



**DR RUTH S MOMPATI DISTRICT MUNICIPALITY  
ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018**

# DR RUTH S MOMPATI DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2018

## General Information

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### Legal form of entity

District Municipality

### Mayoral committee

Executive Mayor

Speaker

MMC: Economic Development, Tourism & Agriculture

MMC: Budget and Treasury

MMC: Planning and Development

MMC: Community Services

MMC: Corporate Services

MMC: Engineering and Technical Services

Councillors

Cllr B.L. Mahlangu: Directly Elected Greater - Taung Local Municipality

Cllr L.V. Maogwe: Directly Elected Naledi Local Municipality

Cllr L. Mamapula: Greater Taung Local Municipality

Cllr L.V. Molefe: Mamusa Local Municipality

Cllr M.K.I. Olifant: Greater Taung Local Municipality

Cllr O.R. Modise: Naledi Local Municipality

Cllr B. Sethabetsi: Directly Elected - Kagisano Local Municipality

Cllr G. Kgabo: Directly Elected – Lekwa-Teemane Local Municipality

Cllr K.G. Sereko: Directly Elected - Greater Taung Local Municipality

Cllr C.P. Herbst: Mamusa Local Municipality

Cllr D. Molapo: Directly Elected- Mamusa Local Municipality

Cllr O.J. Balebanye: Greater Taung Local Municipality

Cllr D.A. Itumeleng: Greater Taung Local Municipality

Cllr D. Mothibedi: Greater Taung Local Municipality

Cllr M.V. Mosinkiemang: Greater Taung Local Municipality

Cllr C.E. Tladinyane: Kagisano Molopo Local Municipality

Cllr T.P. Sebe: Greater Taung Local Municipality

Cllr T. Tlhaganyane: Greater Taung Local Municipality

Cllr J.A. Adonis: Naledi Local Municipality

Cllr A.N. Bareng: Naledi Local Municipality

Cllr M.E. Keetile: Directly Elected-Naledi Local Municipality

Cllr P. Maleke: Directly Elected Lekwa-Teemane Local Municipality

Cllr M.M. Mkadawira: Directly Elected – Naledi Local Municipality

Cllr L.T.E. Mocumi: Directly Elected-Naledi Local Municipality

Cllr S.D.J. Strydom: Directly Elected- Mamusa Local Municipality

Cllr K.D. Tshite: Directly Elected-Naledi Local Municipality

Cllr B.R. Bareng: Kagisano-Molopo Local Municipality

Cllr M.M. Diphikwe: Kagisano-Molopo Local Municipality

Cllr T.M. Lenkopane: Kagisano-Molopo Local Municipality

Cllr T.C. Loabile: Kagisano-Molopo Local Municipality

Cllr E. Bijon: Lekwa-Teemane Local Municipality

Cllr M.W. Moseswa: Lekwa-Teemane Local Municipality

# DR RUTH S MOMPATI DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2018

## General Information

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**Accounting Officer**

Mr. J Monolela  
Contact information:  
(053) 928 6412  
084 440 5465  
monolelaj@bophirima.co.za

**Chief Finance Officer (CFO)**

Ms D.L Motshelabola (Acting Chief Financial Officer)  
(053) 928 6403  
motshelabolad@bophirima.co.za

**Nature of business and principal activities**

District Municipality

**Grading of local authority**

Grade 3

**Business address**

50 Market Street  
Vryburg  
8600

**Postal address**

PO Box 21  
Vryburg  
8600  
053 928 4700

**Bankers**

First National Bank

**Auditors**

The Auditor General of South Africa

# DR RUTH S MOMPATI DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2018

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

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# DR RUTH S MOMPATI DISTRICT MUNICIPALITY

Annual 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 annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual 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 annual financial statements and was given unrestricted access to all financial records and related data.

The annual 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 annual 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 annual 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 annual financial statements set out on page 7 - 79, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2018

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**Accounting Officer**  
**Mr. J Monolela (Municipal Manager)**

# DR RUTH S MOMPATI DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2018

## Audit Committee Report

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We are pleased to present our report for the financial year ended 30 June 2018.

### **Audit Committee Responsibility**

The Audit and Performance Committee reports that it has complied with its responsibilities arising from section 166(2) of the MFMA. The Audit and Performance Committee also reports that it has adopted appropriate formal terms of reference as its audit committee charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

### **The effectiveness of internal control**

The system of internal control was not entirely effective for the year under review. During the year under review, several deficiencies in the system of internal control and/or deviations were reported by the internal auditors .

The Audit Committee is satisfied with the content and quality of monthly and quarterly reports prepared and issued by the internal auditors of the municipality during the year under review.

### **Evaluation of annual financial statements**

The Audit and Performance Committee has:

- reviewed the unaudited annual financial statements to be included in the annual report,
- reviewed the information on predetermined objectives.

### **Internal audit**

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

### **Conclusion**

We therefore recommend that the Accounting Authority submit the unaudited draft annual financial statements and unaudited draft annual report to the Auditor General of South Africa for audit purposes

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**Chairperson of the Audit and Performance Committee**

**Date: 31 August 2018**

# DR RUTH S MOMPATI DISTRICT MUNICIPALITY

Annual 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

The district municipality is a water services provider and operates principally in the North West.

The operating results and state of affairs of the municipality are fully set out in the attached annual financial statements and do not in our opinion require any further comment.

### 2. Going concern

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

### 3. Subsequent events

There were no events after reporting period date.

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

The accounting officer does not have any interest in any contract concerning Dr Ruth S Mompoti Municipality.

### 5. Accounting policies

The annual financial statements are prepared in accordance with the South African Statements of Generally Accepted Accounting Practice (GAAP), including any interpretations of such Statements issued by the Accounting Practices Board, and in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

### 6. Non-current assets

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

### 7. Bankers

The bankers of Dr Ruth S Mompoti District Municipality is First National Bank (FNB).

### 8. Auditors

The Auditor General South Africa will continue in office for the next financial period.

# DR RUTH S MOMPATI DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2018

## Statement of Financial Position as at 30 June 2018

Figures in Rand	Notes	2018	2017 Restated*
<b>Assets</b>			
Current Assets			
Operating Lease Asset	2	68 329	88 970
Receivables from non-exchange transactions	3	217 275	10 913 305
VAT receivable	4	37 586 907	80 498 545
Cash and cash equivalents	5	53 167 660	82 498 973
		<b>91 040 171</b>	<b>173 999 793</b>
Non-Current Assets			
Investment property	6	5 426 628	5 568 662
Property, plant and equipment	7	2 370 122 044	2 098 909 503
Intangible assets	8	1 269 633	1 525 915
		<b>2 376 818 305</b>	<b>2 106 004 080</b>
<b>Total Assets</b>		<b>2 467 858 476</b>	<b>2 280 003 873</b>
<b>Liabilities</b>			
Current Liabilities			
Other financial liabilities	9	10 800 000	10 800 000
Operating Lease Liability	2	-	236 654
Payables from exchange transactions	10	88 325 715	168 673 208
Employee benefit obligation	11	1 821 000	1 118 000
Unspent conditional grants and receipts	12	154 514 339	37 658 156
		<b>255 461 054</b>	<b>218 486 018</b>
Non-Current Liabilities			
Other financial liabilities	9	44 034 335	54 837 565
Employee benefit obligation	11	36 950 000	36 419 000
		<b>80 984 335</b>	<b>91 256 565</b>
<b>Total Liabilities</b>		<b>336 445 389</b>	<b>309 742 583</b>
<b>Net Assets</b>		<b>2 131 413 087</b>	<b>1 970 261 290</b>
Reserves			
Revaluation reserve	13	9 825 736	9 825 736
Accumulated surplus	14	2 121 587 351	1 960 435 554
<b>Total Net Assets</b>		<b>2 131 413 087</b>	<b>1 970 261 290</b>

