases

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

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

#### Finance leases - lessor

The municipality recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the municipality's net investment in the finance lease.

# Mantsopa Local Municipality (FS196)

Financial Statements for the year ended 30 June 2018

## Accounting Policies

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### 1.7 Leases (continued)

#### Finance leases - lessee

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

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

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

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

#### Operating leases - lessor

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

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

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

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

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

#### Operating leases - lessee

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

### 1.8 Inventories

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

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

Inventories are measured at the lower of cost and current replacement cost where they are held for;  
distribution at no charge or for a nominal charge; or  
consumption in the production process of goods to be distributed at no charge or for a nominal charge.

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

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

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

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

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

# Mantsopa Local Municipality (FS196)

Financial Statements for the year ended 30 June 2018

## Accounting Policies

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### 1.8 Inventories (continued)

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

### 1.9 Impairment of cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

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

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

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

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

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

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

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

Useful life is either:

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

Judgements made by management in applying the criteria to designate assets as cash-generating assets or non-cash-generating assets, are as follows:

#### Identification

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

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

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

# Mantsopa Local Municipality (FS196)

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### 1.9 Impairment of cash-generating assets (continued)

#### Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

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

#### Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

### 1.10 Impairment of non-cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

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

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

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

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

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

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

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

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

Useful life is either:

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

Judgements made by management in applying the criteria to designate assets as non-cash-generating assets or cash-generating assets, are as follows



# Mantsopa Local Municipality (FS196)

Financial Statements for the year ended 30 June 2018

## Accounting Policies

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### 1.10 Impairment of non-cash-generating assets (continued)

#### Identification

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

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

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

#### Value in use

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

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

#### Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

### 1.11 Employee benefits

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

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

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

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

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

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

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

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

# Mantsopa Local Municipality (FS196)

Financial Statements for the year ended 30 June 2018

## Accounting Policies

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### 1.11 Employee benefits (continued)

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

#### Short-term employee benefits

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

Short-term employee benefits include items such as:

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

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

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

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

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

#### Post-employment benefits

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

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

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

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

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

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

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

# Mantsopa Local Municipality (FS196)

Financial Statements for the year ended 30 June 2018

## Accounting Policies

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### 1.11 Employee benefits (continued)

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

#### **Post-employment benefits: Defined contribution plans**

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

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

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

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

#### **Post-employment benefits: Defined benefit plans**

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

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

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

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

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

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

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

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

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

# Mantsopa Local Municipality (FS196)

Financial Statements for the year ended 30 June 2018

## Accounting Policies

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### 1.11 Employee benefits (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

# Mantsopa Local Municipality (FS196)

Financial Statements for the year ended 30 June 2018

## Accounting Policies

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### 1.11 Employee benefits (continued)

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

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

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

#### Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

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

#### Other post retirement obligations

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

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

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

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

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

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

# Mantsopa Local Municipality (FS196)

Financial Statements for the year ended 30 June 2018

## Accounting Policies

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### 1.11 Employee benefits (continued)

#### Termination benefits

The entity recognises termination benefits as a liability and an expense when the entity is demonstrably committed to either:  
terminate the employment of an employee or group of employees before the normal retirement date; or  
provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

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

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

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

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

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

### 1.12 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

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

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

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

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

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

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

Provisions are not recognised for future operating surplus (deficit).

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

# Mantsopa Local Municipality (FS196)

Financial Statements for the year ended 30 June 2018

## Accounting Policies

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### 1.12 Provisions and contingencies (continued)

A constructive obligation to restructure arises only when an entity:

has a detailed formal plan for the restructuring, identifying at least:

- the activity/operating unit or part of a activity/operating unit concerned;
- the principal locations affected;
- the location, function, and approximate number of employees who will be compensated for services being terminated;
- the expenditures that will be undertaken; and
- when the plan will be implemented; and

has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:  
necessarily entailed by the restructuring; and  
not associated with the ongoing activities of the municipality

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

A contingent liability is a possible obligation depending on whether some uncertain future event occurs or a present obligation but payment is not probable, or the amount cannot be measured reliably. Contingent asset is possible asset that arises from past events; and whose existence will only be confirmed (or not) by uncertain future events.

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

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

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

### 1.13 Revenue from exchange transactions

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

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

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

#### Measurement

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

#### Sale of goods

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

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

# Mantsopa Local Municipality (FS196)

Financial Statements for the year ended 30 June 2018

## Accounting Policies

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### 1.13 Revenue from exchange transactions (continued)

#### Rendering of services

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

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

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

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

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

#### Interest, royalties and dividends

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

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

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

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

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

### 1.14 Revenue from non-exchange transactions

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

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

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

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

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

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



# Mantsopa Local Municipality (FS196)

Financial Statements for the year ended 30 June 2018

## Accounting Policies

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### 1.14 Revenue from non-exchange transactions (continued)

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

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

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

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

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

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

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

#### Recognition

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

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

#### Measurement

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

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

#### Transfers

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

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

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

#### Fines

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

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

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

# Mantsopa Local Municipality (FS196)

Financial Statements for the year ended 30 June 2018

## Accounting Policies

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### 1.14 Revenue from non-exchange transactions (continued)

#### Gifts and donations, including goods in-kind

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

#### Assessment rates

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

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

### 1.15 Borrowing costs

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

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

### 1.16 Comparative figures

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

### 1.17 Unauthorised expenditure

Unauthorised expenditure means:

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

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

### 1.18 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

### 1.19 Irregular expenditure

Irregular expenditure in terms of section 1 of the MFMA means-

expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with this Act, and which has not been condoned in terms of section 170

expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with the Municipal Systems Act, and which has not been condoned in terms of that Act

expenditure incurred by a municipality in contravention of, or that is not in accordance with the Public Office-Bearers Act, 1998 (Act No. 20 of 1998) or

expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, the supply chain management policy of the municipality or entity or any of the municipality's by-laws giving effect to such policy, and which has not been condoned in terms of such policy or by-law,

# Mantsopa Local Municipality (FS196)

Financial Statements for the year ended 30 June 2018

## Accounting Policies

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### 1.19 Irregular expenditure (continued)

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### 1.20 Use of estimates

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

### 1.21 Value added tax

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

### 1.22 Budget information

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

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

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

The approved budget covers the fiscal period from 2017/07/01 to 2018/06/30.

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

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

### 1.23 Related parties

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

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

### 1.24 Commitments

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

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

Approved and contracted commitments, where the expenditure has been approved and the contract has been awarded at the reporting date, where disclosure is required by a specific standard of GRAP.

# Mantsopa Local Municipality (FS196)

Financial Statements for the year ended 30 June 2018

## Accounting Policies

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### 1.24 Commitments (continued)

Approved but not yet contracted commitments, where the expenditure has been approved and the contract has yet to be awarded or is awaiting finalisation at the reporting date.

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

Contracts that are entered into before the reporting date, but goods and services have not yet been received are disclosed in the disclosure notes to the financial statements.

Other commitments for contracts that are non-cancelable or only cancelable at significant cost, contracts should relate to something other than the business of the municipality.

### 1.25 Investments

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

#### Investment in securities

Investments in securities are recognised on a trade date basis and are initially measured at cost.

At subsequent reporting dates, debt securities that the municipality has the expressed intention and ability to hold to maturity (held-to-maturity debt securities) are measured at amortised cost, less any impairment losses recognised to reflect irrecoverable amounts. The annual amortisation of any discount or premium on the acquisition of a held-to-maturity security is aggregated with investment income over receivable over the term of the instrument so that the revenue recognised in each period represents a constant yield on the investment.

Investments other than held-to-maturity debt securities are classified as either held for trading or available-for-sale, and are measured at subsequent reporting dates at fair value, based on quoted market prices at the reporting date. Where securities are held for trading purposes, unrealised gains and losses are included in net surplus/(deficit) for the period. For available-for-sale investments, unrealised gains and losses are recognised directly in net assets, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in net assets is included in the surplus/(deficit) for the period.

#### Investments in derivative financial instruments

Derivative financial instruments are initially recorded at cost and are subsequently measured at fair value.

Changes in the fair value of derivative financial instruments that are designated and effective as cash flow hedges are recognised directly in accumulated surpluses/(deficits). Amounts deferred in net assets are recognised in the statement of financial performance in the same period in which the hedged firm commitment or forecasted transaction affects the surplus/(deficit).

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the statement of financial performance as they arise.

### 1.26 Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

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

Government grants are recognised as revenue when:

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

# **Mantsopa Local Municipality (FS196)**

Financial Statements for the year ended 30 June 2018

## **Accounting Policies**

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

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

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

### **Other grants and donations**

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

Other grants and donations shall be recognised as revenue when:

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

# Mantsopa Local Municipality (FS196)

Financial Statements for the year ended 30 June 2018

## Notes to the Financial Statements

Figures in Rand	2018	2017
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### 2. New standards and interpretations

#### 2.1 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2018 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
IGRAP 18 Recognition and derecognition of land	1 April 2019	Material
IGRAP 19 Liabilities to Pay Levies	1 April 2019	Immaterial

### 3. Inventories

Water	7 026	5 397
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No inventory was written-off during the year. No inventory was pledged as collateral.

### 4. Other receivables from exchange transactions

Prepaid electricity receivables	9 884 255	8 616 486
Eskom debtor	17 086	17 086
Insurance debtor	-	21 228
Prepayments	871 707	908 256
Department of Water Affairs	-	418 061
Housing allowance debtor	631 640	631 640
Provision for impairment - Housing allowance debtor	(631 640)	(631 640)
	<b>10 773 048</b>	<b>9 981 117</b>

#### Analysis of the above not impaired but past due

<b>Current</b> (0 -30 days)	10 755 962	9 524 742
<b>Past due</b>	-	-
31 - 60 days (1 month past due)	-	-
61 - 90 days (2 months past due)	-	-
91 - 120 days (3 months past due)	-	-
121 - 150 days	-	-
> 150 days	17 086	456 375
	<b>10 773 048</b>	<b>9 981 117</b>

#### Included in the above is other receivables from exchange transactions not impaired

Prepaid Electricity Receivables	9 884 255	8 616 486
Eskom Debtor	17 086	17 086
Insurance debtor	-	21 228
Prepayments	871 707	908 256
Department of Water Affairs	-	418 061
Housing Allowance Debtor	-	-
	<b>10 773 048</b>	<b>9 981 117</b>

No other receivables from exchange transactions were pledged as collateral.

# Mantsopa Local Municipality (FS196)

Financial Statements for the year ended 30 June 2018

## Notes to the Financial Statements

Figures in Rand	2018	2017
<b>5. Other receivables from non-exchange transactions</b>		
Fines	1 977 136	1 491 136
Provision for impairment - Fines	(1 902 079)	(1 422 236)
Deposits	287 684	269 709
Other receivables	113 492	113 492
Sundry debtors	353 559	238 393
Provision for impairment - Other and sundry receivables	-	(113 491)
	<b>829 792</b>	<b>577 003</b>

### Analysis of the above not impaired but past due

<b>Current</b>		
(0 -30 days)	641 243	508 103
<b>Past due</b>	-	-
31 - 60 days (1 month past due)	-	-
61 - 90 days (2 months past due)	-	-
91 - 120 days (3 months past due)	-	-
121 - 150 days	-	-
> 150 days	188 549	68 900
	<b>829 792</b>	<b>577 003</b>

### Included in the above is other receivables from non-exchange transactions not impaired

Fines	75 057	68 900
Deposits	287 684	269 709
Other debtors	113 492	-
Sundry debtors	353 559	238 394
	-	-
	<b>829 792</b>	<b>577 003</b>

No other receivables from non-exchange transactions were pledged as collateral.

### 6. VAT receivable

VAT	1 270 213	13 131 980
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### 7. Receivables from exchange and non-exchange transactions

<b>Gross balances</b>		
Rates	36 592 155	31 167 449
Electricity	24 940 993	22 577 054
Water	117 649 801	79 452 887
Sewerage	101 620 580	79 262 609
Refuse	72 501 402	57 172 290
Other	9 168 922	8 559 161
	<b>362 473 853</b>	<b>278 191 450</b>
<b>Less: Allowance for impairment</b>		
Rates	(23 345 397)	(19 713 901)
Electricity	(12 414 581)	(10 351 988)
Water	(95 677 017)	(40 760 983)
Sewerage	(88 394 415)	(51 561 513)
Refuse	(62 822 913)	(39 121 991)
Other	(6 780 737)	(6 097 002)
	<b>(289 435 060)</b>	<b>(167 607 378)</b>

# Mantsopa Local Municipality (FS196)

Financial Statements for the year ended 30 June 2018

## Notes to the Financial Statements

Figures in Rand	2018	2017
<b>Net balance</b>		
Rates	13 246 758	11 453 548
Electricity	12 526 412	12 225 066
Water	21 972 784	38 691 904
Sewerage	13 226 165	27 701 096
Refuse	9 678 489	18 050 299
Other	2 388 185	2 462 159
	<b>73 038 793</b>	<b>110 584 072</b>
<b>Included in above is receivables from exchange transactions</b>		
Electricity	12 526 412	12 803 878
Water	21 972 784	38 792 271
Sewerage	13 226 165	27 795 410
Refuse	9 678 489	18 025 224
Other	2 388 185	1 713 733
	<b>59 792 035</b>	<b>99 130 516</b>
<b>Included in above is receivables from non-exchange transactions (taxes and transfers)</b>		
Rates	13 246 760	11 453 549
<b>Net balance</b>	<b>73 038 795</b>	<b>110 584 065</b>
<b>Analysis of balance not impaired by service type</b>		
<b>Rates</b>		
<b>Current</b>		
(0 -30 days)	968 064	745 172
<b>Past due</b>	-	-
31 - 60 days (1 month past due)	581 582	395 597
61 - 90 days (2 months past due)	444 505	313 195
91 - 120 days (3 months past due)	411 215	294 332
121 - 150 days	388 065	283 434
> 150 days	10 453 327	9 421 818
	<b>13 246 758</b>	<b>11 453 548</b>
<b>Electricity</b>		
<b>Current</b>		
(0 -30 days)	3 734 438	3 740 034
<b>Past due</b>	-	-
31 - 60 days (1 month past due)	1 275 298	1 285 777
61 - 90 days (2 months past due)	865 392	1 070 304
91 - 120 days (3 months past due)	612 899	631 273
121 - 150 days	446 180	641 548
> 150 days	5 592 205	4 856 130
	<b>12 526 412</b>	<b>12 225 066</b>