\* See Note 49



# DR RUTH S MOMPATI DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2018

## Statement of Financial Performance

Figures in Rand	Notes	2018	2017 Restated*
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Investment revenue - Interest earned	15	15 069 912	14 195 977
Other income	16	644 570	343 993
Rental of facilities and equipment	17	942 373	942 373
<b>Total revenue from exchange transactions</b>		<b>16 656 855</b>	<b>15 482 343</b>
<b>Revenue from non-exchange transactions</b>			
<b>Transfer revenue</b>			
Government grants & subsidies	18	675 186 379	688 096 200
Other Income		12 642	1 533 617
<b>Total revenue from non-exchange transactions</b>		<b>675 199 021</b>	<b>689 629 817</b>
<b>Total revenue</b>	19	<b>691 855 876</b>	<b>705 112 160</b>
<b>Expenditure</b>			
Employee related costs	20	(119 543 441)	(111 348 233)
Remuneration of councillors	21	(7 104 170)	(6 400 125)
Depreciation and amortisation	22	(62 284 234)	(38 628 843)
Impairment loss	23	(150 694 804)	(282 473)
Finance costs	24	(3 733 959)	(3 436 125)
Lease rentals on operating lease	25	(2 909 119)	(2 903 758)
Debt Impairment	26	(9 143 533)	(141 266)
Bulk purchases	27	(106 163 798)	(139 835 180)
Contracted services	28	(30 521 141)	(22 636 661)
Grants and subsidies paid	29	(19 324 358)	(79 055 100)
General Expenses	30	(22 541 487)	(26 098 374)
<b>Total expenditure</b>		<b>(533 964 044)</b>	<b>(430 766 138)</b>
<b>Operating surplus</b>		<b>157 891 832</b>	<b>274 346 022</b>
Loss on disposal of Assets and Liabilities	31	-	(6 725 801)
Fair value adjustments	32	(142 034)	1 015 100
Actuarial gains/losses	11	3 402 000	3 491 565
		<b>3 259 966</b>	<b>(2 219 136)</b>
<b>Surplus for the year</b>		<b>161 151 798</b>	<b>272 126 886</b>

\* See Note 49

# DR RUTH S MOMPATI DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2018

## Statement of Changes in Net Assets

Figures in Rand	Revaluation reserve	Accumulated surplus	Total net assets
Opening balance as previously reported	8 439 403	1 816 924 942	1 825 364 345
Adjustments			
Correction of errors	-	(126 116 080)	(126 116 080)
Change in accounting policy	-	(23 974)	(23 974)
Prior year adjustments (Note 49)	-	(2 476 220)	(2 476 220)
<b>Balance at 01 July 2016 as restated*</b>	<b>8 439 403</b>	<b>1 688 308 668</b>	<b>1 696 748 071</b>
Changes in net assets			
Fair value gains: Land and buildings	1 386 333	-	1 386 333
Net income (losses) recognised directly in net assets	1 386 333	-	1 386 333
Surplus for the year previously recognised	-	282 221 834	282 221 834
Total recognised income and expenses for the year	1 386 333	282 221 834	283 608 167
Prior year adjustments (Note 49)	-	(10 094 948)	(10 094 948)
Total changes	1 386 333	272 126 886	273 513 219
<b>Balance at 01 July 2017 as restated*</b>	<b>9 825 736</b>	<b>1 960 435 553</b>	<b>1 970 261 289</b>
Changes in net assets			
Surplus for the period	-	161 151 798	161 151 798
Total changes	-	161 151 798	161 151 798
<b>Balance at 30 June 2018</b>	<b>9 825 736</b>	<b>2 121 587 351</b>	<b>2 131 413 087</b>
Notes	13	14	

\* See Note 49

# DR RUTH S MOMPATI DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2018

## Cash Flow Statement

Figures in Rand	Notes	2018	2017 Restated*
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Governments grant and subsidies		792 055 206	726 389 607
Interest received		15 069 912	14 195 977
Other receipts		3 139 440	4 231 319
		<u>810 264 558</u>	<u>744 816 903</u>
<b>Payments</b>			
Employee related costs		(118 309 440)	(110 785 234)
Remuneration of councillors		(7 104 171)	(6 400 125)
Suppliers		(216 139 245)	(217 809 442)
Finance costs		(27 645)	(11 466)
Other payments		(2 909 119)	(2 903 758)
		<u>(344 489 620)</u>	<u>(337 910 025)</u>
<b>Net cash flows from operating activities</b>	33	<b><u>465 774 938</u></b>	<b><u>406 906 878</u></b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	7	(333 371 930)	(358 528 205)
Proceeds from sale of property, plant and equipment	7	-	92 873
Purchase of other intangible assets	8	-	(802 766)
Net movement in financial assets		(150 694 804)	-
		<u>(484 066 734)</u>	<u>(359 238 098)</u>
<b>Cash flows from financing activities</b>			
Movement in operating lease payable		(236 654)	(34 956)
Repayment of DBSA Loan	9	(10 802 863)	(10 796 323)
		<u>(11 039 517)</u>	<u>(10 831 279)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(29 331 313)</b>	<b>36 837 501</b>
Cash and cash equivalents at the beginning of the year		82 498 973	45 661 472
<b>Cash and cash equivalents at the end of the year</b>	5	<b><u>53 167 660</u></b>	<b><u>82 498 973</u></b>

\* See Note 49

# DR RUTH S MOMPATI DISTRICT MUNICIPALITY

Annual 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
Figures in Rand					
<b>Statement of Financial Performance</b>					
<b>Revenue</b>					
<b>Revenue from exchange transactions</b>					
Rental of facilities and equipment	1 076 900	-	<b>1 076 900</b>	942 373	<b>(134 527)</b>
Other income	-	-	-	644 570	<b>644 570</b>
Interest received - investment	13 874 000	4 000 000	<b>17 874 000</b>	15 069 912	<b>(2 804 088)</b>
<b>Total revenue from exchange transactions</b>	<b>14 950 900</b>	<b>4 000 000</b>	<b>18 950 900</b>	<b>16 656 855</b>	<b>(2 294 045)</b>
<b>Revenue from non-exchange transactions</b>					
<b>Transfer revenue</b>					
Government grants & subsidies	316 979 000	-	<b>316 979 000</b>	675 186 379	<b>358 207 379</b>
Other Income	225 000	-	<b>225 000</b>	12 642	<b>(212 358)</b>
<b>Total revenue from non-exchange transactions</b>	<b>317 204 000</b>	<b>-</b>	<b>317 204 000</b>	<b>675 199 021</b>	<b>357 995 021</b>
<b>Total revenue</b>	<b>332 154 900</b>	<b>4 000 000</b>	<b>336 154 900</b>	<b>691 855 876</b>	<b>355 700 976</b>
<b>Expenditure</b>					
Employee related costs	(131 266 000)	8 597 000	<b>(122 669 000)</b>	(119 543 441)	<b>3 125 559</b>
Remuneration of councillors	(7 455 171)	(705 285)	<b>(8 160 456)</b>	(7 104 170)	<b>1 056 286</b>
Depreciation and amortisation	(47 243 436)	1 511 000	<b>(45 732 436)</b>	(62 284 234)	<b>(16 551 798)</b>
Impairment loss/ Reversal of impairments	-	-	-	(150 694 804)	<b>(150 694 804)</b>
Finance costs	(10 928 400)	-	<b>(10 928 400)</b>	(3 733 959)	<b>7 194 441</b>
Lease rentals on operating lease	-	-	-	(2 909 119)	<b>(2 909 119)</b>
Impairment of Receivables	-	-	-	(9 143 533)	<b>(9 143 533)</b>
Bad debts written off	(1 000 000)	-	<b>(1 000 000)</b>	-	<b>1 000 000</b>
Bulk purchases	(113 658 667)	1 000	<b>(113 657 667)</b>	(106 163 798)	<b>7 493 869</b>
Contracted Services	(21 818 000)	(9 623 000)	<b>(31 441 000)</b>	(30 521 141)	<b>919 859</b>
Transfers and Subsidies	(15 720 000)	(5 030 000)	<b>(20 750 000)</b>	(19 324 358)	<b>1 425 642</b>
General Expenses	(32 970 000)	(1 981 000)	<b>(34 951 000)</b>	(22 541 487)	<b>12 409 513</b>
<b>Total expenditure</b>	<b>(382 059 674)</b>	<b>(7 230 285)</b>	<b>(389 289 959)</b>	<b>(533 964 044)</b>	<b>(144 674 085)</b>
<b>Operating surplus</b>	<b>(49 904 774)</b>	<b>(3 230 285)</b>	<b>(53 135 059)</b>	<b>157 891 832</b>	<b>211 026 891</b>
Fair value adjustments	-	-	-	(142 034)	<b>(142 034)</b>
Actuarial gains/losses	-	-	-	3 402 000	<b>3 402 000</b>
	-	-	-	<b>3 259 966</b>	<b>3 259 966</b>
<b>Surplus for the year</b>	<b>(49 904 774)</b>	<b>(3 230 285)</b>	<b>(53 135 059)</b>	<b>161 151 798</b>	<b>214 286 857</b>
<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	<b>(49 904 774)</b>	<b>(3 230 285)</b>	<b>(53 135 059)</b>	<b>161 151 798</b>	<b>214 286 857</b>