# Mantsopa Local Municipality (FS196)

Financial Statements for the year ended 30 June 2018

## Notes to the Financial Statements

Figures in Rand	2018	2017
<b>Water</b>		
<b>Current</b>		
(0 -30 days)	1 592 624	1 129 453
<b>Past due</b>	-	-
31 - 60 days (1 month past due)	1 260 460	691 461
61 - 90 days (2 months past due)	926 079	455 911
91 - 120 days (3 months past due)	915 252	544 184
121 - 150 days	765 703	520 915
> 150 days	16 512 666	35 349 980
	<b>21 972 784</b>	<b>38 691 904</b>
<b>Sewerage</b>		
<b>Current</b>		
(0 -30 days)	874 872	587 250
<b>Past due</b>	-	-
31 - 60 days (1 month past due)	524 993	372 648
61 - 90 days (2 month past due)	410 940	343 359
91 - 120 days (3 months past due)	365 674	316 380
121 - 150 days	342 800	310 730
> 150 days	10 706 886	25 770 729
	<b>13 226 165</b>	<b>27 701 096</b>
<b>Refuse</b>		
<b>Current</b>		
(0 -30 days)	669 028	444 994
<b>Past due</b>	-	-
31 - 60 days (1 month past due)	387 061	261 555
61 - 90 days (2 months past due)	301 518	233 892
91 - 120 days (3 months past due)	273 056	226 340
121 - 150 days	252 952	218 624
> 150 days	7 794 874	16 664 894
	<b>9 678 489</b>	<b>18 050 299</b>
<b>Other (specify)</b>		
<b>Current</b>		
(0 -30 days)	85 374	101 822
<b>Past due</b>	-	-
31 - 60 days (1 month past due)	53 241	62 730
61 - 90 days (2 months past due)	57 822	40 342
91 - 120 days (3 months past due)	36 236	40 283
121 - 150 days	36 203	39 559
> 150 days	2 119 309	2 177 423
	<b>2 388 185</b>	<b>2 462 159</b>

# Mantsopa Local Municipality (FS196)

Financial Statements for the year ended 30 June 2018

## Notes to the Financial Statements

Figures in Rand	2018	2017
<b>Analysis of balance not impaired by customer classification</b>		
<b>Household/residential</b>		
<b>Current</b>		
(0 -30 days)	5 315 757	4 710 267
<b>Past due</b>	-	-
31 - 60 days (1 month past due)	2 725 301	1 722 269
61 - 90 days (2 months past due)	2 269 885	1 258 131
91 - 120 days (3 months past due)	1 891 418	1 295 150
121 - 150 days	1 758 789	1 154 700
> 150 days	37 826 323	81 316 587
	<b>51 787 473</b>	<b>91 457 104</b>
<b>Industrial/ commercial</b>		
<b>Current</b>		
(0 -30 days)	1 524 291	1 599 003
<b>Past due</b>	-	-
31 - 60 days (1 month past due)	502 829	571 439
61 - 90 days (2 months past due)	207 731	405 666
91 - 120 days (3 months past due)	162 430	476 619
121 - 150 days	152 381	401 041
> 150 days	4 779 953	4 025 466
	<b>7 329 615</b>	<b>7 479 234</b>
<b>National and provincial government</b>		
<b>Current</b>		
(0 -30 days)	1 084 351	987 217
<b>Past due</b>	-	-
31 - 60 days (1 month past due)	854 506	678 501
61 - 90 days (2 months past due)	528 640	612 605
91 - 120 days (3 months past due)	560 483	251 334
121 - 150 days	320 733	224 130
> 150 days	10 572 035	8 923 292
	<b>13 920 748</b>	<b>11 677 079</b>
<b>8. Cash and cash equivalents</b>		
Cash and cash equivalents consist of:		
Cash on hand	1 564	2 917
Bank balances	2 277 035	-
Short-term deposits	1 250 871	1 304 248
Bank overdraft	-	(119 958)
	<b>3 529 470</b>	<b>1 187 207</b>
Current assets	3 529 470	1 307 165
Current liabilities	-	(119 958)
	<b>3 529 470</b>	<b>1 187 207</b>

Mantsopa Municipality has the following facilities with ABSA bank.

A guarantee of R 10 000 which has not been utilised

A fleet card facility of R 400 000, at year end R 180 000 (2017: R 180 000) of this facility was being utilised

A credit card facility of R 100 000, at year end R 80 000 (2017: R 19 000) of this facility was being utilised..

# Mantsopa Local Municipality (FS196)

Financial Statements for the year ended 30 June 2018

## Notes to the Financial Statements

Figures in Rand	2018	2017
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The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2018	30 June 2017	30 June 2016	30 June 2018	30 June 2017	30 June 2016
ABSA Bank - cheque account - 2020000050	2 277 035	(119 958)	622 180	2 277 035	(119 958)	622 180
First National Bank - cheque account - 62402356530	8 990	1 045 358	9 813	8 990	1 045 358	9 813
ABSA Bank - investment account - 9264892325	50 218	4 550	1 000	50 218	4 550	1 000
ABSA Bank - investment account - 9230571400	30 319	28 490	26 701	30 319	28 490	26 701
ABSA Bank - investment account - 9278783703	398 085	2 197	224 401	398 085	2 197	224 401
ABSA Bank - investment account - 9264892561	585 101	55 797	1 000	585 101	55 797	1 000
ABSA Bank - investment account - 9277963448	54 939	52 317	1 000	54 939	52 317	1 000
Standard Bank - investment account -24895860001	111	111	111	111	111	111
Nedbank - investment account - 094831059996	123 108	115 428	108 300	123 108	115 428	108 300
<b>Total</b>	<b>3 527 906</b>	<b>1 184 290</b>	<b>994 506</b>	<b>3 527 906</b>	<b>1 184 290</b>	<b>994 506</b>

### 9. Investment property

	2018			2017		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	199 232 481	-	199 232 481	191 344 097	-	191 344 097

#### Reconciliation of investment property - 2018

	Opening balance	Fair value adjustments	Total
Investment property	191 344 097	7 888 384	199 232 481

#### Reconciliation of investment property - 2017

	Opening balance	Fair value adjustments	Total
Investment property	184 112 746	7 231 351	191 344 097

A register containing the information required by section 63 of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) is available for inspection at the registered office of the municipality.

# Mantsopa Local Municipality (FS196)

Financial Statements for the year ended 30 June 2018

## Notes to the Financial Statements

Figures in Rand	2018	2017
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### Details of valuation

The valuations of the above properties were obtained from the new valuation roll that will be implemented from 1 July 2018. The valuation roll was compiled by Manna Holdings (Pty)Ltd, a company that specialises in a number of valuation fields

The methodology from Manna Holdings makes reference to the following valuation techniques that were used during the valuation of Mantsopa Properties:

The Income Capitalisation Method: This method determines the net normalised annual income of the property, assuming the property is fully let at market related rentals, and market escalations, with an allowance made for vacancies.

Cost Approach Method: In this approach, a valuer would obtain a preliminary indication of the value of the property by estimating the value of the land and adding thereto the estimated production costs of the building and other improvements less depreciation.

The Direct Comparable Sales Method: The concept behind the comparison approach is one of substitution: a reasonable buyer will pay no more than the value of a comparable good and a reasonable seller will sell for no less than the value of a comparable good.

Included in the Investment property above, is land which Mantsopa Local Municipality holds the legal title to the value of R 44 525 000 (2017: R 42 762 083 ). These included amongst others, shops and churches held by the public, and clinics and schools which form part of other governmental bodies. The municipality will investigate the nature of the agreements and the relationships with the occupiers of the structure.

No investment property was pledged as collateral.

# Mantsopa Local Municipality (FS196)

Financial Statements for the year ended 30 June 2018

## Notes to the Financial Statements

Figures in Rand

### 10. Property, plant and equipment

	2018			2017		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	37 230 125	-	37 230 125	37 230 125	-	37 230 125
Leased assets	3 244 979	(1 678 524)	1 566 455	3 003 484	(667 441)	2 336 043
Infrastructure	1 151 607 788	(442 130 570)	709 477 218	1 117 083 255	(395 006 983)	722 076 272
Community	149 064 642	(40 984 386)	108 080 256	144 645 867	(37 685 676)	106 960 191
Other property, plant and equipment	28 341 400	(17 235 199)	11 106 201	24 609 084	(15 103 473)	9 505 611
<b>Total</b>	<b>1 369 488 934</b>	<b>(502 028 679)</b>	<b>867 460 255</b>	<b>1 326 571 815</b>	<b>(448 463 573)</b>	<b>878 108 242</b>

### Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Write-offs	Depreciation	Total
Land	37 230 125	-	-	-	37 230 125
Leased assets	2 336 043	241 495	-	(1 011 087)	1 566 451
Infrastructure	722 076 262	34 532 156	-	(47 123 586)	709 484 832
Community	106 960 188	4 498 292	(23 576)	(3 358 697)	108 076 207
Other property, plant and equipment	9 505 614	3 732 316	-	(2 131 726)	11 106 204
	<b>878 108 232</b>	<b>43 004 259</b>	<b>(23 576)</b>	<b>(53 625 096)</b>	<b>867 463 819</b>

# Mantsopa Local Municipality (FS196)

Financial Statements for the year ended 30 June 2018

## Notes to the Financial Statements

Figures in Rand

### Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	Write-offs	Depreciation	Impairment loss	Total
Land	37 230 125	-	-	-	-	37 230 125
IT equipment	-	3 003 484	-	(667 441)	-	2 336 043
Infrastructure	729 282 199	57 041 796	(14 642 649)	(49 205 902)	(399 182)	722 076 262
Community	103 618 783	6 736 851	(119 783)	(3 275 663)	-	106 960 188
Other property, plant and equipment	11 596 068	776 502	-	(2 660 623)	(206 333)	9 505 614
	<b>881 727 175</b>	<b>67 558 633</b>	<b>(14 762 432)</b>	<b>(55 809 629)</b>	<b>(605 515)</b>	<b>878 108 232</b>

### Reconciliation of Work-in-Progress 2018

	Included within Infrastructure	Included within Community	Total
Opening balance	21 985 709	6 247 290	28 232 999
Additions/capital expenditure	34 532 155	4 498 292	39 030 447
Transferred to completed items	(27 982 125)	(7 816 129)	(35 798 254)
	<b>28 535 739</b>	<b>2 929 453</b>	<b>31 465 192</b>

# Mantsopa Local Municipality (FS196)

Financial Statements for the year ended 30 June 2018

## Notes to the Financial Statements

Figures in Rand

### Reconciliation of Work-in-Progress 2017

	Included within Infrastructure	Included within Community	Total
Opening balance	34 223 966	10 865 083	45 089 049
Additions/capital expenditure	57 041 806	6 736 850	63 778 656
Transferred to completed items	(69 280 063)	(11 354 643)	(80 634 706)
	<b>21 985 709</b>	<b>6 247 290</b>	<b>28 232 999</b>

### Other assets reconciliation - 2018

	Opening balance	Additions	Depreciation	Total
Computer Equipment	1 046 625	358 425	(434 980)	970 070
Furniture and office equipment	1 404 755	97 981	(341 849)	1 160 887
Machinery and Equipment	1 220 753	151 976	(414 220)	958 509
Transport Assets	5 833 478	3 123 933	(940 677)	8 016 734
	<b>9 505 611</b>	<b>3 732 315</b>	<b>(2 131 726)</b>	<b>11 106 200</b>

### Other assets reconciliation - 2017

	Opening balance	Additions	Depreciation	Impairment loss	Total
Computer Equipment	1 410 628	74 738	(422 816)	(15 924)	1 046 625
Furniture and office equipment	1 772 325	7 872	(343 557)	(31 885)	1 404 755
Machinery and Equipment	1 602 602	162 617	(492 504)	(51 961)	1 220 753
Transport Assets	6 810 515	531 274	(1 401 749)	(106 562)	5 833 478
	<b>11 596 070</b>	<b>776 501</b>	<b>(2 660 626)</b>	<b>(206 332)</b>	<b>9 505 611</b>

During the physical verifications of Property, plant and equipment performed by the municipality in the current financial year, certain asset were not succesfully verified. These assets were presented and classified as "Write-offs"

Repairs and maintenance performed on assets: Please refer to the reconciliation of "Repairs and maintenance" under General expenses, note 35.

No Property, Plant and Equipment was pledged as collateral.

# Mantsopa Local Municipality (FS196)

Financial Statements for the year ended 30 June 2018

## Notes to the Financial Statements

Figures in Rand	2018	2017
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### 11. Investments

#### Designated at fair value

Listed shares	211 272	128 819
Old Mutual shares 5 249 (2017:3 937) shares at R 40.25 per share		
Unlisted shares	950 678	881 582
OVK Holdings shares 34 566 (2017:34 566) shares at R 12.90 per share		
OVK Operations shares 33 209 (2017:33 209) shares at R 15.20 per share		
	<b>1 161 950</b>	<b>1 010 401</b>

#### Non-current assets

Designated at fair value	1 161 950	1 010 401
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#### Financial assets at fair value

#### Fair values of financial assets measured or disclosed at fair value

Old Mutual shares	211 272	128 819
These shares are valued as per valuation on the quoted price in the active market at 30 June.		
OVK shares	950 678	881 582
These shares are valued as per valuation obtained from the OVK Transfer Secretaries as at 30 June.		
	<b>1 161 950</b>	<b>1 010 401</b>

#### Fair value hierarchy of financial assets at fair value

For financial assets recognised at fair value, disclosure is required of a fair value hierarchy which reflects the significance of the inputs used to make the measurements. The fair value hierarchy has the following levels:

Level 1 represents those assets which are measured using unadjusted quoted prices in active markets for identical assets.

Level 2 applies inputs other than quoted prices that are observable for the assets either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 applies inputs which are not based on observable market data.