# DR RUTH S MOMPATI DISTRICT MUNICIPALITY

Annual 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
Figures in Rand					
<b>Statement of Financial Position</b>					
<b>Assets</b>					
<b>Current Assets</b>					
Operating lease asset	-	-	-	68 329	68 329
Receivables from non-exchange transactions	41 267 968	-	41 267 968	217 275	(41 050 693)
VAT receivable	-	-	-	37 586 907	37 586 907
Cash and cash equivalents	30 509 531	-	30 509 531	53 167 660	22 658 129
	<b>71 777 499</b>	<b>-</b>	<b>71 777 499</b>	<b>91 040 171</b>	<b>19 262 672</b>
<b>Non-Current Assets</b>					
Investment property	4 093 820	-	4 093 820	5 426 628	1 332 808
Property, plant and equipment	2 777 358 281	-	2 777 358 281	2 370 122 044	(407 236 237)
Intangible assets	1 346 060	-	1 346 060	1 269 633	(76 427)
	<b>2 782 798 161</b>	<b>-</b>	<b>2 782 798 161</b>	<b>2 376 818 305</b>	<b>(405 979 856)</b>
<b>Total Assets</b>	<b>2 854 575 660</b>	<b>-</b>	<b>2 854 575 660</b>	<b>2 467 858 476</b>	<b>(386 717 184)</b>
<b>Liabilities</b>					
<b>Current Liabilities</b>					
Other financial liabilities	10 800 000	-	10 800 000	10 800 000	-
Operating lease liability	513 454	-	513 454	-	(513 454)
Payables from exchange transactions	134 097 750	-	134 097 750	88 325 716	(45 772 034)
Employee benefit obligation	5 830 063	-	5 830 063	1 821 000	(4 009 063)
Unspent conditional grants and receipts	-	-	-	154 514 339	154 514 339
	<b>151 241 267</b>	<b>-</b>	<b>151 241 267</b>	<b>255 461 055</b>	<b>104 219 788</b>
<b>Non-Current Liabilities</b>					
Other financial liabilities	69 233 888	-	69 233 888	44 034 335	(25 199 553)
Employee benefit obligation	45 197 730	-	45 197 730	36 950 000	(8 247 730)
	<b>114 431 618</b>	<b>-</b>	<b>114 431 618</b>	<b>80 984 335</b>	<b>(33 447 283)</b>
<b>Total Liabilities</b>	<b>265 672 885</b>	<b>-</b>	<b>265 672 885</b>	<b>336 445 390</b>	<b>70 772 505</b>
<b>Net Assets</b>	<b>2 588 902 775</b>	<b>-</b>	<b>2 588 902 775</b>	<b>2 131 413 086</b>	<b>(457 489 689)</b>
<b>Net Assets</b>					
<b>Net Assets Attributable to Owners of Controlling Entity</b>					
<b>Reserves</b>					
Revaluation reserve	9 412 790	-	9 412 790	9 825 736	412 946
Accumulated surplus	2 579 489 985	-	2 579 489 985	2 121 587 350	(457 902 635)
<b>Total Net Assets</b>	<b>2 588 902 775</b>	<b>-</b>	<b>2 588 902 775</b>	<b>2 131 413 086</b>	<b>(457 489 689)</b>

# DR RUTH S MOMPATI DISTRICT MUNICIPALITY

Annual 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
Figures in Rand					
<b>Cash Flow Statement</b>					
<b>Cash flows from operating activities</b>					
<b>Receipts</b>					
Grants	717 868 000	-	<b>717 868 000</b>	792 055 206	<b>74 187 206</b>
Interest income	13 874 000	-	<b>13 874 000</b>	15 069 912	<b>1 195 912</b>
Other receipts	1 301 900	-	<b>1 301 900</b>	3 139 440	<b>1 837 540</b>
	<b>733 043 900</b>	-	<b>733 043 900</b>	<b>810 264 558</b>	<b>77 220 658</b>
<b>Payments</b>					
Employee cost	(316 225 000)	-	<b>(316 225 000)</b>	(118 309 440)	<b>197 915 560</b>
Suppliers	-	-	-	(216 139 245)	<b>(216 139 245)</b>
Finance costs	(10 928 400)	-	<b>(10 928 400)</b>	(27 645)	<b>10 900 755</b>
Transfers and grants	(20 500 000)	-	<b>(20 500 000)</b>	-	<b>20 500 000</b>
Remuneration of council	-	-	-	(7 104 171)	<b>(7 104 171)</b>
Other payments	-	-	-	(2 909 119)	<b>(2 909 119)</b>
	<b>(347 653 400)</b>	-	<b>(347 653 400)</b>	<b>(344 489 620)</b>	<b>3 163 780</b>
<b>Net cash flows from operating activities</b>	<b>385 390 500</b>	-	<b>385 390 500</b>	<b>465 774 938</b>	<b>80 384 438</b>
<b>Cash flows from investing activities</b>					
Purchase of property, plant and equipment	(396 024 650)	161 000	<b>(395 863 650)</b>	(333 371 930)	<b>62 491 720</b>
Net movement in financial assets	-	-	-	(150 694 804)	<b>(150 694 804)</b>
<b>Net cash flows from investing activities</b>	<b>(396 024 650)</b>	<b>161 000</b>	<b>(395 863 650)</b>	<b>(484 066 734)</b>	<b>(88 203 084)</b>
<b>Cash flows from financing activities</b>					
Repayment of other financial liabilities	(10 800 000)	-	<b>(10 800 000)</b>	(10 802 863)	<b>(2 863)</b>
Movement in operating lease	-	-	-	(236 654)	<b>(236 654)</b>
<b>Net cash flows from financing activities</b>	<b>(10 800 000)</b>	-	<b>(10 800 000)</b>	<b>(11 039 517)</b>	<b>(239 517)</b>
Net increase/(decrease) in cash and cash equivalents	(21 434 150)	161 000	<b>(21 273 150)</b>	(29 331 313)	<b>(8 058 163)</b>
Cash and cash equivalents at the beginning of the year	72 405 807	-	<b>72 405 807</b>	82 498 973	<b>10 093 166</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>50 971 657</b>	<b>161 000</b>	<b>51 132 657</b>	<b>53 167 660</b>	<b>2 035 003</b>

# DR RUTH S MOMPATI DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2018

## Accounting Policies

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### 1. Presentation of Annual Financial Statements

The annual 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 annual 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 annual financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

#### 1.1 Going concern assumption

These annual 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.

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

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

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

The municipality assesses its trade 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 judgments 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 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.

##### 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 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. 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 together with economic factors.

##### Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note - Provisions.

# DR RUTH S MOMPATI DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2018

## Accounting Policies

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

#### 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 11.

#### 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.

#### VAT

The municipality accounts for Value Added Tax (VAT) on a cash basis. The municipality is liable to account for VAT at the standard rate of 14% till end of March 2018. On 1 April 2018 the standard rate was changed to 15% in terms of section 7(1)(a) of the VAT Act in respect of supply of goods or services, except where the supplies are specifically zero-rated in terms of section 11, exempted in terms of section 12 of the VAT Act or are scoped out for VAT purposes. The municipality accounts for VAT on a monthly basis.

### 1.3 Investment property

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

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

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.



# DR RUTH S MOMPATI DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2018

## Accounting Policies

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### 1.4 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

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

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

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for Land and Buildings which are carried at revalued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation reserve. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation reserve to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

# DR RUTH S MOMPATI DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2018

## Accounting Policies

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

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

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

Item	Depreciation method	Average useful life
Buildings	Straight line	30 years
Infrastructure		
• Earthworks	Straight line	88 years
• Pipes - Clay	Straight line	80 years
• Pipes - Concrete	Straight line	80 years
• Pipes - Steel	Straight line	80 years
• Pipes - uPVC	Straight line	75 years
• Buildings - Brick	Straight line	75 years
• Buildings - Steel	Straight line	88 years
• Buildings - Corrugated Iron	Straight line	15 years
• Buildings - Concrete	Straight line	63 years
• Borehole	Straight line	63 years
• Meters: Bulk	Straight line	23 years
• Meters: Consumer	Straight line	23 years
• Valves	Straight line	50 years
• Standpipes	Straight line	38 years
• Fire Hydrants	Straight line	50 years
• Telemetry	Straight line	18 years
• Motor: Electrical	Straight line	18 years
• Motor: Engine	Straight line	23 years
• Pump: Submersible	Straight line	15 years
• Pump: Centrifugal	Straight line	15 years
• Windmill	Straight line	90 years
• Manholes & Chambers (Brick)	Straight line	73 years
• Manholes & Chambers (Concrete)	Straight line	80 years
• Storage - Steel	Straight line	70 years
• Storage - Plastic	Straight line	48 years
• Reservoirs - Concrete	Straight line	75 years
• Storage - Concrete (Cattle Troughs)	Straight line	75 years
• Support Structure - Steel	Straight line	70 years
• Support Structure - Stone	Straight line	75 years
• Perimeter Protection - Razor Wire	Straight line	28 years
• Perimeter Protection - Precast	Straight line	43 years
• Perimeter Protection - Wire Mesh	Straight line	28 years
• Perimeter Protection - Electrical	Straight line	28 years
• Perimeter Protection - Brick	Straight line	43 years
• Perimeter Protection - Iron Palisade	Straight line	43 years
• Wave Protection	Straight line	95 years
• Switchgear	Straight line	18 years
• Perimeter Protection - Wire	Straight line	28 years
Official vehicles	Depreciation is calculated as the difference between the opening carrying amount and the revalued amount (average of trade and retail values) at year end	Annually
Machinery and equipment	Straight line	7 years
Office equipment	Straight line	5 years
Office furniture	Straight line	7 years
Computer equipment	Straight line	5 years

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

# DR RUTH S MOMPATI DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2018

## Accounting Policies

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

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 disclosure notes.

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

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

### 1.5 Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance.

An asset is identifiable if it either:

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

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

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

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

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

# DR RUTH S MOMPATI DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2018

## Accounting Policies

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### 1.5 Intangible assets (continued)

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

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

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

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

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

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

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

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

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

Item	Useful life
Computer software, internally generated	5 years

### 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.

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.

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

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 liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or

# DR RUTH S MOMPATI DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2018

## Accounting Policies

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### 1.6 Financial instruments (continued)

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

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

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

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

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.

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.

### 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
Receivables	Financial asset measured at amortised cost
Bank Balances	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
Trade Payables	Financial liability measured at amortised cost
Other financial liability	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.

# DR RUTH S MOMPATI DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2018

## Accounting Policies

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### 1.6 Financial instruments (continued)

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

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

- Financial instruments at amortised cost.

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

#### 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.

#### Gains and losses

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.

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.

# DR RUTH S MOMPATI DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2018

## Accounting Policies

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### 1.6 Financial instruments (continued)

#### 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.

##### 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.

# DR RUTH S MOMPATI DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2018

## Accounting Policies

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### 1.6 Financial instruments (continued)

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.

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.

#### 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 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).



# DR RUTH S MOMPATI DISTRICT MUNICIPALITY

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

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:

[Specify judgements made]

### 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.

# DR RUTH S MOMPATI DISTRICT MUNICIPALITY

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

#### Reversal of impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, 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.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

### 1.9 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.

# DR RUTH S MOMPATI DISTRICT MUNICIPALITY

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

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:

[Specify judgements made]

#### 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.

#### Reversal of an impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

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

After a reversal of an impairment loss is recognised, 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.

### 1.10 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.

# DR RUTH S MOMPATI DISTRICT MUNICIPALITY

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### 1.10 Employee benefits (continued)

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

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

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

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

#### Short-term employee benefits

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

Short-term employee benefits include items such as:

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

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

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

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

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

#### 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.

# DR RUTH S MOMPATI DISTRICT MUNICIPALITY

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### 1.10 Employee benefits (continued)

#### 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.

# DR RUTH S MOMPATI DISTRICT MUNICIPALITY

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### 1.10 Employee benefits (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- the amount determined above; and
- 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.

# DR RUTH S MOMPATI DISTRICT MUNICIPALITY

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### 1.10 Employee benefits (continued)

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 annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

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

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

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

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

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

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

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

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

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

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

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

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### 1.10 Employee benefits (continued)

#### Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

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

### 1.11 Provisions

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



# DR RUTH S MOMPATI DISTRICT MUNICIPALITY

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### 1.11 Provisions (continued)

A constructive obligation to restructure arises only when an entity:

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

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

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

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

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 34.

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.

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

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

### 1.12 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

# DR RUTH S MOMPATI DISTRICT MUNICIPALITY

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### 1.12 Commitments (continued)

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

### 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.

### 1.14 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by a 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 arises when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

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

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

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

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, a 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 regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

# DR RUTH S MOMPATI DISTRICT MUNICIPALITY

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

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.

#### Donations

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

### 1.15 Expenditure

Expenditure shall be recognised when it occurs and in the period in which the expense relates and not only when payment is made.

### 1.16 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

### 1.17 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.

### 1.18 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.

# DR RUTH S MOMPATI DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2018

## Accounting Policies

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### 1.18 Unauthorised expenditure (continued)

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.

### 1.19 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.

### 1.20 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), 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.

### 1.21 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

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.

The municipality is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the municipality to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Where the municipality is exempt from the disclosures in accordance with the above, the municipality discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity's financial statements to understand the effect of related party transactions on its annual financial statements.

### 1.22 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and

# DR RUTH S MOMPATI DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2018

## Accounting Policies

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### 1.22 Events after reporting date (continued)

- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

# DR RUTH S MOMPATI DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2018

## Notes to the Annual Financial Statements

Figures in Rand	2018	2017
<b>2. Operating lease asset (accrual)</b>		
Current assets	68 329	88 970
Current liabilities	-	(236 654)
	<b>68 329</b>	<b>(147 684)</b>

The operating lease asset relates to investment property, ERF 1853, portion of ERF 506 Vryburg, that is being leased to the Department of Transport and Public Work for a 3 year period with a 10% yearly escalation.

The operating lease liability relates to the rental of 50 Market Street by the district from Markork Investment Limited for a period of 3 years with an escalation of 8%.

Please refer to note 40 for disclosure of commitments on the leases.

### 3. Receivables from non-exchange transactions

Provision for Impairment on Receivables	(9 342 669)	(199 136)
Bad Debts Written Off	-	(1 105 703)
Government grants and subsidies	-	223 467
Employee debtors	404 606	289 819
Other receivables from non-exchange transactions	9 155 338	11 704 858
	<b>217 275</b>	<b>10 913 305</b>

#### Reconciliation of provision for impairment of receivables from non-exchange transactions

Opening balance	199 136	1 163 573
Provision for impairment	9 143 533	141 266
Amounts written off as uncollectible	-	(1 105 703)
	<b>9 342 669</b>	<b>199 136</b>

### 4. VAT receivable

VAT	37 586 907	80 498 545
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### 5. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	1 426	1 200
Bank balances (Primary Bank Account)	20 471 756	592 665
Short-term deposits	32 694 478	81 905 108
	<b>53 167 660</b>	<b>82 498 973</b>

# DR RUTH S MOMPATI DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2018

## Notes to the Annual Financial Statements

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Figures in Rand	2018	2017
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### 5. Cash and cash equivalents (continued)

#### Credit quality and impairment of cash at bank and short term deposits

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings.

During the financial year the Municipality invested a total amount of R 150 000 000 in a VBS MUTUAL BANK - 6 month Smart Fixed Deposit. The Minister of Finance, upon recommendation by the Registrar of Banks, decided to place VBS Mutual Bank under curatorship with effect from Sunday 11 March 2018. The placement of VBS under curatorship was objective evidence that the investment should be assessed for impaired.

Given the possibility that the full value of investments in VBS Mutual Bank would not be realised, subsequent measurement of the investment was amended. Council decided to impairment the investment on 29 June 2018.