#### Level 1

Listed shares	1 161 950	1 010 401
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No financial assets were pledged as security

### 12. Long-term receivables

Long-term receivables consist of the following:

Oranje Vrystaat Koöperasie - Loan	375 849	348 049
Loan: Buitekklub	178 159	184 358
Loan: Buitekklub	6 198	6 137
	<b>560 206</b>	<b>538 544</b>



# Mantsopa Local Municipality (FS196)

Financial Statements for the year ended 30 June 2018

## Notes to the Financial Statements

Figures in Rand	2018	2017
<b>Non-current assets</b>		
Long-term receivables	554 008	532 407
<b>Current assets</b>		
Long-term receivables	6 198	6 137
No long term receivables were pledged as collateral.		
<b>13. Payables from exchange transactions</b>		
Trade payables	174 843 108	133 146 945
Receivables from exchange transactions	2 273 914	1 062 635
Salary control accounts	15 696 063	9 649 639
Accrued leave pay	13 758 720	10 720 235
Accrued bonus	1 765 754	1 310 037
Other payables	75 333	-
Retentions	4 786 925	1 818 245
Other creditors	2 410 244	2 117 170
	<b>215 610 061</b>	<b>159 824 906</b>
<b>14. Payables from non-exchange transactions</b>		
Receivables from non-exchange transactions	2 175 739	1 316 736
<b>15. Consumer deposits</b>		
Electricity	1 612 206	1 511 000
Sundry	81 250	83 050
	<b>1 693 456</b>	<b>1 594 050</b>
Guarantees held in lieu of electricity and other deposits.		
<b>16. Unspent conditional grants and receipts</b>		
Unspent conditional grants and receipts comprises of:		
<b>Unspent conditional grants and receipts</b>		
Department of Water Affairs	73 909	-
The nature and extent of government grants recognised in the financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and		
Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.		
See note 25 for reconciliation of grants from National/Provincial Government.		
<b>17. Other financial liabilities</b>		
<b>At amortised cost</b>		
Development Bank of South Africa	6 316 406	5 903 905
<b>Non-current liabilities</b>		
At amortised cost	4 807 002	4 394 501

# Mantsopa Local Municipality (FS196)

Financial Statements for the year ended 30 June 2018

## Notes to the Financial Statements

Figures in Rand	2018	2017
<b>Current liabilities</b>		
At amortised cost	1 509 404	1 509 404
Mantsopa Local Municipality entered into a loan agreement with DBSA on 26 May 2010 in terms of which DBSA borrowed a capital amount of R2 730 000 to Mantsopa Local Municipality. The loan agreement reached its repayment maturity. The parties agreed to the following terms:		
The debt obligation will be repaid in 4 equal payments; and		
The first payment was due on 30 November 2016 and the debt obligation did not accrue interest during this time.		
<b>18. Finance lease obligation</b>		
<b>Minimum lease payments due</b>		
- within one year	1 559 849	1 102 549
- in second to fifth year inclusive	1 142 143	1 490 680
	2 701 992	2 593 229
less: future finance charges	(1 044 860)	(201 547)
<b>Present value of minimum lease payments</b>	<b>1 657 132</b>	<b>2 391 682</b>
<b>Present value of minimum lease payments due</b>		
- within one year	1 049 448	970 759
- in second to fifth year inclusive	607 686	1 420 923
	<b>1 657 134</b>	<b>2 391 682</b>
Non-current liabilities	612 379	1 420 923
Current liabilities	1 049 448	970 759
	<b>1 661 827</b>	<b>2 391 682</b>

It is municipality policy to lease certain IT equipment under finance leases.

The average lease term is 3 years based on the rate implicit in the lease.

## 19. Employee benefit obligations

### Defined benefit plan

#### Post retirement medical aid plan

The Post Retirement Medical Plan is a defined benefit plan, of which the members are made up as follows:

#### Total members

In-service (employee) members	58	62
Continuation members (eg. retirees, widows, orphans)	13	11
	<b>71</b>	<b>73</b>

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

LA Health Medical Scheme  
Bonitas Medical Scheme  
Hosmed Medical Scheme  
Samwumed Medical Scheme  
KeyHealth Medical Scheme

# Mantsopa Local Municipality (FS196)

Financial Statements for the year ended 30 June 2018

## Notes to the Financial Statements

Figures in Rand	2018	2017
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The amounts recognised in the statement of financial position are as follows:

### Carrying value

Present value of the defined benefit obligation-wholly unfunded	(25 539 000)	(25 906 000)
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### Net expense recognised in the statement of financial performance

Current service cost	(2 746 000)	(2 527 000)
Interest cost	(949 000)	(898 000)
Actuarial (gains) losses	3 613 684	2 193 000
Settlement	448 316	498 000
	<b>367 000</b>	<b>(734 000)</b>

### Key assumptions used

The economic assumptions used at the reporting date are shown in the table below:

Actual return on plan assets	7,00 %	8,00 %
Discount rates used	10,20 %	10,60 %
Medical cost trend rates	9,00 %	10,00 %
Expected increase in salaries	7,40 %	7,40 %

### Discount rate

GRAP 25 requires that the discount rate used in the valuation be determined by reference to market yields on government bonds as at the statement of financial position date. Therefore the discount rate and inflation assumptions were based on the yields taken from the government zero coupon bond yield curves.

The currency and term of the government bonds shall be consistent with the currency and estimated term of the post-employment benefit obligations.

The estimated discount rate was set equal to the nominal yield on the South African government zero-coupon bond yield curve with a term of 19 years, the expected duration of the liability based on the current membership data, as at 30 June 2018.

### Health care cost inflation

The long-term inflation rate implied from the government bond yields is measured as the real difference between

- the nominal yield of the South African government zero coupon bond yield curve (10,2% per annum) at a term of 19 years, and

- the real yield of the South African government zero coupon bond yield curve (3,0% per annum) at the same duration.

Our best estimate of inflation as at 30 June 2018 is therefore assumed to be 7,0% p.a..2

In the previous valuation the inflation assumption was 8,0% p.a.

### Maximum subsidy increase

According to the Salary and Wage Agreement 2014 the maximum employer contribution to an accredited medical scheme for an individual employee shall escalate at the same rate as the annual percentage increase in salaries and wages, which is agreed to from time to time by the Parties to the Council. However, in the last few years this annual percentage increase was less than salary inflation and therefore it has been assumed that it will increase annually in line with CPI inflation. This is in line with previous valuation.

# Mantsopa Local Municipality (FS196)

Financial Statements for the year ended 30 June 2018

## Notes to the Financial Statements

Figures in Rand	2018	2017
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### Defined contribution plan

It is the policy of the municipality to provide retirement benefits to all its employees. A number of defined contribution provident funds, all of which are subject to the Pensions Fund Act exist for this purpose.

Included in defined contribution plan information above, is the following plans which are a Multi-Employer Funds and are a Defined Benefit Plans, but due to the fact that sufficient information is not available to enable the municipality to account for the plans as defined benefit plans. The municipality accounted for these plans as a defined contribution plans:

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

### Defined benefit plans

The following are defined benefit plans:

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

These are not treated as a defined benefit plan as defined by IAS 19, but as a defined contribution plan. These funds are multi-employer plans and actuarial valuations done by actuaries could not be provided due to the lack of information. According to the actuaries, it is not possible to report each municipality separately, thus it has been classified as a contribution plan. This is in line with the exemption in IAS 19, paragraph 30, which states that where information required for a defined benefit plan is not available in respect of multi-employer and state plans, these should be accounted for as defined contribution plans.

Some employees belong to the SALA Pension Fund. The latest actuarial valuation of the funds was on 1 July 2010. These valuations indicate that the funds are in a sound financial position. The estimated liabilities of the fund is R7 418 million (2009: R6 568 million) which is adequately financed by assets of R7 110 million (2009: R6 304 million). The actuarial valuations states that the fund is currently 96% funded by employer contributions. If the current employer contribution rate is maintained the fund is expected to be close to 100% funded at the next statutory valuation.

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

## 20. Provisions

### Reconciliation of provisions - 2018

	Opening Balance	Additions	Finance cost	Total
Environmental rehabilitation	18 633 719	-	1 950 717	20 584 436
Long service awards	3 441 000	395 000	293 000	4 129 000
	<b>22 074 719</b>	<b>395 000</b>	<b>2 243 717</b>	<b>24 713 436</b>

### Reconciliation of provisions - 2017

	Opening Balance	Additions	Finance cost	Total
Environmental rehabilitation	16 867 864	-	1 765 855	18 633 719
Long service awards	2 972 000	206 000	263 000	3 441 000
	<b>19 839 864</b>	<b>206 000</b>	<b>2 028 855</b>	<b>22 074 719</b>

# Mantsopa Local Municipality (FS196)

Financial Statements for the year ended 30 June 2018

## Notes to the Financial Statements

Figures in Rand	2018	2017
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### Environmental rehabilitation provision

The provision for rehabilitation of landfill sites relates to the legal obligation, in terms of the Mineral and Petroleum Resources Development Act, 2002 (Act No. 28 of 2002), whereby the municipality is required to execute the environmental management program to restore the landfill sites at Excelsior, Ladybrand, Tweespruit and Hobhouse to comply with the permit requirements.

The provision was determined by an independent expert as at 30 June 2018 and approximates the discounted expected future cash flows using reasonable estimation techniques. The discount rate used for the landfill sites is based on a bond rate that matures as close as possible to the future date of the rehabilitation.

The final rehabilitation of the landfill sites are expected to be over a period of 19 years, being the estimated useful lives of landfill sites. No uncertainties were listed in the engineer's report. The certainty and the timing of the outflow of these liabilities are uncertain and the amounts disclosed are the possible outflow amounts.

The value of the provision is based on the expected future cost to rehabilitate the various sites. The cost of such property includes the initial estimate of the costs of rehabilitating the land and restoring the site on which it is located, the obligation for which a municipality incurs as a consequence of having used the property during a particular period for landfill purposes. The municipality estimates the useful lives and makes assumptions as to the useful lives of these, assets, which influence the provision for future costs.

Key assumptions used:

The following assumptions were used to calculate the provision:

Total area expected to be rehabilitated:	201 922 square metres
Average rate per square metre:	R97.55 (excl. VAT) escalating every year by 6.5%

The area to be rehabilitated can be reconciled to the different sites as follows:

Ladybrand	38 082
Tweespruit / Thaba Patchoa	50 020
Hobhouse	68 800
Excelsior	45 020

Solid waste sites:

Each of the landfill sites has adequate footprint and airspace available for the disposal of solid waste until 2031 - 2033.

Ladybrand:

The site presently used at Ladybrand is an informal site which has not been designed and constructed as a proper landfill site. As indicated in paragraph 4 of this report, it is a condition of the Waste Management License issued on 15 March 1994 that a properly designed facility should be constructed as soon as possible as a matter of urgency.

Tweespruit / Thaba Patchoa:

As indicated in paragraph 4 of this report, it is a condition of the Waste Management License issued on 23 April 2015 that a properly designed facility should be constructed as soon as possible as a matter of urgency.

Hobhouse:

Hobhouse does not have a designed landfill site. Refuse is dumped in a disused dolerite quarry without any engineered cells. No proper landfill activities can take place at the site due to the absence of proper cells and the non-availability of material to cover compacted refuse. It is a condition of the Waste Management License issued on 10 April 2015 that a properly designed facility should be constructed as soon as possible as a matter of urgency.

Excelsior:

The site presently used at Excelsior is an informal site which has not been designed and constructed as a proper landfill site. As a condition of the Waste Management License issued on 22 March 1994 a properly designed facility should be constructed as soon as possible as a matter of urgency.

# Mantsopa Local Municipality (FS196)

Financial Statements for the year ended 30 June 2018

## Notes to the Financial Statements

Figures in Rand	2018	2017
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### Long service award provision

A long-service award is granted to municipal employees after the completion of fixed periods of continuous service with the municipality. The provision represents an estimation of the awards to which employees in the service of the municipality may become entitled to in future. GRAP 25 valuation was done by management for the 2018 financial year and membership data used can be summarised as follow:

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

#### As at 30 June

Present value of long service awards liability - wholly unfunded	(3 441 000)	(2 972 000)
Service cost	(310 000)	(267 000)
Interest cost	(293 000)	(263 000)
Actuarial gains/(losses)	(467 000)	(219 000)
Benefit payments	382 000	280 000
	<b>(4 129 000)</b>	<b>(3 441 000)</b>

The certainty and the timing of the outflow of these liabilities are uncertain and the amounts disclosed are the possible outflow amounts.

### Key assumptions used:

#### Financial variables

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

Financial variable	June 2018	June 2017
Discount rate	9.00 %	8.50%
CPI (Consumer price inflation)	6.00%	5.80%

#### Discount rate

GRAP 25 requires that the discount rate used in the valuation be determined by reference to market yields on government bonds as at the statement of financial position date. Therefore the discount rate and inflation assumptions were based on the government zero coupon bond yield curves.

The currency and term of the government bonds shall be consistent with the currency and estimated term of the post-employment benefit obligations.

The discounted term of the liabilities is approximately 7 years.

#### Salary inflation

Escalation in the general level of salaries as a result of inflation and real salary increases. The general trend is for salaries to increase faster than the increase in inflation. A salary escalation rate of 8.00% p.a, which includes real growth of approximately 1% p.a and a further 1% allowance for merit increases was used.

#### Demographic assumptions

The demographic assumptions for the year 30 June 2018 valuation are shown in the tables below, and compared to those used for the previous valuation.

#### 30 June 2018

Pre-retirement mortality:	SA85-90 (light) rated down 1 year for males and females
Assumed retirement age:	63 years for males and females

# Mantsopa Local Municipality (FS196)

Financial Statements for the year ended 30 June 2018

## Notes to the Financial Statements

Figures in Rand	2018	2017
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30 June 2017

Pre-retirement mortality: SA85-90 (light) rated down 1 year for males and females  
Assumed retirement age: 63 years for males and females

Withdrawal assumption

In the absence of credible past withdrawal data for this particular scheme, the withdrawal assumptions have been set in line with those generally observed in the South African market:

The annual withdrawal rates for the valuation, differentiated by age:

Age	Males and Females
20	13.30%
25	13.30%
30	10.90%
35	8.20%
40	5.80%
45	4.10%
50	2.90%
55	0.00%
60+	0.00%

### 21. Service charges

Sale of electricity	41 237 987	40 247 367
Sale of water	36 808 192	36 669 361
Sewerage and sanitation charges	23 584 294	22 133 928
Refuse removal	16 076 382	14 106 014
	<b>117 706 855</b>	<b>113 156 670</b>

### 22. Other income

Advertisements	207 797	208 078
Building plans	100 670	110 092
Commission received	80 035	104 977
Connections	369 062	471 965
Discount received	2 224	-
Dog licenses	290	270
Garden refuse	13 452	14 044
Grave sales	157 816	122 877
Insurance recoveries	1 912	-
Other sales	-	1 683
Penalties	29 803	9 600
Photo copies	8 718	1 281
Private telephone cost recovery	23 580	25 856
Private work	2 451	-
Rental of properties, facilities and equipment	1 145 836	1 129 513
Sale of land	25 597	117 476
Subdivisioning	10 472	-
Tender documents	196 623	80 500
Testmeters	1 700	800
Training cost recover	272 100	82 869
Valuation lists	73 683	66 924
Valuation roll	496	2 277
	<b>2 724 317</b>	<b>2 551 082</b>

# Mantsopa Local Municipality (FS196)

Financial Statements for the year ended 30 June 2018

## Notes to the Financial Statements

Figures in Rand	2018	2017
<b>23. Investment revenue</b>		
<b>Dividend revenue</b>		
Listed financial assets	33 675	32 554
<b>Interest revenue</b>		
Bank	763 992	635 007
Interest received - arrear consumer accounts	27 349 484	23 878 519
	<b>28 113 476</b>	<b>24 513 526</b>
	<b>28 147 151</b>	<b>24 546 080</b>
<b>24. Property rates</b>		
<b>Rates received</b>		
Residential	8 395 523	6 666 692
Commercial	5 535 765	5 478 736
	<b>13 931 288</b>	<b>12 145 428</b>
The latest valuation roll was obtained in 2013 and no supplementary roll was implemented from this period.		
<b>25. Government grants and subsidies</b>		
<b>Operating grants</b>		
Equitable Share	68 271 619	67 747 925
Grant received Annual Financial Statement Preparation	1 000 000	-
Expanded Public Works Programme (EPWP) Grant	1 000 000	1 000 000
Financial Management Grant (FMG)	2 145 000	1 810 000
	<b>72 416 619</b>	<b>70 557 925</b>
<b>Capital grants</b>		
Municipal Infrastructure Grant (MIG)	20 251 999	19 061 000
Integrated National Electrification Grant (INEG)	-	2 522 595
Grant in-kind: Various Roads	7 017 544	-
Department of Water Affairs (DWAF) Grant	14 508 030	7 752 483
Grant in-kind: Bulk Infrastructure (Dan Pienaar Substation)	-	1 898 433
Grant in-kind: Borwa / Tweespruit (Construction of Taxi Rank)	-	2 620 247
Grant in-kind: Thaba Phatswa Oxidation Pond	-	24 237 933
Grant in-kind: Tweespruit / Borwa (Road Reticulation)	-	6 140 351
Grant in-kind: Excelsior / Mahlatswetsa (Road Reticulation)	-	3 813 883
	<b>41 777 573</b>	<b>68 046 925</b>
	<b>114 194 192</b>	<b>138 604 850</b>
<b>Equitable Share</b>		
Current-year receipts	68 314 000	67 747 925
Conditions met - transferred to revenue	(68 314 000)	(67 747 925)
	-	-

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, which is funded from the grant.



# Mantsopa Local Municipality (FS196)

Financial Statements for the year ended 30 June 2018

## Notes to the Financial Statements

Figures in Rand	2018	2017
<b>Municipal Infrastructure Grant (MIG)</b>		
Current-year receipts	20 252 000	19 061 000
Conditions met - transferred to revenue	(20 252 000)	(19 061 000)
	-	-

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

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

### Financial Management Grant (FMG)

Current-year receipts	2 145 000	1 810 000
Conditions met - transferred to revenue	(2 145 000)	(1 810 000)
	-	-

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

The funds were used to promote and support reforms to financial management practices, including the modernisation of budgeting, financial management, accounting, monitoring systems and implementation of the Municipal Management Act. The grant was also used for the salaries of the financial interns.

### Expanded Public Works Programme (EPWP) Grant

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

The grant was used in respect of job creation projects and programmes.

### Integrated National Electrification Grant (INEG)

Balance unspent at beginning of year	-	872 758
Current-year receipts	-	2 000 000
	-	522 595
Conditions met - transferred to revenue	-	(2 522 595)
Other	-	(872 758)
	-	-

The grant was allocated for the construction and upgrading of electricity networks within the municipal boundaries. All conditions attached the grant were met.

### Department of Water Affairs (DWAF) Grant

Balance unspent at beginning of year	(418 061)	(673 656)
Current-year receipts	15 000 000	8 008 078
Conditions met - transferred to revenue	(14 508 030)	(7 752 483)
	73 909	(418 061)

The grant was allocated for the construction and upgrading of water networks within the municipal boundaries. All conditions attached the grant were met.

# Mantsopa Local Municipality (FS196)

Financial Statements for the year ended 30 June 2018

## Notes to the Financial Statements

Figures in Rand	2018	2017
<b>Grant in-kind: Provincial Treasury</b>		
Current-year receipts	1 000 000	-
Conditions met - transferred to revenue	(1 000 000)	-
	-	-

This grant was received from Provincial Treasury for preparation of the Annual Financial Statements .

### Grant in-kind: Thaba Phatswa Oxidation Pond

Current-year receipts	-	24 237 933
Conditions met - transferred to revenue	-	(24 237 933)
	-	-

During the previous year the Thabo Phatswa Oxidation Pond was upgraded on behalf of the Municipality. The related asset was capitalised and as the Municipality is not responsible for the payment of the project, it was accounted for as a donated asset and grant in-kind received

### Grant in-kind: Tweespruit / Borwa (Road Reticulation)

Current-year receipts	-	6 140 351
Conditions met - transferred to revenue	-	(6 140 351)
	-	-

During the previous year the Tweespruit / Borwa Internal Reticulation of Roads has been upgraded on behalf of the Municipality. The related asset was capitalised and as the Municipality is not responsible for the payment of the project, it was accounted for as a donated asset and grant in-kind received.

### Grant in-kind: Excelsior / Mahlatswetsa (Road Reticulation)

Current-year receipts	-	3 813 883
Conditions met - transferred to revenue	-	(3 813 883)
	-	-

During the previous year the Excelsior / Mahlatswetsa Internal Reticulation of Roads was upgraded on behalf of the Municipality. The related asset was capitalised and as the Municipality was not responsible for the payment of the project, it has been accounted for as a donated asset and grant in-kind received.

### Grant in-kind: Borwa / Tweespruit (Construction of Taxi Rank)

Current-year receipts	-	2 620 247
Conditions met - transferred to revenue	-	(2 620 247)
	-	-

During the previous year the Taxi Rank in Borwa / Tweespruit has been constructed on behalf of the Municipality. The related asset was capitalised and as the Municipality was not responsible for the payment of the project, it has been accounted for as a donated asset and grant in-kind received.

# Mantsopa Local Municipality (FS196)

Financial Statements for the year ended 30 June 2018

## Notes to the Financial Statements

Figures in Rand	2018	2017
<b>Grant in-kind: Bulk Infrastructure (Dan Pienaar Substation)</b>		
Current-year receipts	-	1 898 433
Conditions met - transferred to revenue	-	(1 898 433)
	-	-

During the previous year the Bulk Infrastructure in Ladybrand (Dan Pienaar Substation) has been upgraded on behalf of the Municipality. The related asset was capitalised and as the Municipality was not responsible for the payment of the project, it has been accounted for as a donated asset and grant in-kind received.

### Grant in kind various Roads

Current-year receipts	7 017 544	-
Conditions met - transferred to revenue	(7 017 544)	-
	-	-

During the year the following two projects relating to upgrading of roads were donated and subsequently completed as part of infrastructure assets:

1)Township Revitalisation Program: Upgrading of Streets in Excelsior.

2)Township Revitalisation Program: Upgrading of Streets in Tweespruit

The Municipality was not responsible for the payment of the project, it has been accounted for as a donated asset and grant in-kind received

### 26. Public contributions and donations

Donation of assets	2 324 716	-
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Included in the above donations are the following: Property, plant and equipment (R1 414 517.35) and maintenance related tools(R 910 198.65 )

### 27. Revenue

Service charges	117 706 855	113 156 670
Other income	2 724 317	2 551 082
Interest received	28 113 476	24 513 526
Dividends received	33 675	32 554
Property rates	13 931 288	12 145 428
Government grants and subsidies	114 194 192	138 604 850
Public contributions and donations	2 324 716	-
Fines, penalties and forfeits	527 300	598 630
	<b>279 555 819</b>	<b>291 602 740</b>

### The amount included in revenue arising from exchanges of goods or services are as follows:

Service charges	117 706 855	113 156 670
Other income	2 724 317	2 551 082
Interest received	28 113 476	24 513 526
Dividends received	33 675	32 554
	<b>148 578 323</b>	<b>140 253 832</b>

# Mantsopa Local Municipality (FS196)

Financial Statements for the year ended 30 June 2018

## Notes to the Financial Statements

Figures in Rand	2018	2017
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The amount included in revenue arising from non-exchange transactions is as follows:

### Taxation revenue

Property rates	13 931 288	12 145 428
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### Transfer revenue

Government grants & subsidies	114 194 192	138 604 850
-------------------------------	-------------	-------------

Public contributions and donations	2 324 716	-
------------------------------------	-----------	---

Fines, Penalties and Forfeits	527 300	598 630
-------------------------------	---------	---------

<b>130 977 496</b>	<b>151 348 908</b>
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## 28. Employee related costs

Basic salaries and wages	49 429 232	42 557 750
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Performance bonus	-	471 241
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Medical aid - council contributions	6 664 657	6 547 009
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UIF	528 309	516 657
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Other payroll levies	28 741	27 137
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Leave pay provision charge	4 030 169	3 383 020
----------------------------	-----------	-----------

Pension fund - council contributions	6 853 365	6 314 307
--------------------------------------	-----------	-----------

Overtime payments	7 523 586	9 382 331
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Long service awards	197 079	207 521
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Car allowance	3 831 173	3 924 846
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Housing benefits and allowances	874 651	1 277 850
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Holiday bonus	3 363 915	2 848 780
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Other allowances	655 435	660 928
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<b>83 980 312</b>	<b>78 119 377</b>
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# Mantsopa Local Municipality (FS196)

Financial Statements for the year ended 30 June 2018

## Notes to the Financial Statements

Figures in Rand	2018	2017
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### Remuneration of the Municipal Manager - TP Masejane

Annual Remuneration	752 142	-
Allowances	226 000	-
Contributions to UIF, Medical and Pension Funds	201 400	-
Other Contributions	90	-
	<b>1 179 632</b>	<b>-</b>

### Remuneration of the Municipal Manager(Previous) - SM Selepe

Annual Remuneration	-	1 021 430
Allowances	-	150 994
Performance Bonuses	-	119 346
Contributions to UIF, Medical and Pension Funds	-	180 869
Other Contributions	-	77
	<b>-</b>	<b>1 472 716</b>

### Remuneration of the Chief Financial Officer - SA Nyapholi

Annual Remuneration	148 617	-
Allowances	54 000	-
Contributions to UIF, Medical and Pension Funds	39 268	-
Other Contributions	25	-
	<b>241 910</b>	<b>-</b>

### Remuneration of the Chief Financial Officer(Acting) - PI Yangaphi

Annual Remuneration	413 425	-
Allowances	60 721	-
Contributions to UIF, Medical and Pension Funds	22 324	-
Other Contributions	41	-
	<b>496 511</b>	<b>-</b>

The period of acting was from November 2017 to March 2018

# Mantsopa Local Municipality (FS196)

Financial Statements for the year ended 30 June 2018

## Notes to the Financial Statements

Figures in Rand	2018	2017
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### Remuneration of the Chief Financial Officer(Acting) - MA Makoe

Annual Remuneration	400 993	-
Allowances	58 550	-
Performance Bonuses	21 293	-
Contributions to UIF, Medical and Pension Funds	34 551	-
Other Contributions	31	-
	<b>515 418</b>	<b>-</b>

The period of acting was from July 2017 to October 2017

### Remuneration of the Chief Financial Officer(Previous) - KD Matsie

Annual Remuneration	124 268	592 141
Allowances	-	156 233
Performance Bonuses	17 925	92 858
Contributions to UIF, Medical and Pension Funds	24 304	97 712
Other Contributions	-	77
	<b>166 497</b>	<b>939 021</b>

### Remuneration of the Director: Technical Services(Acting) - ED Nana

Annual Remuneration	524 071	-
Allowances	92 680	-
Contributions to UIF, Medical and Pension Funds	34 899	-
Other Contributions	56	-
	<b>651 706</b>	<b>-</b>

The period of acting was from July 2017 to October 2017 and April 2018 to June 2018

### Remuneration of the Director: Technical Services(Acting) - MTS Moeti

Annual Remuneration	351 291	-
Allowances	73 368	-
Contributions to UIF, Medical and Pension Funds	38 800	-
Other Contributions	41	-
	<b>463 500</b>	<b>-</b>

The period of acting was from November 2017 to March 2018

### Remuneration of the Director: Technical Services(Previous) - NJ Rallapeng

Annual Remuneration	-	388 869
Allowances	-	86 493
Performance Bonuses	-	86 286
Contributions to UIF, Medical and Pension Funds	-	66 322
Other contributions	-	46
	<b>-</b>	<b>628 016</b>

# Mantsopa Local Municipality (FS196)

Financial Statements for the year ended 30 June 2018

## Notes to the Financial Statements

Figures in Rand	2018	2017
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### Remuneration of the Director: Corporate Services - NM Litabe

Annual Remuneration	108 772	-
Allowances	96 000	-
Contributions to UIF, Medical and Pension Funds	20 101	-
Other	25	-
	<b>224 898</b>	<b>-</b>

### Remuneration of the Director: Corporate Services(Acting) - ED Nana

Annual Remuneration	276 566	-
Allowances	66 191	-
Contributions to UIF, Medical and Pension Funds	59 610	-
Other contributions	41	-
	<b>402 408</b>	<b>-</b>

The period of acting was from November 2017 to March 2018

### Remuneration of the Director: Corporate Services(Previous) - PP Moloi

Annual Remuneration	643 097	694 675
Allowances	87 588	65 142
Performance Bonuses	-	86 377
Contributions to UIF, Medical and Pension Funds	27 986	210 119
Other contributions	40	92
	<b>758 710</b>	<b>1 056 405</b>

### Remuneration of the Director: Community Services(Acting) - KG Matsekane

Annual Remuneration	590 586	-
Contributions to UIF, Medical and Pension Funds	27 076	-
Other contributions	57	-
	<b>617 719</b>	<b>-</b>

The period of acting was from September 2017 to November 2017 and March 2018 to June 2018

### Remuneration of the Director: Community Services(Acting) - EM Makateng

Annual Remuneration	215 489	-
Allowances	52 583	-
Contributions to UIF, Medical and Pension Funds	38 226	-
Other Contributions	33	-
	<b>306 331</b>	<b>-</b>

The period of acting was from December 2017 to February 2018

# Mantsopa Local Municipality (FS196)

Financial Statements for the year ended 30 June 2018

## Notes to the Financial Statements

Figures in Rand	2018	2017
<b>Remuneration of the Director: Community Services(Previous) - KB Sebolai</b>		
Annual Remuneration	223 519	688 824
Car Allowance	14 357	172 287
Performance Bonuses	33 414	86 374
Contributions to UIF, Medical and Pension Funds	11 532	137 041
Other Contributions	8	92
	<b>282 830</b>	<b>1 084 618</b>
 <b>29. Councillor related costs</b>		
Executive Major	887 661	775 065
Speaker	712 713	629 464
Councillors	5 231 608	4 528 705
	<b>6 831 982</b>	<b>5 933 234</b>
 <b>30. Increase / (decrease) in provisions</b>		
Employee retirement benefit obligations	(1 379 230)	(1 792 999)
Long service award provision	395 000	206 000
	<b>(984 230)</b>	<b>(1 586 999)</b>
 <b>31. Depreciation and amortisation</b>		
Property, plant and equipment	53 625 095	55 410 440
 <b>32. Finance costs</b>		
Bank	213 716	722
Post-employment medical aid subsidies	3 039 000	2 790 000
Non-current borrowings	412 501	98 940
Rehabilitation of landfill sites	1 950 717	1 765 855
Trade and other payables	15 703 098	14 356 834
	<b>21 319 032</b>	<b>19 012 351</b>
 <b>33. Debt impairment</b>		
Contributions to debt impairment provision	125 600 578	(13 920 641)
 <b>34. Bulk purchases</b>		
Electricity	38 837 196	39 192 647
Water	1 605 557	1 487 934
	<b>40 442 753</b>	<b>40 680 581</b>