#### Impairment - VBS - 6 months Smart Fixed Deposit

Investment deposit 19 February 2018	100 000 000	-
Investment deposit 02 March 2018	50 000 000	-
Interest for the period	1 942 475	-
Interest received	(1 247 671)	-
Impairment of investment	(150 694 804)	-
<b>Closing balance</b>	<b>-</b>	<b>-</b>

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# DR RUTH S MOMPATI DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2018

## Notes to the Annual Financial Statements

Figures in Rand 2018 2017

### 5. Cash and cash equivalents (continued)

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
FNB - Primary Bank Account - Cheque Account # 62419781374	664 930	592 665	11 703 068	664 930	592 665	11 703 068
FNB - 6 Months Fixed Account # 71230646229	4 500 000	4 500 000	4 500 000	4 664 232	4 500 000	4 500 000
FNB - Call Account # 62453114383	7 456 787	11 893 995	264 781	7 456 787	11 893 995	264 781
FNB - Call Account # 62453115224	9 149 310	20 003 082	417 759	9 149 310	20 003 082	417 759
FNB - Call Account # 62453121065	1 011 786	1 001 507	995 789	1 011 786	1 001 507	995 789
FNB - Call Account # 62453095666	3	3	677 839	3	3	677 839
FNB - Call Account # 62453121552	152 902	16 638 986	1 325	152 902	16 638 986	1 325
FNB - Call Account # 62453063986	436 329	431 897	429 431	436 329	431 897	429 431
FNB - Call Account # 62453006283	2 454 158	2 429 195	2 415 326	2 454 158	2 429 195	2 415 326
FNB - Call Account # 62453097472	29 944	29 640	2 681 544	29 944	29 640	2 681 544
FNB - Call Account # 62453117452	1 835 461	33 184	181 147	1 835 461	33 184	181 147
FNB - Call Account # 62453014103	32 138	2 889 274	2 333 692	32 138	2 889 274	2 333 692
FNB - Call Account # 62453118509	1 379	4 393	1 955	1 377	4 393	1 955
FNB - Call Account # 62464422056	10 907	10 795	309 048	10 907	10 795	309 048
FNB - Call Account # 62483135664	4 873 558	7 259	10 570 178	4 873 558	7 259	10 570 178
FNB - Call Account # 62522175878	314 930	22 031 308	1 638 241	314 930	22 031 308	1 638 241
FNB - Call Account # 62453058987	270 657	590	-	270 657	590	-
FNB - Call Account # 62453121065	-	-	307 793	-	-	307 793
FNB - Call Account # 62453062722	-	-	38 750	-	-	38 750
FNB - Call Account # 62453119028	-	-	2 696 542	-	-	2 696 542
FNB - Call Account # 62453116404	-	-	38 687	-	-	38 687
FNB - Call Account # 62453058987	-	-	3 457 377	-	-	3 457 377
VBS MUTUAL BANK - 6 months Smart Fixed Deposit - 10087600002	150 000 000	-	-	-	-	-
<b>Total</b>	<b>183 195 179</b>	<b>82 497 773</b>	<b>45 660 272</b>	<b>33 359 409</b>	<b>82 497 773</b>	<b>45 660 272</b>



# DR RUTH S MOMPATI DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2018

## Notes to the Annual Financial Statements

Figures in Rand 2018 2017

### 6. Investment property

	2018			2017		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	5 426 628	-	5 426 628	5 568 662	-	5 568 662

#### Reconciliation of investment property - Disclosure notes

	Opening balance	Fair value adjustments	Total
Investment property	5 568 662	(142 034)	5 426 628

#### Reconciliation of investment property - 2017

	Opening balance	Fair value adjustments	Total
Investment property	4 553 562	1 015 100	5 568 662

#### Details of valuation

The effective date of the revaluations was Saturday, 30 June 2018. Revaluations were performed by an independent valuer, P Venter who has been appointed as a candidate valuer according to the Property Valuers Profession Act 47 of 2000 and was assisted by HJ Swanepoel who is a professional valuer. Both Venter and Swanepoel are not connected to the municipality and have recent experience in location and category of the investment property being valued.

The valuation was based on the comparable sales method which consists of comparing the properties with other properties which have recently been sold in the market and then making the necessary adjustments in order to determine the present market value of the properties.

Amounts recognised in surplus and deficit for the year.

Rental revenue from investment property	942 373	942 373
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### 7. 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	3 320 208	-	3 320 208	3 320 208	-	3 320 208
Buildings	81 312 083	(50 054 158)	31 257 925	81 312 083	(50 054 158)	31 257 925
Machinery and equipment	3 515 572	(2 549 444)	966 128	3 507 382	(2 135 414)	1 371 968
Office furniture	2 115 956	(1 785 371)	330 585	2 088 052	(1 455 960)	632 092
Official vehicles	21 360 917	(16 838 785)	4 522 132	21 093 760	(14 796 497)	6 297 263
Office equipment	983 289	(725 289)	258 000	939 664	(717 857)	221 807
Computer equipment	5 865 196	(4 044 753)	1 820 443	5 250 706	(2 951 518)	2 299 188
Infrastructure	1 928 548 656	(299 382 091)	1 629 166 565	1 818 797 169	(240 918 043)	1 577 879 126
Work in progress	698 480 058	-	698 480 058	475 629 926	-	475 629 926
<b>Total</b>	<b>2 745 501 935</b>	<b>(375 379 891)</b>	<b>2 370 122 044</b>	<b>2 411 938 950</b>	<b>(313 029 447)</b>	<b>2 098 909 503</b>

# DR RUTH S MOMPATI DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2018

## Notes to the Annual Financial Statements

Figures in Rand

### 7. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - Disclosure notes

	Opening balance	Additions	Transfers	Depreciation	Total
Land	3 320 208	-	-	-	3 320 208
Buildings	31 257 925	-	-	-	31 257 925
Plant and machinery	1 371 968	-	-	(405 840)	966 128
Office furniture	632 092	-	-	(301 507)	330 585
Official vehicles	6 297 263	267 158	-	(2 042 289)	4 522 132
Office equipment	221 807	121 798	-	(85 605)	258 000
IT equipment	2 299 188	307 619	-	(786 364)	1 820 443
Infrastructure	1 577 879 126	107 756 234	-	(56 468 795)	1 629 166 565
Work in progress	475 629 926	307 905 912	(85 055 780)	-	698 480 058
	<b>2 098 909 503</b>	<b>416 358 721</b>	<b>(85 055 780)</b>	<b>(60 090 400)</b>	<b>2 370 122 044</b>

# DR RUTH S MOMPATI DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2018

## Notes to the Annual Financial Statements

Figures in Rand

### 7. Property, plant and equipment (continued)

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

	Opening balance	Additions	Disposals	Transfers	Revaluations	Transfers to expenditure	Depreciation	Impairment loss	Total
Land	3 120 468	-	-	-	199 740	-	-	-	3 320 208
Buildings	30 572 565	-	-	-	1 186 593	-	(501 233)	-	31 257 925
Plant and machinery	1 794 193	-	-	-	-	-	(421 957)	(268)	1 371 968
Office furniture	669 867	175 730	(1 337)	-	-	-	(211 666)	(502)	632 092
Official vehicles	8 522 960	685 000	(350 228)	-	-	-	(2 560 469)	-	6 297 263
Office equipment	278 643	54 840	(980)	-	-	-	(110 696)	-	221 807
Computer equipment	2 263 012	1 175 165	(195 370)	-	-	-	(909 587)	(34 032)	2 299 188
Infrastructure	1 578 105 924	-	(6 270 759)	39 963 311	-	-	(33 671 678)	(247 672)	1 577 879 126
Work in progress	212 364 811	356 437 470	-	(39 963 311)	-	(53 209 044)	-	-	475 629 926
	<b>1 837 692 443</b>	<b>358 528 205</b>	<b>(6 818 674)</b>	<b>-</b>	<b>1 386 333</b>	<b>(53 209 044)</b>	<b>(38 387 286)</b>	<b>(282 474)</b>	<b>2 098 909 503</b>

#### Revaluations

Land and buildings are re-valued independently annually

The effective date of the revaluations was Saturday, 30 June 2018. Revaluations were performed by an independent valuer, P Venter who has been appointed as a candidate valuer according to the Property Valuers Profession Act 47 of 2000 and was assisted by HJ Swanepoel who is a professional valuer. Both Venter and Swanepoel are not connected to the municipality and have recent experience in location and category of the property, plant and equipment being value

# DR RUTH S MOMPATI DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2018

## Notes to the Annual Financial Statements

Figures in Rand 2018 2017

### 8. Intangible assets

	2018			2017		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	1 981 409	(711 776)	1 269 633	1 981 409	(455 494)	1 525 915

#### Reconciliation of intangible assets - Disclosure notes

	Opening balance	Amortisation	Total
Computer software	1 525 915	(256 282)	1 269 633

#### Reconciliation of intangible assets - 2017

	Opening balance	Additions	Amortisation	Total
Other intangible assets	964 705	802 766	(241 556)	1 525 915

### 9. Other financial liabilities

#### At amortised cost

DBSA Loan 54 834 335 65 637 565

Loan redemption date is 28 February 2027. Interest is only incurred on arrears amounts at an interest rate of 12,75% per annum.