# Mantsopa Local Municipality (FS196)

Financial Statements for the year ended 30 June 2018

## Notes to the Financial Statements

Figures in Rand	2018	2017
<b>35. General expenses</b>		
Advertising	600 058	228 453
Audit committee costs	156 457	178 702
Auditors remuneration	4 912 201	4 749 290
Bank charges	476 974	516 831
Chemicals	1 688 925	1 379 259
Cleaning	56 378	54 870
Community development and training	238 512	54 809
Conferences and seminars	158 020	215 349
Consulting and professional fees	6 651 343	1 982 960
Donations	57 865	-
Electricity	1 572 617	1 543 060
Entertainment	45 896	145 620
Fuel and oil	2 332 347	3 011 293
Hire	2 722 233	1 005 138
Insurance	900 344	1 056 168
Learnership	128 100	-
Licenses	2 801 341	1 091 581
Magazines, books and periodicals	-	305 278
Other expenses	1 636 638	3 866 659
Pest control	9 112	3 601
Postage and courier	4 325	62 800
Printing and stationery	383 500	531 326
Repairs and maintenance	8 448 913	4 631 433
Research and development costs	51 328	60 031
Security (Guarding of municipal property)	296 723	25 833
Skills Development levy	689 276	639 606
Staff welfare	45 540	29 051
Subscriptions and membership fees	1 762 961	760 588
Telephone and fax	1 669 837	2 173 500
Title deed search fees	1 873 276	413 475
Training	675 784	245 780
Travel - local	3 487 756	3 585 194
Uniforms	349 355	1 026 886
	<b>46 883 935</b>	<b>35 574 424</b>
<b>Repairs &amp; maintenance reconciliation per the above</b>		
Buildings and land	299 078	217 515
Infrastructure	2 573 602	2 036 890
Other movables property, plant and equipment	5 576 232	2 377 026
	<b>8 448 912</b>	<b>4 631 431</b>
<b>36. Fair value adjustments</b>		
Investment property (fair value model)	7 888 384	7 231 351
Other financial assets		
Old Mutual shares and OVK shares	151 550	(33 268)
	<b>8 039 934</b>	<b>7 198 083</b>
<b>37. Auditors' remuneration</b>		
Fees	4 912 201	4 749 290

# Mantsopa Local Municipality (FS196)

Financial Statements for the year ended 30 June 2018

## Notes to the Financial Statements

Figures in Rand	2018	2017
<b>38. Cash generated from operations</b>		
(Deficit) surplus	(107 376 653)	3 411 302
<b>Adjustments for:</b>		
Depreciation and amortisation	53 625 095	55 410 440
Loss on disposal of assets and liabilities	27 040	14 762 430
Fair value adjustments	(8 039 934)	(7 198 083)
Impairment deficit	-	605 518
Debt impairment	-	(13 920 641)
Movements in retirement benefit assets and liabilities	(367 000)	734 000
Movements in provisions	2 638 717	2 234 855
Adjusting for donated assets	(8 432 061)	(38 710 846)
Other financial liabilities	412 501	-
<b>Changes in working capital:</b>		
Inventories	(1 629)	521 567
Other receivables from exchange transactions	(791 931)	313 943
Receivables from exchange	39 338 481	(20 128 424)
Other receivables from non-exchange transactions	(252 789)	67 688
Receivables from non-exchange transactions	(1 793 209)	(1 490 103)
Payables from exchange transactions	56 644 149	44 357 713
VAT	11 861 750	(13 404 080)
Payables from non-exchange transactions	-	211 905
Unspent conditional grants and receipts	73 909	(872 758)
Consumer deposits	99 406	155 385
	<b>37 665 842</b>	<b>27 061 811</b>

## 39. Financial instruments disclosure

### Categories of financial instruments

#### 2018

#### Financial assets

	At fair value	At amortised cost	Total
Other receivables from exchange transactions	-	10 773 048	10 773 048
Other receivables from non-exchange transactions	-	829 792	829 792
Vat receivable	-	1 270 213	1 270 213
Receivables from exchange and non-exchange	-	73 038 795	73 038 795
Current portion of long term debtors	-	6 198	6 198
Long term debtors	-	554 008	554 008
Cash and cash equivalents	-	3 529 470	3 529 470
Investments	1 161 950	-	1 161 950
	<b>1 161 950</b>	<b>90 001 524</b>	<b>91 163 474</b>

#### Financial liabilities

	At amortised cost	Total
Other financial liabilities	6 316 406	6 316 406
Trade and other payables from exchange transactions	215 610 061	215 610 061
Consumer deposits	1 693 456	1 693 456
	<b>223 619 923</b>	<b>223 619 923</b>

# Mantsopa Local Municipality (FS196)

Financial Statements for the year ended 30 June 2018

## Notes to the Financial Statements

Figures in Rand	2018	2017
-----------------	------	------

2017

### Financial assets

	At fair value	At amortised cost	Total
Other receivables from exchange transactions	-	9 981 117	9 981 117
Other receivables from non-exchange transactions	-	577 003	577 003
Vat receivable	-	13 131 980	13 131 980
Receivables from exchange and non-exchange transactions	-	110 584 065	110 584 065
Current portion of long term debtors	-	6 137	6 137
Long term debtors	-	532 407	532 407
Cash and Cash equivalents	-	1 307 237	1 307 237
Investments	1 010 401	-	1 010 401
	<b>1 010 401</b>	<b>136 119 946</b>	<b>137 130 347</b>

### Financial liabilities

	At amortised cost	Total
Other financial liabilities	5 903 905	5 903 905
Payables from exchange transactions	159 824 906	159 824 906
Consumer deposits	1 582 433	1 582 433
Bank overdraft	119 958	119 958
	<b>167 431 202</b>	<b>167 431 202</b>

### 40. Commitments

#### Authorised capital expenditure

Already contracted for but not provided for  
Infrastructure

37 850 609 40 746 086

#### Total capital commitments

Already contracted for but not provided for

37 850 609 40 746 086

Lease commitments were disclosed as part of finance leases in note 18

The commitments pertain to authorised capital expenditure and will be financed through the following sources:

- Department of Water Affairs (DWA) Grant
- Municipal Infrastructure Grant (MIG)
- Regional Bulk Infrastructure Grant (RBIG)
- Own income

# Mantsopa Local Municipality (FS196)

Financial Statements for the year ended 30 June 2018

## Notes to the Financial Statements

Figures in Rand

2018

2017

### 41. Related parties

#### Relationships

ME Tsoene	Mayor
MJ Moduka	Speaker
YJ Jacobs	Chief Whip
MP Nakalebe	Councillor
SJ Moses	Councillor
RT Mpakathe	Councillor
NJ Thaisi	Councillor
DT Molefe	Councillor
KI Tigeli	Councillor
SQ Gaba	Councillor
LP Moletsane	Councillor
GM Seoe	Councillor
T Halse	Councillor
BM Sani	Councillor
BE Meya	Councillor
DJ Hattingh	Councillor
BA Maboza	Councillor
TP Masejane	Municipal Manager
SA Nyapholi	Chief Financial Officer
NM Litabe	Director Corporate Services
KB Sebolai	Director:Community Services(Former)
ED Nana	Acting Director:Technical services(Current)
KG Matsekane	Acting Director:Community services(Current)
EM Makateng	Acting Director:Community Services(Previous)
MTS Moeti	Acting Director:Technical Services(Previous)
PI Yangaphi	Acting Chief Finance Officer(Previous)
MA Makoe	Acting Chief Finance Officer(Previous)

#### Remuneration of councilors 2018

	Annual remuneration	Allowances	Contribution to funds	Total
Mayor: ME Tsoene	645 500	109 701	85 112	840 313
Speaker: MJ Moduka	498 113	93 041	88 478	679 632
Chief Whip: YJ Jacobs	235 267	110 942	29 709	375 918
PN Nakalebe	188 476	108 636	69 725	366 837
NJ Thaise	228 669	108 636	28 837	366 142
KI Tigeli	201 919	108 636	55 850	366 405
GM Seoe	228 669	108 636	28 837	366 142
DT Molefe	153 874	91 805	49 484	295 163
BE Meya	159 818	91 805	43 354	294 977
BM Sani	160 498	91 805	66 441	318 744
T Halse	235 267	110 942	29 709	375 918
DJ Hattingh	180 501	91 805	22 471	294 777
LP Moletsane	180 501	91 805	22 219	294 525
SQG Gaba	168 705	91 805	34 268	294 778
RT Mpakathe	180 501	91 805	22 471	294 777
SJ Moses	180 501	91 805	22 471	294 777
BA Maboza	180 501	91 805	22 471	294 777
	<b>4 007 280</b>	<b>1 685 415</b>	<b>721 907</b>	<b>6 414 602</b>

# Mantsopa Local Municipality (FS196)

Financial Statements for the year ended 30 June 2018

## Notes to the Financial Statements

Figures in Rand	2018	2017
<b>Remuneration of councilors 2017</b>	<b>Annual remuneration</b>	<b>Allowances Contributions to funds Total</b>
Mayor: ME Tsoene	545 268	82 967 81 623 709 858
Mayor (previous) SD Ntsepe	45 626	8 356 11 225 65 207
Speaker: MJ Moduka	413 345	76 698 78 093 568 136
Speaker (previous) MA Majara	46 748	7 092 7 488 61 328
Chief Whip: YJ Jacobs	219 266	100 842 31 163 351 271
MA Malakane(previous)	15 519	8 584 4 117 28 220
J Machakela(previous)	9 278	- - 9 278
PN Nakalebe	174 165	89 178 63 101 326 444
NJ Thaise	205 848	92 978 28 238 327 064
KI Tigeli	179 841	92 978 52 198 325 017
GM Seoe	206 064	92 978 28 238 327 280
MC Chomane (previous)	40 914	8 148 2 390 51 452
PP Raboko (previous)	24 639	8 148 2 390 35 177
DT Molefe	147 517	82 080 47 608 277 205
BE Meya	132 827	73 933 33 803 240 563
BM Sani	164 813	80 732 38 027 283 572
T Halse	213 974	99 494 30 635 344 103
DJ Hattingh	168 468	80 732 23 124 272 324
LP Moletsane	168 468	80 732 23 124 272 324
SQG Gaba	147 413	73 933 21 261 242 607
RT Mpakathe	183 046	73 933 21 261 278 240
SJ Moses	147 413	73 933 21 261 242 607
BA Maboza	147 413	73 933 21 261 242 607
AL Kouveldt	40 818	8 148 2 390 51 356
	<b>3 788 691</b>	<b>1 470 530 674 019 5 933 240</b>

Please refer to the disclosure for key management personnel as part of Employee cost, note 28 as well as Appendix G

### 42. Prior period errors

#### 1. Land Fill Provision

During the current year the provision for rehabilitation was re-assessed based on the the physical verification conducted and internal information received. It was found that the adjustment required, to correctly value the present value of the future obligation was material in amount. The adjustments were therefore applied retrospectively

# Mantsopa Local Municipality (FS196)

Financial Statements for the year ended 30 June 2018

## Notes to the Financial Statements

Figures in Rand		2018	2017
			<b>2017</b>
	(Increase)/Decrease in Land Fill Provisions		(5 209 214)
	Increase/(Decrease) in Land Fill Finance Cost		549 885
	(Increase)/Decrease in Land Fill Accumulated Surplus		4 659 329
<b>2.</b>	<b>Property, Plant and Equipment</b>		
	Management embarked on a process to verify all municipal assets in the municipal boundaries, which included all immovable assets. This project resulted in a material change in the number of assets, and subsequently the carrying values. All adjustments, including depreciation expenses, were made retrospectively.		
	<b>Property, Plant and Equipment (work-in-progress)</b>		
	Part of the aforementioned process, was the review of the WIP register. Errors were identified and these were corrected retrospectively, including retentions		
			<b>2017</b>
	Increase/(Decrease) in Property, plant and equipment		(56 363 104)
	(Increase)/Decrease in Payables from exchange transactions		(1 869 905)
	Increase/(Decrease) in Depreciation		3 725 467
	Increase/(Decrease) in Impairments		(255 153)
	Increase/(Decrease) in Disposals		1 202 680
	(Increase)/Decrease in Accumulated surplus		53 330 377
	(Increase)/Decrease in VAT		229 637
<b>3.</b>	<b>Investment Property</b>		
	Management embarked on a process to verify all municipal assets in the municipal boundaries, which included all immovable assets. This process included the classification of assets. All adjustments were made retrospectively.		
			<b>2017</b>
	Increase/(Decrease) in Investment property		78 895 952
	(Increase)/Decrease in Fair value adjustments		(7 231 351)
	Increase/(Decrease) in Accumulated surplus		(71 664 601)
<b>4.</b>	<b>Inventories</b>		
	Properties that were classified as Inventory (held for sale) in the previous financial years were taken out and moved to Investment property and RDP properties respectively as it did not meet the recognition criteria.		
			<b>2017</b>
	Increase/(Decrease) in Inventories		(37 840 684)
	Increase/(Decrease) in Accumulated surplus		37 840 684
<b>5.</b>	<b>Receivables from exchange and non exchange</b>		
	A difference between the general ledger and the sub-ledger for receivables on rates was only corrected in the current year. Further adjustments to the receivables accounts were transactions and adjustments that were identified through normal course of business.		
			<b>2017</b>
	Increase/(Decrease) in Receivables from exchange transactions		(741 019)
	Increase/(Decrease) in Receivables from non exchange transactions		(645 606)
	(Increase)/Decrease in Service charges		75 291
	(Increase)/Decrease in Property rates		645 606
	(Increase)/Decrease in Interest earned		94 314
	Increase/(Decrease) in Indigent support		578 813
	(Increase)/Decrease in Other income		(7 399)
<b>6.</b>	<b>Consumer deposits</b>		
	Deposits that were incorrectly recognised as revenue in the prior year, were identified as the holders of the deposits requested a return.		
			<b>2017</b>
	Increase/(Decrease) in Consumer deposits		(11 617)
	(Increase)/Decrease in Service charges		11 617

# Mantsopa Local Municipality (FS196)

Financial Statements for the year ended 30 June 2018

## Notes to the Financial Statements

Figures in Rand		2018	2017
7.	<b>Cash on Hand</b>		
	An error relating to prior year bank charges was only identified and corrected in the current year.		
			<b>2017</b>
	Increase/(Decrease) in Petty Cash		(72)
	Increase/(Decrease) in General expenditure		72
8.	<b>Payables from exchange and non-exchange transactions</b>		
	Management identified several provisions that were incorrectly made in the prior year and costs that were incorrectly recognised. These include amounts that were raised in duplicate or error. Among the costs that were recognised in duplicate were Eskom expenses of R 5.4 million.		
			<b>2017</b>
	(Increase)/Decrease in Payables from exchange transactions		7 876 477
	(Increase)/Decrease in Service charges		(5 476 846)
	Increase/(Decrease) in General expenditure		(1 857 759)
	Increase/(Decrease) in Finance cost		(4 739)
	(Increase)/Decrease in Other income		(1 094)
	Increase/(Decrease) in Bulk purchases		36 979
	(Increase)/Decrease in VAT		573 018

# Mantsopa Local Municipality (FS196)

Financial Statements for the year ended 30 June 2018

## Notes to the Financial Statements

Figures in Rand	2018	2017
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### 43. Comparative figures

#### Indigent Support

Indigent support was included in the bad debt provision expense in the prior year  
Management has made a decision to disclose the expense for indigent support separately

	<b>2017</b>
Increase/(Decrease) in Indigent support	57 289 658
(Increase)/Decrease in Bad debt provision	(57 289 658)

#### Electricity Expense

Electricity expenses (excluding bulk purchases and indigent support) was included under service charges in the prior year, effectively reducing revenue.

	<b>2017</b>
Increase/(Decrease) in Revenue - Service charges	(1 543 059)
Increase/(Decrease) in General expenses - General expenditure electricity	1 543 059

### 44. Risk management

#### Financial risk management

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

The municipality's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance. The municipality uses derivative financial instruments to hedge certain risk exposures. Risk management is carried out by the finance department under policies approved by the accounting officer. Municipality identifies, evaluates and hedges financial risks in close co-operation with the municipality's operating units. The accounting officer provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

#### Liquidity risk

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

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

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

At 30 June 2018	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Payables from exchange	215 610 061	-	-	-
At 30 June 2017	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Payables from exchange	159 824 906	-	-	-

#### Credit risk

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



# Mantsopa Local Municipality (FS196)

Financial Statements for the year ended 30 June 2018

## Notes to the Financial Statements

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Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

### 45. Going concern

We draw attention to the fact that at 30 June 2018, the municipality had an accumulated surplus (deficit) of R 880 079 402 and that the municipality's total liabilities is exceeded by its assets.

Management considered the following matters relating to the going concern assumption.

- The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.
- The municipality's budget is subjected to a very rigorous independent assessment process to assess its cashbacking status before it is ultimately approved by Council
- As the municipality has the power to levy fees, tariffs and charges, this will result in an ongoing inflow of revenue to support the ongoing delivery of municipal services. Certain key financial ratios, such as liquidity, cost coverage, debtors' collection rates and creditors' payment terms are closely monitored and the necessary corrective actions instituted.
- Taking the aforementioned into account, management has prepared the Annual Financial Statements on the Going Concern Basis. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

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

1. A deficit of R 107 376 653 (surplus 2017: R 3 411 302 ) was reported in the current year.
2. The debt collection period has not improved during the current financial year.
3. As at 30 June 2018 the current liabilities of the municipality amounted to R 222 112 017 (2017: R 165 335 813) and current assets were R 89 454 542 (2017: R 135 592 864). This indicates a net current liability position of R 132 657 475 (2017: R 29 742 949).
4. The current ratio of the entity is 0.32 which is less than the norm of 2:1. The acid test ratio of the entity is 0.318 which is less than the norm of 1:1. Therefore the current ratio and the acid test ratio is not at the appropriate level in terms of the norms.

# Mantsopa Local Municipality (FS196)

Financial Statements for the year ended 30 June 2018

## Notes to the Financial Statements

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5. The loan for the Development Bank of Southern Africa was obtained in 2010, the period of the loan was 6 years. Therefore the loan has reached its maturity date and there is still an amount outstanding. The municipality is also defaulting on the revised terms of the loan agreement. The bank is funding to the municipality so that they can implement projects which will contribute towards the community and the municipality's objective of improving existing services, addressing backlogs and creating job opportunities, thereby ensuring high standards of living for all. The municipality did not comply with the renegotiated terms of payment as they could not pay the required amount which resulted in DBSA charging the municipality interest after the new terms were agreed upon.

6. The municipality has been struggling to pay creditors within 30 days and this has resulted in significant interest being charged by suppliers, especially Eskom. The total amount due to Eskom for bulk purchases is R 135 354 844 (2017: R 129 699 446).

7. The municipality has been struggling to pay third party payments on behalf of employees as part of salary costs. This included The South African Revenue Service for PAYE, UIF and SDL and the arrears portion is R 10 270 321 (2017: R 4 239 781).

8. Case no:3391/2017(Bloemfontein) - Twin peak is claiming R1 846 240 from the municipality for breaching their employment contract.

### 46. Unauthorised expenditure

Opening balance	96 701 148	36 493 000
Current year expenditure	169 756 083	96 701 149
Less: Written off by council - current year	-	(36 493 000)
	<b>266 457 231</b>	<b>96 701 149</b>

No investigations were performed in the current year for the 2016/17 year.

### 47. Fruitless and wasteful expenditure

Opening balance	4 619 921	6 222 255
Current year fruitless and wasteful expenditure	15 616 019	14 234 005
Less: Written off by Council - Prior year	-	(6 199 654)
Less: Written off by Council - Current year	-	(9 636 685)
	<b>20 235 940</b>	<b>4 619 921</b>

The majority of the fruitless and wasteful expenditure incurred was the result of interest levied by Eskom on their outstanding account.

No investigations were performed in the 2017/18 year. The amount is awaiting condonation.

### 48. Irregular expenditure

Opening balance	6 907 126	23 321 862
Add: Irregular Expenditure - current year	1 894 934	7 344 653
Prior year irregular expenditure identified in the current year	9 191 671	13 744
Less: Amounts condoned - Current year	-	(451 271)
Less: Amounts condoned - Prior year	-	(23 321 862)
	<b>17 993 731</b>	<b>6 907 126</b>

# Mantsopa Local Municipality (FS196)

Financial Statements for the year ended 30 June 2018

## Notes to the Financial Statements

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### Analysis of expenditure awaiting condonation

Opening balance	6 907 126	23 321 862
Non compliance to supply chain regulations and policy	11 086 605	7 358 397
Condoned	-	(23 773 133)
	<b>17 993 731</b>	<b>6 907 126</b>

No investigations were performed in the 2017/18 year. The amount is awaiting condonation.

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

#### Contributions to organised local government

Current year subscription / fee	-	741 620
Amount paid - current year	-	(741 620)
	<b>-</b>	<b>-</b>

#### Audit fees

Opening balance	1 755 576	303 593
Current year fee	4 912 201	5 414 191
Amount paid - grant from treasury	(500 000)	-
Amount paid - current year	(2 076 248)	(3 658 615)
Amount paid - previous years	(1 755 576)	(303 593)
	<b>2 335 953</b>	<b>1 755 576</b>

Please note that during the current year Provincial treasury paid a R 500 000 grant on behalf of the municipality for audit fees to the Auditor General.

#### PAYE, SDL and UIF

Opening balance	5 175 040	760 937
Current year subscription / fee	11 361 804	11 184 359
Amount paid - current year	(7 602 498)	(6 770 256)
Penalties and interest	1 969 208	-
	<b>10 903 554</b>	<b>5 175 040</b>

#### Pension and medical aid contributions

Opening balance	3 289 026	-
Current year subscription / fee	22 869 669	20 667 155
Amount paid - current year	(25 082 423)	(17 378 128)
	<b>1 076 272</b>	<b>3 289 027</b>

# Mantsopa Local Municipality (FS196)

Financial Statements for the year ended 30 June 2018

## Notes to the Financial Statements

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### Councillors' arrear consumer accounts

The following Councillors had municipal accounts outstanding at 30 June 2018:

#### 30 June 2018

	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
ME Tsoene	3 205	-	3 205
MJ Moduka	1 274	(1 600)	(326)
YJ Jacobs	503	(1 410)	(907)
MP Nakalebe	748	(1 989)	(1 241)
KI Tigeli	1 265	-	1 265
GM Seoe	521	(445)	76
DT Molefe	2 150	9 621	11 771
BM Sani	850	-	850
T. Halse	1 519	(69)	1 450
DJ Hattingh	2 503	4 024	6 527
LP Moletsane	1 795	(4 672)	(2 877)
RT Mpakathe	527	(1 566)	(1 039)
SJ Moses	3 457	1 182	4 639
BA Maboza	365	(5 860)	(5 495)
NJ Thaisi	503	(1 997)	(1 494)
BE Meya	763	(3 998)	(3 235)
SQG Gaba	473	(1 805)	(1 332)
	<b>22 421</b>	<b>(10 584)</b>	<b>11 837</b>

#### 30 June 2017

	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
ME Tsoene	670	-	670
MJ Moduka	16 366	56 098	72 464
SQG Gaba	1 610	487	2 097
T Halse	1 839	-	1 839
BE Meya	493	-	493
BA Maboza	1 823	5 793	7 616
DT Molefe	2 442	16 111	18 553
LP Moletsane	1 961	14 555	16 516
SJ Moses	5 046	557	5 603
MP Mphakathi	1 130	179	1 309
PN Nakalebe	837	1 080	1 917
BM Sani	1 160	106	1 266
NJ Thaisi	473	-	473
KI Tigeli	1 219	4 950	6 169
	<b>37 069</b>	<b>99 916</b>	<b>136 985</b>

### 50. Deviation from supply chain management regulations

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

# Mantsopa Local Municipality (FS196)

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## Notes to the Financial Statements

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

Deviations totaling R 53 408.66 (2017: R1 607 224), were incurred and reported during the financial year in accordance with the aforementioned legislative requirements. These consisted of deviations for emergency cases (i.e. transactions relating to pipe and sewer bursts and water pump repairs), procurement from sole providers (transactions relating to strips and quotes) and deviations that pertain to SCM regulations (obtaining three quotations) that could not be followed due to a various reasons.

### 51. Contingent liabilities

#### Court cases

J van As - damage to private property and for alternative lodging	-	1 195 734
Zanoxolo & Nandipha Jacobs - damages caused by veldt fires	2 850 553	2 680 553
Twin Peak Tech & Investment Holdings (Pty) Ltd - Claim for second tranche for the environmental practice learnership	1 846 241	914 875
Manyatseng Construction	-	1 128 398
SALA Provident Fund	10 000	10 000
Water and sanitation	-	2 480 924
Seabata Monyane vs Mantsopa Municipality	180 000	-
Tender: SCM 43/15/16 - Phase two Tweespruit Bulk Water Supply	-	1 450 000
MS S Abdulla VS Mantsopa Local Municipality (Municipality evicting Ms Abdulla instead she interdicted the municipality)	-	200 000
Nonkosivumile Theodora Masiza vs Mantsopa Municipality	300 000	300 000
	<b>5 186 794</b>	<b>10 360 484</b>

The municipality did not charge Nersa approved tariffs for the electricity bracket of 0 - 50kWh. (Block 1). The municipality charged R0.90 per their tariff list, while the Nersa approved tariff list was only R 0.85. This could result in claims against the municipality from consumers as well as penalties imposed by Nersa.

Litigation is in process against the municipality that could result in possible contingent liabilities of R 5 186 794 (2017: 10 360 484).

### 52. Distribution losses

Electricity	13 348 706	13 973 066
Water	1 969 373	1 724 285
	<b>15 318 079</b>	<b>15 697 351</b>

**Electricity losses** - The Municipality purchased 42 555 914 (2017: 43 191 259) units during the financial year. The Municipality sold 29 218 193 (2017: 29 218 193) units during the year and has calculated its distribution losses at an estimated 32% (2017: 32%). The main reason for incurring electricity losses relates to the dissipation when electricity flows through the conductors, illegal connections, meter tampering and incorrect metering.

**Water losses** - The Municipality purchased 4 194 522 (2017: 4 117 360) units during the financial year, of which a total of 2 126 749 (2017: 2 393 075) units were sold. This represents a loss of 2 067 773 (2017: 1 724 285) units at an estimated 49% (2017: 42%). The main reason for the water losses was due to pipe bursts throughout the year.

# Mantsopa Local Municipality (FS196)

Financial Statements for the year ended 30 June 2018

## Notes to the Financial Statements

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### 53. Budget Differences

#### Material differences between budget and actual amounts

Material difference between the adjusted budget and actual amounts are deemed material if it differs with more than 10%. The following is reasons for the material differences identified:

#### Statement of Financial Performance:

**Fines:** Fines is not a function of the municipality has control over. The budget is generally forecast using the prior year as a base.

**Depreciation and amortisation:** The municipality did not budget for the depreciation on infrastructure assets.

**Finance cost:** Suppliers could not be paid timeously which resulted in interest payments. The bulk of the interest is represented by Eskom. In 2017/18 the municipality experienced cashflow difficulties. Actual finance cost incurred also includes interest from Landfill sites, Post employee benefits and Long service awards that were not budgeted for as this is not part of the operations of the municipality.

**Debt impairment:** The tough economic conditions has seen a significant increase in the ability of consumers to settle their accounts. This is an ongoing trend and the effect of this accelerates as the debt ages. This equated to R 37 million (43% of amount over budget). The debt impairment is also a function of the indigent support provided to debtors and as this has decreased with R 44 million in the current year, it has caused an increase in the debt impairment (37% of the budget)

**Contracted services:** When budget was compiled it was not factored that these votes for operating leases included leases that should have been classified as finance leases. The finance leases were only removed and capitalised after the budget was already approved

**Subsidies and indigent:** Due to financial constraints the support for of subsidies was lower than expected.

**Fair value adjustments:** The fair value adjustments are due to the Other financial assets being carried at fair value as well as Investment Property. The fair value adjustments on investment property were calculated based on the market values obtained from Manna Holdings who performed the valuation roll. When the budget was compiled, the municipality was not sure what the impact would be on these fair value adjustments

**Repairs and maintenance:** Please note the budget for this line item forms part of the General expenses budget

# Mantsopa Local Municipality (FS196)

Financial Statements for the year ended 30 June 2018

## Notes to the Financial Statements

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Figures in Rand

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### Statement of Financial Position:

**Inventories:** The water balance was not budgeted for as this is not an operational cashflow. Water levels are measured at the end of the financial year to determine the value of the water at 30 June. In general, the municipality places an emphasis on the budget for operational income and expenditures and not account balances.