This is a loan that was inherited by the district municipality during the 2005 redemarcation process for the 2 local municipalities, namely Mamusa Local Municipality and Lekwa - Teema Local Municipality, water and sanitation infrastructure projects.

#### Non-current liabilities

At amortised cost 44 034 335 54 837 565

#### Current liabilities

At amortised cost 10 800 000 10 800 000

### 10. Payables from exchange transactions

Trade payables	42 815 504	141 472 176
Retention	34 775 827	18 219 562
Accrued leave pay	5 087 578	5 139 632
Accrued bonuses	2 731 049	2 796 964
Other Creditors	2 915 757	1 044 874
	<b>88 325 715</b>	<b>168 673 208</b>

# DR RUTH S MOMPATI DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2018

## Notes to the Annual Financial Statements

Figures in Rand

2018

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### 11. Employee benefit obligations

#### Post-employment medical aid liability (PEMA) and Long service awards liability (LSA)

##### Background

One Pangaea Financial ('OPF') performed the actuarial valuation of Dr Ruth Segomotsi Mompatis Municipality's post employment health care liability at 30 June 2018 for the purpose of reporting under the Statement of Generally Recognised Accounting Practice 25 (GRAP25) of the Accounting Standards Board (ASB) Directive 5.

This investigation is for financial reporting and is addressed only to the management of Dr Ruth Segomotsi Mompoti Municipality. It is addressed neither to the members nor the trustees of any medical scheme. This report is confidential to the party to whom it is addressed.

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

LSA - In accordance with the requirements of GRAP25, the Projected Unit Credit method has been applied. Accrued liabilities are defined as the actuarial present value of all benefits expected to be paid in future based on service accrued to the valuation date and awards projected to retirement date. In determining these liabilities, due allowance has been made for future award increases. The valuation has been made with reference Actuarial Society of South Africa (ASSA) guidelines, in particular, the Advisory Practice Note 207, and is consistent with the requirements of GRAP25.

##### Primary objective

The primary objective of this investigation is to quantify the present value of post employment healthcare liabilities and long service awards in terms of GRAP 25 for employees:

- a) Current continuation retirees; and
- b) Future continuation retirees emanating from the current active and inactive medical scheme members employed by Dr Ruth Segomotsi Mompoti Municipality.

An expense for the 2017/18 financial year will be derived and a projected expense for the following year will be calculated for budget purposes.

##### Nature of the liability - PEMA

The employer's post-employment health care liability consists of a commitment to pay a portion of the pensioners' post-employment medical scheme contributions. This liability is also generated in respect of dependants who are offered continued membership of the medical scheme on the death of the primary pensioner.

The liability generated by the obligation to subsidise medical contribution in retirement, for qualifying retirees and their eligible dependants, is classified as a defined benefit liability in terms of GRAP 25

Dr Ruth Segomotsi Mompoti is committed to pay subsidiaries broadly as follows

- a) Between 40% and 60% to current employees;
- b) 70% to current continuation retirees
- c) Widow (er)s and orphans of current employees are entitled to continue at 70%, the subsidy upon death of the pensioner.

The subsidy percentages were provided to us by Dr Ruth Segomotsi Mompoti and are not verifiable.

##### Nature of the liability - LSA

GRAP25 states that the current service cost should be recognised as a periodic expense in operating profit and should be matched to the benefit received during the working life of the employee.

# DR RUTH S MOMPATI DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2018

## Notes to the Annual Financial Statements

Figures in Rand 2018 2017

### 11. Employee benefit obligations (continued)

Dr Ruth offers bonuses for every 5 years of completed service from 5 years to 45 years.

Dr Ruth offers bonuses for every 5 years of completed service from 5 years to 45 years. Below we outline the benefits awarded to qualifying employees:

Completed service (Years)	Long Service Bonus Awards	Determination of cash bonus value
10	10 days accumulative leave	10/250* x Annual Salary
15	20 days accumulative leave	20/250* x Annual Salary
20, 25, 30, 35, 40, 45	30 days accumulative leave	30/250* x Annual Salary

\*A day of accumulated leave is worth 1/250 of the annual salary.

Long service accumulated leave must be taken within one year of receiving such leave or may be wholly or partially cashed. Dr Ruth advised that in most cases, employees choose to exercise the option to wholly convert their accumulative leave bonus days into cash.

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

#### Carrying value

Present value of the defined benefit obligation-wholly unfunded - PEMA	(33 194 000)	(32 434 000)
Present value of the defined benefit obligation-wholly unfunded - LSA	(5 577 000)	(5 103 000)
	<b>(38 771 000)</b>	<b>(37 537 000)</b>

Non-current liabilities	(36 950 000)	(36 419 000)
Current liabilities	(1 821 000)	(1 118 000)
	<b>(38 771 000)</b>	<b>(37 537 000)</b>

#### Balance sheet accrued liability and funding

Active employees - PEMA	(17 050 000)	(16 627 000)
Continuation pensioners - PEMA	(16 144 000)	(15 807 000)
Employer's accrued liability - LSA	(5 577 000)	(5 103 000)
Fair value of plan assets	-	-
	<b>(38 771 000)</b>	<b>(37 537 000)</b>

Changes in the present value of the defined benefit obligation are as follows:

Opening balance	37 537 000	36 974 000
Benefits paid - PEMA	(771 000)	(773 000)
Benefits paid - LSA	(347 000)	(346 000)
Net expense recognised in the statement of financial performance	2 352 000	1 682 000
	<b>38 771 000</b>	<b>37 537 000</b>

Net expense recognised in the statement of financial performance

Current service cost - PEMA	1 525 000	1 950 000
Current service cost - LSA	532 000	483 000
Interest cost - PEMA	3 256 000	3 015 000
Interest cost - LSA	441 000	406 000
Actuarial (gains) losses - PEMA	(3 250 000)	(4 020 000)
Actuarial (gains) losses - LSA	(152 000)	(152 000)
	<b>2 352 000</b>	<b>1 682 000</b>

# DR RUTH S MOMPATI DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2018

## Notes to the Annual Financial Statements

Figures in Rand	2018	2017
<b>11. Employee benefit obligations (continued)</b>		
<b>Calculation of actuarial gains and losses</b>		
Actuarial (gains) losses – Obligation	(3 402 000)	(4 172 000)
	<b>(3 402 000)</b>	<b>(4 172 000)</b>
<b>Analysis of the actuarial (gain)/loss - PEMA and LSA</b>		
Projected accrued liability as at the beginning of the year	37 537 000	36 974 000
(1) Service Cost	2 057 000	2 433 000
(2) Interest Cost	3 697 000	3 421 000
(3) Expected benefit payments	(1 118 000)	(1 119 000)
(4) Discount rate changes	(412 000)	(3 557 000)
(5) Participant changes/ staff changes	(2 792 000)	(212 000)
(6) Medical contribution increases	306 000	3 148 000
(6) Salary changes	38 000	4 000
(7) Miscellaneous	(542 000)	(3 555 000)
	<b>38 771 000</b>	<b>37 537 000</b>

1. During the financial year Dr Ruth employees accrued an extra year of service and as a result the liability increased by R 2 057 000 (2017: R 2 433 000).

2. Interest cost over the valuation period results in an increase in the liability by R3 697 000 (2017: R 3 421 000).

3. PEMA - Expected benefit payments towards continuation pensioners currently being subsidised for medical contributions for the year amounted to R 771 000 (2017: R 773 000).

3. LSA - Some employees attained milestones during the valuation period and this resulted in bonus payment of R347 000 (2017: R 346 000) which reduced the accrued LSA liability by the same margin.

4. PEMA - The net discount rate changed from 1.46% to 1.54% (2017: 0.85% to 1.46%) during the valuation period. The increase in the net discount rate is inversely related to the accrued obligation. As a result the increase in the discount rate resulted in a decrease to the accrued liability.

4. LSA - The net discount rate changed from 2.07% to 2.32% (2017: 1.27% to 2.07%) during the valuation period. The accrued liability is inversely related to the net discount. As such the increase in the net discount resulted in a decrease in the accrued liability.

5. The movements in number of participants/ staff employed resulted in a decrease to the accrued liability.

6. PEMA - Medical contribution increases resulted in an increase to the accrued liability.

6. LSA - The yearly salary increases anticipated resulted in an increase to the accrued liability.

7. The miscellaneous items in the data resulted in a decrease to the liability by R 542 000 (2017: R 3 555 000). Factors that make up the miscellaneous items are changes to data from prior year and variations from demographic assumptions (i.e. rates of withdrawal).