**Receivables and other receivables from exchange and non-exchange transactions:** The actual amount was lower than the amount budgeted for because of the high provision for impairment for 2017/18 year. Please refer to the reasons for the higher provision for impairment above. In general, the municipality places an emphasis on the budget for operational income and expenditures and not account balances.

**Investment property:** Management embarked on a process to identify, verify and correctly classify and value all investment property. The results of the project was unknown at the time of submission of the budget, and therefore no accurate balance could be budget for. In addition to this, the value for Investment property as at 30 June 2018 would have been a challenge to estimate as the valuers from Manna Holdings are experts in their field.

**Property, plant and equipment:** Management embarked on a process to identify, verify and correctly classify and cost all immovable assets. The results of the project was unknown at the time of submission of the budget, and therefore no accurate balance could be budget for.

**Other financial assets:** The municipality experienced a fair value gain on the listed investments

**Long-term receivables:** The municipality only budgeted for the short-term portion (R 6000) as this is the growth for the next twelve months on the Receivable. This could result in a cash inflow under operations where the debtor pays per the agreement (Buitekklub and OVK loan). The non-current portion is not budgeted for as this falls outside the next twelve months. In general, the municipality places an emphasis on the budget for operational income and expenditures and not account balances.

**Employee benefit obligations:** The municipality does not budget for the GRAP liability separately at year end. All employee costs that will be incurred for the next twelve months form part of Employee Related Costs budget. In general, the municipality places an emphasis on the budget for operational income and expenditures and not account balances.

## Appendix A: Schedule of External Loans

Details	Original Loan Amount	Interest Rate	Loan Number	Redeemable	Balance at 30 June 2017	Interest for the period	Balance at 30 June 2018
	R				R	R	R
<b>ANNUITY LOANS</b>							
DBSA loan	6,275,120	6.75%	61007338		- 5,903,904.62	- 412,501.12	- 6,316,405.74
<b>Total Annuity Loans</b>	<b>6,275,119.95</b>				<b>- 5,903,904.62</b>	<b>- 412,501.12</b>	<b>- 6,316,405.74</b>

### DBSA Loan (61007338):

The Municipality entered into a loan agreement with DBSA on 26 May 2010. In terms of the agreement, DBSA gave the Municipality a capital loan amounting to R6 275 120. The loan agreement has reached its maturity and the Municipality and the DBSA reached the following agreement: (i) The total outstanding payments as at 31 July 2016 would amount to R1 880 619; (ii) The outstanding debt will be repaid in 4 equal repayments; and (iii) The first payment is due on 30 November 2016 and the debt obligation will not accrue interest during this time.



**APPENDIX B**  
**MANTSOPA LOCAL MUNICIPALITY**  
**ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2018**

Description	Cost / Revaluation							Accumulated Depreciation / Impairment					Carrying Value
	Opening Balance	Additions	Fair Value Adjustment	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	R	R	R	R
<b>Land and Buildings</b>													
Land	37,230,124	-	-	-	-	-	37,230,124	-	-	-	-	-	37,230,124
Buildings	138,398,577	7,820,174	-	2,929,453	-	(83,563)	149,064,642	37,685,676	3,358,697	-	(59,987)	40,984,386	108,080,255
<b>Total</b>	<b>175,628,702</b>	<b>7,820,174</b>	<b>-</b>	<b>2,929,453</b>	<b>-</b>	<b>(83,563)</b>	<b>186,294,766</b>	<b>37,685,676</b>	<b>3,358,697</b>	<b>-</b>	<b>(59,987)</b>	<b>40,984,386</b>	<b>145,310,380</b>
<b>Infrastructure</b>													
<i>Electricity</i>													
Electricity network	88,591,695	-	-	1,739,130	-	-	90,330,825	28,245,019	4,179,591	-	-	32,424,609	57,906,216
Electricity meters	1,492,459	-	-	-	-	-	1,492,459	549,298	52,592	-	-	601,890	890,569
<i>Roads and stormwater</i>													
Roads and stormwater network	521,532,219	13,934,465	-	10,916,995	-	-	546,383,679	244,493,454	26,209,949	-	-	270,703,403	275,680,276
<i>Solid waste</i>													
Solid waste network	18,652,656	-	-	-	-	-	18,652,656	3,648,538	1,107,876	-	-	4,756,415	13,896,241
<i>Sanitation</i>													
Sanitation network	241,355,770	-	-	2,644,493	-	-	244,000,263	47,045,181	7,043,781	-	-	54,088,962	189,911,301

**APPENDIX B**  
**MANTSOPA LOCAL MUNICIPALITY**  
**ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2018**

Description	Cost / Revaluation							Accumulated Depreciation / Impairment					Carrying Value
	Opening Balance	Additions	Fair Value Adjustment	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	R	R	R	R
<i>Water</i>													
Water network	220,789,847	14,043,615	-	13,235,121	-	-	248,068,582	69,401,211	8,342,895	-	-	77,744,107	170,324,476
Water meters	2,682,900	-	-	-	-	-	2,682,900	1,624,281	186,903	-	-	1,811,185	871,715
<b>Total</b>	<b>1,095,097,546</b>	<b>27,978,080</b>	<b>-</b>	<b>28,535,739</b>	<b>-</b>	<b>-</b>	<b>1,151,611,365</b>	<b>395,006,983</b>	<b>47,123,587</b>	<b>-</b>	<b>-</b>	<b>442,130,570</b>	<b>709,480,794</b>
<i>Leased Assets</i>													
Office Equipment	3,003,484	241,495	-	-	-	-	3,244,978	667,441	1,011,086	-	-	1,678,527	1,566,452
<b>Total</b>	<b>3,003,484</b>	<b>241,495</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,244,978</b>	<b>667,441</b>	<b>1,011,086</b>	<b>-</b>	<b>-</b>	<b>1,678,527</b>	<b>1,566,452</b>
<i>Other Assets</i>													
<i>Computer Equipment</i>													
Computer Hardware	3,356,230.66	358,425.44	-	-	-	-	3,714,656.10	2,309,605.19	434,980.10	-	-	2,744,585.29	970,070.82
<i>Furniture And Office Equipment</i>													
Cabinets and Cupboards	1,641,985.42	10,709.71	-	-	-	-	1,652,695.13	994,590.11	157,948.04	-	-	1,152,538.16	500,156.97
Chairs	1,033,527.35	84,962.92	-	-	-	-	1,118,490.27	632,213.99	97,005.76	-	-	729,219.75	389,270.52
Tables and Desks	911,742.98	2,307.89	-	-	-	-	914,050.87	555,696.97	86,894.65	-	-	642,591.62	271,459.25
<i>Machinery and Equipment</i>													
Office Machines	1,434,030.19	14,581.66	-	-	-	-	1,448,611.85	1,048,755.73	150,020.47	-	-	1,198,776.20	249,835.85
Lawn Mowers	344,285.13	-	-	-	-	-	344,285.13	287,340.25	26,416.86	-	-	313,757.11	30,528.02
Compressors	729,341.82	-	-	-	-	-	729,341.82	561,644.89	85,561.98	-	-	647,206.88	82,134.94
Farm Equipment	296,880.76	-	-	-	-	-	296,880.76	221,834.18	28,470.99	-	-	250,305.17	46,575.59
Laboratory Equipment	274,681.77	95,000.00	-	-	-	-	369,681.77	143,540.92	59,211.46	-	-	202,752.38	166,929.39
Other Fire Fighting Equipment	56,706.42	-	-	-	-	-	56,706.42	24,043.68	3,808.69	-	-	27,852.37	28,854.05
Air Conditioners	185,460.90	9,500.00	-	-	-	-	194,960.90	158,830.48	7,522.02	-	-	166,352.49	28,608.41
Radio Equipment	163,261.96	-	-	-	-	-	163,261.96	44,251.09	28,397.39	-	-	72,648.48	90,613.48
Telecommunication Equipment	12,520.15	12,194.13	-	-	-	-	24,714.28	6,743.84	4,321.46	-	-	11,065.30	13,648.98
Irrigation Systems	42,356.97	-	-	-	-	-	42,356.97	5,647.63	2,823.80	-	-	8,471.42	33,885.55
Toolbox - Consumables	35,998.00	20,700.15	-	-	-	-	56,698.15	27,842.24	4,326.01	-	-	32,168.24	24,529.91
Conveyors	200,000.00	-	-	-	-	-	200,000.00	24,295.85	13,338.92	-	-	37,634.77	162,365.23

**APPENDIX B**  
**MANTSOPA LOCAL MUNICIPALITY**  
**ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2018**

Description	Cost / Revaluation							Accumulated Depreciation / Impairment					Carrying Value
	Opening Balance	Additions	Fair Value Adjustment	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	R	R	R	R
<i>Transport Assets</i>													
Tractors	2,099,724.73	-	-	-	-	-	2,099,724.73	895,605.25	131,194.63	-	-	1,026,799.88	1,072,924.85
Ordinary Motor Vehicles	3,546,724.92	-	-	-	-	-	3,546,724.92	2,599,031.57	188,085.36	-	-	2,787,116.94	759,607.98
Trucks and Light Delivery Vehicles	3,567,937.65	3,123,933.46	-	-	-	-	6,691,871.11	2,937,248.39	311,612.31	-	-	3,248,860.70	3,443,010.41
Graders	4,523,166.50	-	-	-	-	-	4,523,166.50	1,575,702.23	301,544.43	-	-	1,877,246.66	2,645,919.84
Fire Engines	145,200.00	-	-	-	-	-	145,200.00	43,699.23	7,260.00	-	-	50,959.23	94,240.77
Motor Cycles	7,320.00	-	-	-	-	-	7,320.00	5,309.62	979.93	-	-	6,289.55	1,030.45
							-						
<b>Total</b>	<b>24,609,084</b>	<b>3,732,315</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>28,341,400</b>	<b>15,103,473</b>	<b>2,131,725</b>	<b>-</b>	<b>-</b>	<b>17,235,199</b>	<b>11,106,201</b>
<b>Total</b>	<b>1,298,338,815</b>	<b>39,772,064</b>	<b>-</b>	<b>31,465,192</b>	<b>-</b>	<b>(83,563)</b>	<b>1,369,492,509</b>	<b>448,463,573</b>	<b>53,625,095</b>	<b>-</b>	<b>(59,987)</b>	<b>502,028,681</b>	<b>867,463,827</b>

**MANTSOPA LOCAL MUNICIPALITY**  
**ANALYSIS OF INVESTMENT PROPERTIES AS AT 30 JUNE 2018**

Description	Cost / Revaluation							Accumulated Depreciation / Impairment					Carrying Value
	Opening Balance	Additions	Fair Value Adjustment	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	R	R	R	R
<i>Investment Properties</i>													
Land and Buildings	148,582,014	-	6,125,468	-	-	-	154,707,481	-	-	-	-	-	154,707,481
<b>Total</b>	<b>148,582,014</b>	<b>-</b>	<b>6,125,468</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>154,707,481</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>154,707,481</b>
<b>Total Asset Register</b>	<b>1,446,920,829</b>	<b>39,772,064</b>	<b>6,125,468</b>	<b>31,465,192</b>	<b>-</b>	<b>(83,563)</b>	<b>1,524,199,990</b>	<b>448,463,573</b>	<b>53,625,095</b>	<b>-</b>	<b>(59,987)</b>	<b>502,028,681</b>	<b>1,022,171,308</b>

**APPENDIX C**  
**MANTSOPA LOCAL MUNICIPALITY**  
**SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2018**

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying Value
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	R	R	R
Finance and Administration	7,114,196	3,973,810	-	-	-	11,088,006	3,409,858	1,667,357	-	-	5,077,214	6,010,791
Corporate Services	1,790,224	-	-	-	-	1,790,224	1,082,213	195,278	-	-	1,277,490	512,733
Community and Social Services	1,845,827	-	-	-	-	1,845,827	1,021,252	170,007	-	-	1,191,259	654,568
Planning and Development (LED)	106,964	-	-	-	-	106,964	72,337	8,694	-	-	81,031	25,934
Properties	175,628,702	7,820,174	2,929,453	-	(83,563)	186,294,766	37,685,676	3,358,697	-	(59,987)	40,984,386	145,310,380
Technical Services	16,755,357	-	-	-	-	16,755,357	10,185,256	1,101,475	-	-	11,286,731	5,468,626
Roads and Transport	521,532,219	13,934,465	10,916,995	-	-	546,383,679	244,493,454	26,209,949	-	-	270,703,403	275,680,276
Electricity	90,084,154	-	1,739,130	-	-	91,823,284	28,794,317	4,232,182	-	-	33,026,499	58,796,785
Waste Management	260,008,426	-	2,644,493	-	-	262,652,919	50,693,719	8,151,657	-	-	58,845,376	203,807,543
Water	223,472,747	14,043,615	13,235,121	-	-	250,751,482	71,025,493	8,529,799	-	-	79,555,291	171,196,191
<b>Total</b>	<b>1,298,338,815</b>	<b>39,772,064</b>	<b>31,465,192</b>	<b>-</b>	<b>(83,563)</b>	<b>1,369,492,509</b>	<b>448,463,573</b>	<b>53,625,095</b>	<b>-</b>	<b>(59,987)</b>	<b>502,028,681</b>	<b>867,463,827</b>
	0.00	0.00	0.00	0.00	0.00	0.00	-0.00	-0.00	0.00	0.00	-0.00	0.00

## Mantsopa Local Municipality

Financial Statement for the year ended 30 June 2018

### Appendix D: Segmental Statement of Financial Performance

2017 Actual Income	2017 Actual Expenditure	2017 Surplus/ (Deficit)	Description	2018 Actual Income	2018 Actual Expenditure	2018 Surplus/ (Deficit)
R	R	R		R	R	R
9,110,794	(9,081,418)	18,192,212	Municipal Manager	10,481,397	(8,796,643)	1,684,754
25,056,887	(10,007,092)	35,063,978	Council	9,188,271	(13,557,038)	(4,368,766)
49,613,943	(83,807,911)	133,421,854	Financial Services	97,127,174	(76,694,407)	20,432,767
20	(4,310,898)	4,310,918	Corporate Services		(11,908,342)	(11,908,342)
6,456,909	(12,869,250)	19,326,159	Community Services	7,650,757	(15,238,823)	(7,588,067)
165,661,361	(46,974,763)	212,636,124	Technical Services	162,852,476	(268,481,469)	(105,628,992)
<b>255,899,913</b>	<b>(167,051,333)</b>	<b>422,951,246</b>		<b>287,300,075</b>	<b>(394,676,722)</b>	<b>(107,376,647)</b>