# DR RUTH S MOMPATI DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2018

## Notes to the Annual Financial Statements

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Figures in Rand	2018	2017
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### 11. Employee benefit obligations (continued)

#### Key assumptions used - PEMA

Assumptions used at the reporting date to determine the Post-employment medical aid liability:

Consumer price inflation	6.63 %	7.07 %
Discount rate used	9.79 %	10.16 %
Health care cost inflation	8.13 %	8.57 %
Net discount rate	1.54 %	1.46 %
Normal retirement age	65	65
Fully accrued age (to take account for ill-health and early retirement decrements)	63	63
Continuation percentages - % of active employees, or their surviving dependants	90.00 %	90.00 %
Mortality - active employees	SA85-90	SA85-90
Mortality - pensioners	PA (90)-2	PA (90)-2

Participants eligible for post employment medical aid subsidy:

The active employees active age was 40.67 years (2017: 41.70 years) with an average employer monthly contribution of R 3 126 (2017: R2 769).

The continuation pensioners active age was 75.17 years (2017: 75.13 years) with an average employer monthly contribution of R 3 299 (2017: R 3 753).

The active employees were assumed to have one dependent, on retirement, in the form of a spouse, as per the marriage assumption table.

The basis on which the net discount rate has been determined is as follow:

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

The methodology of setting the financial assumptions has been updated to be more duration specific. At the previous valuation date, 30 June 2017 the duration of liabilities was 15.77 years. At this duration the discount rate determined by using the Bond Exchange Zero Coupon Yield Curve as at 29 June 2018 is 9.79% per annum, and the yield on the inflation linked bonds of a similar term was about 2.96% per annum, implying an underlying expectation of inflation of 6.63% per annum  $([1 + 9.79\%] / [1 + 2.96\%] - 1)$ .

A healthcare cost inflation rate of 8.13% was assumed. This is 1.50% in excess of the expected inflation over the expected term of the liability, consistent with the previous actuary.

It is the relative levels of the discount rate and healthcare inflation to one another that are important, rather than the nominal values. Net discount factor of 1.54% per annum  $([1 + 9.79\%] / [1 + 8.13\%] - 1)$  was assumed.

Demographic and decrement assumptions, is as follows:

The demographic and decrement assumptions were consistent in the previous and current valuation period.



# DR RUTH S MOMPATI DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2018

## Notes to the Annual Financial Statements

Figures in Rand 2018 2017

### 11. Employee benefit obligations (continued)

#### Key assumptions used - LSA

Discount rate	9.13 %	8.95 %
CPI	5.66 %	5.74 %
Salary increase rate	6.66 %	6.74 %
Net Discount Rate	2.32 %	2.07 %
Normal retirement age (years)	63	66
Mortality	SA85-90	SA85-90

Employees eligible for long service bonus awards:

The Municipality had 203 (2017: 2013) eligible employees with a average annual salary of R 313 708 (2017:R 276 259).

Average age of the eligible employees was 40.5 years (2017: 41.5 years).

Average past service years of the eligible employees was 9.3 years (2017: 8.8 years).

The basis on which the net discount rate has been determined is as follow:

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

The methodology of setting the financial assumptions has been updated to be more duration specific. At the previous valuation report, 30 June 2017 the duration of liabilities was 7.81 years. At this duration the discount rate determined by using the Bond Exchange Zero Coupon Yield Curve as at 29 June 2018 is 9.13% per annum, and the yield on inflation linked bonds of a similar term was about 2.81% per annum. This implies an underlying expectation of inflation of 5.66% per annum  $([1 + 9.13\% - 0.5\%] / [1 + 2.81\%] - 1)$ .

Assumption that salary inflation would exceed general inflation by 1.0% per annum, i.e. 6.66% per annum.

It is the relative levels of the discount rate and salary inflation to one another that are important, rather than the nominal values. We have thus assumed a net discount factor of 2.32% per annum  $([1 + 9.13\%] / [1 + 6.66\%] - 1)$ .

#### Sensitivity analysis

The effect of a one percent increase and decrease in the medical inflation rate is as follows:

	One percentage point decrease	One percentage point increase
Employer's accrued liability - PEMA	28 406 000	39 237 000
Service cost - PEMA	1 251 000	2 050 000
Interest cost - PEMA	2 713 000	3 770 000

The effect of a one percent increase and decrease in the net discount rates is as follows:

	One percentage point decrease	One percentage point increase
Employer's accrued liability - LSA	6 019 000	5 187 000
Employer's current service cost - LSA	594 000	499 000
Employer's interest cost - LSA	474 000	506 000

# DR RUTH S MOMPATI DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2018

## Notes to the Annual Financial Statements

Figures in Rand	2018	2017
<b>12. Unspent conditional grants and receipts</b>		
<b>Unspent conditional grants and receipts comprises of:</b>		
Department of Sport	897 237	897 237
Department of Water Affairs & Forestry Grant (RBIG)	124 238 524	24 816 286
Expanded Public Works Incentive (EPWP)	567 485	36 045
Municipal Infrastructure Grant (MIG)	28 510 439	-
Rural Household Infrastructure Grant (RHIG)	418	418
Rural Roads Asset Management Systems Grant (RRAMS)	299 526	-
Vuna awards - Conditional Grant	710	710
Water Services Infrastructure Grant (WSIG)	-	11 907 460
	<b>154 514 339</b>	<b>37 658 156</b>

The nature and extent of government grants recognised in the annual 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 18 for reconciliation of grants from National/Provincial Government.

These amounts are invested in a ring-fenced investment until utilised.

Investment of R 100 000 000 of funds received from Department of Water affairs and forestry (DWAF) for the Regional Bulk Infrastructure Grant (RBIG) was invested in VBS mutual bank. These fund have been impaired and the unspent grant at year end contains a portion of R 100 000 000 that is not cash backed.

Investment of R 29 000 000 of funds received for the MIG grant was invested in VBS mutual bank. These fund have been impaired and the unspent grant contains a portion of R 29 000 000 that is not cash backed.

### 13. Revaluation reserve

Opening balance	9 825 736	8 439 403
Fair value gains: Land and buildings	-	1 386 333
	<b>9 825 736</b>	<b>9 825 736</b>

### 14. Accumulated surplus

#### Ring-fenced internal funds and reserves within accumulated surplus - Disclosure notes

	Accumulated surplus	Total
Opening balance	1 960 435 553	1 960 435 553
Surplus for the year	161 151 798	161 151 798
	<b>2 121 587 351</b>	<b>2 121 587 351</b>

#### Ring-fenced internal funds and reserves within accumulated surplus - 2017

	Accumulated surplus	Total
Opening balance	1 688 308 668	1 688 308 668
Surplus for the year previously recognised	282 221 834	282 221 834
Prior period error	(10 094 949)	(10 094 949)
	<b>1 960 435 553</b>	<b>1 960 435 553</b>

# DR RUTH S MOMPATI DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2018

## Notes to the Annual Financial Statements

Figures in Rand	2018	2017
<b>15. Investment revenue</b>		
<b>Interest revenue</b>		
Bank	709 242	254 173
Interest received - investments	14 360 670	13 941 804
	<b>15 069 912</b>	<b>14 195 977</b>
<b>16. Other income</b>		
Tender document fees	324 008	225 148
Insurance claims received	320 562	118 845
	<b>644 570</b>	<b>343 993</b>
<b>17. Rental of facilities and equipment</b>		
<b>Premises</b>		
Premises	942 373	942 373

Included in the above rentals are operating lease rentals at straight-lined amounts of R 942 373 (2017: R 942 373) as well as contingent rentals of R - (2017: R -).

The operating lease revenue relates to investment property, ERF 1853, portion of ERF 506 Vryburg, that is being leased to the Department of Transport and Public Work for a 3 year period with a 10% yearly escalation.

# DR RUTH S MOMPATI DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2018

## Notes to the Annual Financial Statements

Figures in Rand 2018 2017

### 18. Government grants and subsidies

#### Operating grants

Equitable share	308 412 000	282 287 000
Expanded Public Works Incentive (EPWP)	4 310 560	2 236 955
Financial Management Grant (FMG)	1 250 000	1 249 990
	<b>313 972 560</b>	<b>285 773 945</b>

#### Capital grants

Municipal Infrastructure Grant (MIG)	184 934 560	230 717 001
Department of Water Affairs & Forestry Grant (RBIG)	82 577 762	103 522 714
Rural Roads Asset Management Systems Grant (RRAMS)	2 139 474	2 290 000
Water Services Infrastructure Grant (WSIG)	89 893 460	65 792 540
Fire and Emergency Grant	1 668 563	-
	<b>361 213 819</b>	<b>402 322 255</b>
	<b>675 186 379</b>	<b>688 096 200</b>

#### Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	327 391 295	405 809 200
Unconditional grants received	308 412 000	282 287 000
	<b>635 803 295</b>	<b>688 096 200</b>

#### Equitable Share

The Municipality's Equitable Share allocation of the Local Government Sphere's share of revenue raised nationally.