# Mantsopa Local Municipality

Financial Statement for the year ended 30 June 2018

## Appendix E(1): Budgeted Financial Performance (Revenue and Expenditure by Standard Classification)

Description	2018						
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R		
<b>REVENUE - STANDARD</b>							
<b>Governance and Administration:</b>							
Executive and Council	21,623,780	1,964,180	23,587,960	17,103,687	(6,484,273)	73%	79%
Budget and Treasury Office	56,289,251	188,362	56,477,613	97,053,006	40,575,393	172%	72%
Corporate Services				7,168,015	7,168,015	0%	0%
<b>Community and Public Safety:</b>							
Community and Social Services	2,068,252	205,878	2,274,130	166,404	(2,107,726)	7%	8%
Sport and Recreation	-	-	-	-	-	-	-
Public Safety	6,784,949	426,305	7,211,254	6,312,248	(899,006)	88%	93%
Housing	2,564,875	(50,443)	2,514,432	1,338,509	(1,175,923)	53%	52%
<b>Economic and Environmental Services:</b>							
Planning and Development	2,375,351	513,077	2,888,428	1,973,527	(914,901)	68%	83%
Road Transport	19,646,573	(7,427,989)	12,218,584	12,441,915	223,331	102%	63%
<b>Trading Services:</b>							
Electricity	52,592,238	(11,938,000)	40,654,238	41,353,149	698,911	102%	79%
Water	58,506,738	3,000	58,509,738	51,338,458	(7,171,280)	88%	88%
Waste Water Management	32,911,200	4,733,411	37,644,611	27,604,029	(10,040,582)	73%	84%
Waste Management	22,351,280	-	22,351,280	16,395,026	(5,956,254)	73%	73%
<b>Total Revenue - Standard</b>	<b>277,714,487</b>	<b>(11,382,219)</b>	<b>266,332,268</b>	<b>280,247,973</b>	<b>13,915,705</b>	<b>105%</b>	<b>101%</b>
<b>EXPENDITURE - STANDARD</b>							
<b>Governance and Administration:</b>							
Executive and Council	30,281,982	2,477,257	32,759,240	18,280,530	(14,478,710)	56%	60%
Budget and Treasury Office	46,319,988	5,865,294	52,185,282	70,122,133	17,936,851	134%	151%
Corporate Services				19,374,122	19,374,122	-	-
<b>Community and Public Safety:</b>							
Community and Social Services	2,681,519	(518,497)	2,163,022	5,336,316	3,173,294	247%	199%
Sport and Recreation	5,111,077	-	5,111,077	-	(5,111,077)	-	-
Public Safety	6,784,949	-	6,784,949	7,840,426	1,055,477	116%	116%
Housing	2,564,875	-	2,564,875	1,831,337	(733,538)	71%	71%
<b>Economic and Environmental Services:</b>							
Planning and Development	2,845,795	-	2,845,795	2,072,007	(773,788)	73%	73%
Road Transport	7,079,397	-	7,079,397	33,220,666	26,141,269	469%	469%
<b>Trading Services:</b>							
Electricity	47,072,992	-	47,072,992	51,769,090	4,696,098	110%	110%
Water	32,115,005	-	32,115,005	79,381,026	47,266,021	247%	247%
Waste Water Management	20,942,513	-	20,942,513	58,740,596	37,798,083	280%	280%
Waste Management	19,321,170	-	19,321,170	38,721,784	19,400,614	200%	200%
<b>Total Expenditure - Standard</b>	<b>223,121,262</b>	<b>7,824,054</b>	<b>230,945,316</b>	<b>386,690,033</b>	<b>155,744,717</b>	<b>167%</b>	<b>173%</b>
<b>Surplus/(Deficit) for the year</b>	<b>54,593,225</b>	<b>(19,206,273)</b>	<b>35,386,952</b>	<b>(106,442,060)</b>	<b>(141,829,012)</b>	<b>(301)%</b>	<b>(195)%</b>

**Mantsopa Local Municipality(FS196)**

Financial Statement for the year ended 30 June 2018

**Appendix E(2): Budget Financial Performance(revenue and expenditure by municipal vote)**

Description	2018							
	Original Total Budget	Budget Adjustments	Final Budget	Actual Outcome	Variance	Unauthorised	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R
<b>Revenue by vote</b>								
Municipal Manager	10,058,474	1,076,720	11,135,194	10,481,397	(653,797)	-	94%	104%
Council	12,928,057	1,400,537	14,328,594	9,188,271	(5,140,323)	-	64%	71%
Financial Services	56,289,201	168,362	56,457,563	97,127,174	40,669,611	-	172%	173%
Corporate Services	50	20,000	20,050		(20,050)	-	0%	0%
Community Services	9,349,824	375,863	9,725,687	7,650,757	(2,074,930)	-	79%	82%
Technical Services	189,088,880	(14,423,700)	174,665,181	162,852,476	(11,812,705)	-	93%	86%
<b>Total</b>	<b>277,714,487</b>	<b>(11,382,218)</b>	<b>266,332,269</b>	<b>287,300,075</b>	<b>20,967,806</b>	<b>-</b>	<b>108%</b>	<b>7%</b>
<b>Expenditure by vote</b>								
Municipal Manager	10,058,474	1,076,720	11,135,194	8,796,643	(2,338,551)	-	79%	87%
Council	12,928,057	1,400,537	14,328,594	13,557,038	(771,557)	-	95%	105%
Financial Services	46,319,988	5,865,294	52,185,282	76,694,407	24,509,126	24,509,126	147%	166%
Corporate Services	8,658,202	1,435,246	10,093,448	11,908,342	1,814,894	1,814,894	118%	138%
Community Services	14,460,901	(537,581)	13,923,320	15,238,823	1,315,504	1,315,504	109%	105%
Technical Services	130,695,640	(4,330,732)	126,364,908	268,481,469	142,116,560	142,116,560	212%	205%
<b>Total</b>	<b>223,121,262</b>	<b>4,909,484</b>	<b>228,030,746</b>	<b>394,676,722</b>	<b>166,645,976</b>	<b>169,756,083</b>	<b>173%</b>	<b>42%</b>
<b>Surplus/Deficit for the year</b>	<b>54,593,225</b>	<b>(16,291,702)</b>	<b>38,301,523</b>	<b>(107,376,647)</b>	<b>(145,678,170)</b>	<b>(169,756,083)</b>	<b>-65%</b>	<b>-35%</b>

# Tokologo Local Municipality

Financial Statement for the year ended 30 June 2018

## Appendix F: Disclosure of Grants and Subsidies in terms of the Municipal Finance Management Act

Name of Grant	Name of Organ of State or Municipal Entity	Opening Balance	Total Receipts	Total Expenses	Net Grant	Reason for Delay / Withholding of Funds	Compliance to Revenue Act	Reason for Non-compliance
			Total	Total	Total		Yes / No	
Grant in kind roads	Various	-	7,017,544	(7,017,544)	-	-	Yes	N/a
Equitable Share	Nat Treasury	-	68,271,619	(68,271,619)	-	-	Yes	N/a
Financial Management Grant (FMG)	Nat Treasury	-	2,145,000	(2,145,000)	-	-	Yes	N/a
Municipal Systems Improvement Grant (MSIG)	Nat Treasury	-	-	-	-	-	Yes	N/a
Expanded Public Works Programme (EPWP)	Nat Treasury	-	1,000,000	(1,000,000)	-	-	Yes	N/a
Department of Water Affairs	Provincial	(418,061)	15,000,000	14,508,000	73,939	-	-	-
Grants for AFS preparation	Provincial	-	1,000,000	(1,000,000)	-	-	Yes	N/a
Municipal Infrastructure Grant (MIG)	Nat Treasury	-	20,252,000	(20,252,000)	-	-	Yes	N/a
<b>Total Grants and Subsidies Received</b>		<b>(418,061)</b>	<b>114,686,163</b>	<b>(85,178,163)</b>	<b>73,939</b>			



# Mantsopa Local Municipality

Financial Statement for the year ended 30 June 2018

## Appendix G: Remuneration of Councillors and Section 57 managers

For the 2017/2018 financial year:

Incumbent	Fees for services	Basic salaries	Bonuses	Allowances	Contribution to funds	Any other benefits	Total remuneration
<b>Mayor</b>							
ME Tsoene	-	645,500	-	109,701	85,112	-	840,313
<b>Speaker</b>							
MJ Moduka	-	498,113	-	93,041	88,477	-	679,631
<b>Councillors</b>							
YJ Jacobs	-	235,267	-	110,942	29,709	-	375,918
MP Nakalebe	-	188,476	-	108,636	69,725	-	366,837
NJ Thaisi	-	228,669	-	108,636	28,837	-	366,143
KI Tigeli	-	201,919	-	108,636	55,850	-	366,405
GM Seoe	-	228,669	-	108,636	28,837	-	366,142
DT Molefe	-	153,874	-	91,805	49,483	-	295,162
BE Meya	-	159,818	-	91,805	43,354	-	294,977
BM Sani	-	160,498	-	91,805	66,441	-	318,744
T Halse	-	235,267	-	110,942	29,709	-	375,918
DJ Hattingh	-	180,501	-	91,805	22,471	-	294,777
LP Moletsane	-	180,501	-	91,805	22,219	-	294,526
SQG Gaba	-	168,705	-	91,805	34,267	-	294,777
RT Mpakathe	-	180,501	-	91,805	22,471	-	294,777
SJ Moses	-	180,501	-	91,805	22,471	-	294,777
BA Maboza	-	180,501	-	91,805	22,471	-	294,777
<b>Total for Councillors</b>	-	<b>4,007,280</b>	-	<b>1,685,417</b>	<b>721,904</b>	-	<b>6,414,601</b>
<b>Municipal Manager</b>							
TP Masejane	-	752,142	-	226,000	201,400	90	1,179,632
<b>Chief Financial Officer</b>							
SA Nyapholi	-	148,617	-	54,000	39,268	25	241,910
PI Yangaphi (Acting)	-	413,425	-	60,721	22,324	41	496,511
MA Makoe (Acting)	-	400,993	21,293	58,550	34,551	31	515,419
KD Matsie (Previous)	-	124,268	17,925	-	24,304	-	166,498
<b>Director: Technical Services</b>							
ED Nana	-	524,071	-	92,680	34,899	56	651,706
MTS Moeti (Previous)	-	351,291	-	73,368	38,800	41	463,500
<b>Director: Corporate Services</b>							
NM Litabe	-	108,772	-	96,000	20,101	25	224,898
ED Nana (Acting)	-	276,566	-	66,191	59,610	41	402,408
PP Moloi (Previous)	-	643,097	-	87,588	27,986	40	758,710
<b>Director: Community Services</b>							
KG Matsekane	-	590,586	-	-	27,076	57	617,719
EM Makateng (Acting)	-	215,489	-	52,583	38,226	33	306,331
KB Sebolai (Previous)	-	223,519	33,414	14,357	11,532	8	282,830
<b>Total for Senior Managers</b>	-	<b>4,772,837</b>	<b>72,632</b>	<b>882,038</b>	<b>580,078</b>	<b>488</b>	<b>6,308,073</b>
<b>Total for Management</b>	-	<b>8,780,117</b>	<b>72,632</b>	<b>2,567,455</b>	<b>1,301,982</b>	<b>488</b>	<b>12,722,674</b>

# Mantsopa Local Municipality

Financial Statement for the year ended 30 June 2018

## Appendix G: Remuneration of Councillors and Section 57 managers

For the 2016/2017 financial year:

Incumbent	Fees for services	Basic salaries	Bonuses	Allowances	Contribution to funds	Any other benefits	Total remuneration
<b>Mayor</b>							
ME Tsoene	-	545,268	-	82,967	81,623	-	709,858
SD Ntsepe (previous)	-	45,626	-	8,356	11,225	-	65,207
<b>Speaker</b>							
MJ Moduka	-	413,345	-	76,698	78,093	-	568,136
MA Majara (previous)	-	46,748	-	7,092	7,488	-	61,328
<b>Councillors</b>							
YJ Jacobs	-	219,266	-	100,842	31,163	-	351,271
MA Malakane (previous)	-	15,519	-	8,584	4,117	-	28,220
J Machakela (previous)	-	9,278	-	-	-	-	9,278
PN Nakalebe	-	174,165	-	89,178	63,101	-	326,443
NJ Thaise	-	205,848	-	92,978	28,238	-	327,064
KI Tigeli	-	179,841	-	92,978	52,198	-	325,017
GM Seoe	-	206,064	-	92,978	28,238	-	327,279
MC Chomane (previous)	-	40,914	-	8,148	2,390	-	51,452
PP Raboko (previous)	-	24,639	-	8,148	2,390	-	35,177
DT Molefe	-	147,517	-	82,080	47,608	-	277,206
BE Meyra	-	132,827	-	73,933	33,803	-	240,563
BM Sani	-	164,813	-	80,732	38,027	-	283,571
T Halse	-	213,974	-	99,494	30,635	-	344,102
DJ Hattingh	-	168,468	-	80,732	23,124	-	272,323
LP Moletsane	-	168,468	-	80,732	23,124	-	272,323
SQG Gaba	-	147,413	-	73,933	21,261	-	242,607
RT Mpakathe	-	183,046	-	73,933	21,261	-	278,239
SJ Moses	-	147,413	-	73,933	21,261	-	242,607
BA Maboza	-	147,413	-	73,933	21,261	-	242,607
AL Kouveldt (previous)	-	40,818	-	8,148	2,390	-	51,356
<b>Total for Councillors</b>	-	<b>3,788,690</b>	-	<b>1,470,525</b>	<b>674,018</b>	-	<b>5,933,233</b>
<b>Municipal Manager</b>							
SM Selepe	-	1,021,430	119,346	150,994	180,869	77	1,472,716
<b>Chief Financial Officer</b>							
KD Matsie	-	592,141	92,858	156,233	97,712	77	939,021
<b>Director: Technical Services</b>							
NJ Raliapeng	-	388,869	86,286	86,493	66,322	46	628,015
<b>Director: Corporate Services</b>							
PP Moloi	-	694,675	86,377	65,142	210,119	92	1,056,405
<b>Director: Community Services</b>							
KB Sebolai	-	688,824	86,374	172,287	137,041	92	1,084,617
<b>Total for Senior Managers</b>	-	<b>3,385,938</b>	<b>471,241</b>	<b>631,149</b>	<b>692,062</b>	<b>384</b>	<b>5,180,774</b>
<b>Total for Management</b>	-	<b>7,174,628</b>	<b>471,241</b>	<b>2,101,674</b>	<b>1,366,079</b>	<b>384</b>	<b>11,114,007</b>