No funds were withheld.

#### Expanded Public Works Incentive (EPWP)

Balance unspent at beginning of year	36 045	-
Current-year receipts	4 842 000	2 273 000
Conditions met - transferred to revenue	(4 310 560)	(2 236 955)
	<b>567 485</b>	<b>36 045</b>

Conditions still to be met - remain liabilities (see note 12).

To incentivise municipalities to expand work creation efforts through the use of labour intensive delivery methods in the identified focus areas in compliance with the EPWP Guidelines.

#### Financial Management Grant (FMG)

Current-year receipts	1 250 000	1 250 000
Conditions met - transferred to revenue	(1 250 000)	(1 250 000)
	-	-

Conditions still to be met - remain liabilities (see note 12).

The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns).

# DR RUTH S MOMPATI DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2018

## Notes to the Annual Financial Statements

Figures in Rand	2018	2017
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### 18. Government grants and subsidies (continued)

#### Municipal Infrastructure Grant (MIG)

Current-year receipts	213 445 000	230 717 000
Conditions met - transferred to revenue	(184 934 561)	(230 717 000)
	<b>28 510 439</b>	<b>-</b>

Conditions still to be met - remain liabilities (see note 12).

The Municipal Infrastructure Grant (MIG) was allocated for the construction of roads, basic sewerage and water infrastructure as part of the upgrading of poor households, micro enterprises and social institutions; to provide for new, rehabilitation and upgrading of municipal infrastructure.

#### Department of Water Affairs & Forestry (RBIG)

Balance unspent at beginning of year	24 816 286	-
Current-year receipts	182 000 000	128 339 000
Conditions met - transferred to revenue	(82 577 762)	(103 522 714)
	<b>124 238 524</b>	<b>24 816 286</b>

Conditions still to be met - remain liabilities (see note 12).

The purpose of the grant is to fund bulk connector and internal infrastructure for water services at a basic level of service.

#### Rural Roads Asset Management Systems Grant (RRAMS)

Current-year receipts	2 439 000	2 290 000
Conditions met - transferred to revenue	(2 139 474)	(2 290 000)
	<b>299 526</b>	<b>-</b>

To assist rural district municipalities to set up rural Roads Asset Management Systems, and collect road, bridges and traffic data on municipal road networks in line with the Road Infrastructure Strategic Framework for South Africa.

#### Rural Household Infrastructure Grant (RHIG)

Balance unspent at beginning of year	418	418
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Conditions still to be met - remain liabilities (see note 12).

#### Water Services Infrastructure Grant (WSIG)

Balance unspent at beginning of year	11 907 460	-
Current-year receipts	77 986 000	77 700 000
Conditions met - transferred to revenue	(89 893 460)	(65 792 540)
	<b>-</b>	<b>11 907 460</b>

Conditions still to be met - remain liabilities (see note 12).

To develop new, refurbish, upgrade and replace ageing water and wastewater infrastructure of regional significance that connects water resources to infrastructure serving extensive areas across municipal boundaries or large regional bulk infrastructure serving numerous communities over a large area within a municipality. To pilot regional Water Conservation and Water Demand Management (WC/WDM) projects or facilitate and contribute to the implementation of local WC/WDM projects that will directly impact on bulk infrastructure requirements.

#### Department of Sport

# DR RUTH S MOMPATI DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2018

## Notes to the Annual Financial Statements

Figures in Rand	2018	2017
<b>18. Government grants and subsidies (continued)</b>		
Balance unspent at beginning of year	897 237	897 237
Conditions still to be met - remain liabilities (see note 12).		
<b>Fire and Emergency Grant</b>		
Current-year receipts	1 668 563	-
Conditions met - transferred to revenue	(1 668 563)	-
	-	-
Conditions still to be met - remain liabilities (see note 12).		
<b>Vuna Awards - Conditional Grant</b>		
Balance unspent at beginning of year	710	710
Conditions still to be met - remain liabilities (see note 12)		
<b>19. Revenue</b>		
Rental of facilities and equipment	942 373	942 373
Other income	644 570	343 993
Interest received	15 069 912	14 195 977
Government grants & subsidies	675 186 379	688 096 200
Other Income	12 642	1 533 617
	<b>691 855 876</b>	<b>705 112 160</b>
<b>The amount included in revenue arising from exchanges of goods or services are as follows:</b>		
Rental of facilities and equipment	942 373	942 373
Other income	644 570	343 993
Interest received	15 069 912	14 195 977
	<b>16 656 855</b>	<b>15 482 343</b>
<b>The amount included in revenue arising from non-exchange transactions is as follows:</b>		
<b>Transfer revenue</b>		
Government grants & subsidies	675 186 379	688 096 200
Other Income	12 642	1 533 617
	<b>675 199 021</b>	<b>689 629 817</b>

# DR RUTH S MOMPATI DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2018

## Notes to the Annual Financial Statements

Figures in Rand	2018	2017
<b>20. Employee related costs</b>		
Basic	72 737 847	66 418 324
Bonus	4 844 426	4 862 873
Housing benefits and allowances	1 860 398	2 271 130
Leave pay provision charge	4 218 597	1 773 011
Long service awards	590 720	483 000
Medical aid contributions	7 377 357	6 835 614
Other allowances and subsidies	3 500	-
Overtime payments	1 663 043	3 138 850
Pension fund contributions	11 079 400	10 735 483
SDL and UIF contributions	1 411 080	1 298 025
Telephone - Officials	683 679	635 076
Travel and motor car allowances	13 073 394	12 896 847
	<b>119 543 441</b>	<b>111 348 233</b>

### Remuneration of the Municipal Manager

Annual Remuneration	405 839	876 281
Car Allowance	94 043	144 000
Housing allowance	96 855	282 457
Contributions to UIF, Medical and Pension Funds	55 575	172 795
Cellphone Allowance	13 512	20 119
Leave Pay	74 373	73 025
	<b>740 197</b>	<b>1 568 677</b>

The decrease in the Remuneration package was due to the requirements of Government gazette No. 41173 issued on 10 October 2017 in order to comply with the upper limits of the total remuneration packages payable to municipal managers and managers directly accountable to municipal manager.

The contract of the previous municipal manager expired on 31 July 2017. The current municipal manager, Mr. J Mononela commenced on 1 December 2017.

The position was vacant from 01 August 2017 to 30 November 2017.

### Remuneration of the Chief Finance Officer

Annual Remuneration	711 754	803 032
Car Allowance	60 000	72 000
Housing allowance	197 511	219 457
Contributions to UIF, Medical and Pension Funds	171 073	190 956
Cellphone Allowance	9 490	11 239
Leave Pay	119 678	72 068
Bonus	94 900	65 408
	<b>1 364 406</b>	<b>1 434 160</b>

The contract of the previous chief financial officer expired on 31 April 2018. The position has been vacant since then.

### Remuneration of Corporate Services Manager

Annual Remuneration	400 718	753 512
Car Allowance	30 000	120 000
Housing allowance	131 623	183 916
Contributions to UIF, Medical and Pension Funds	80 200	148 720
Cellphone Allowance	5 694	11 239
Leave Pay	96 219	62 794
Bonus	66 786	61 375
	<b>811 240</b>	<b>1 341 556</b>

# DR RUTH S MOMPATI DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2018

## Notes to the Annual Financial Statements

Figures in Rand 2018 2017

### 20. Employee related costs (continued)

The contract of the previous corporate services manager expired on 31 December 2017. The position has been vacant since then.

#### Remuneration of Executive Support Manager

Annual Remuneration	790 837	743 548
Car Allowance	197 709	185 887
Housing allowance	218 130	207 515
Contributions to UIF, Medical and Pension Funds	62 535	55 107
Cellphone Allowance	11 388	11 239
Leave Pay	55 765	47 664
Bonus	98 855	60 563
	<b>1 435 219</b>	<b>1 311 523</b>

#### Remuneration of Chief Audit Executive

Annual Remuneration	790 837	743 547
Car Allowance	73 913	73 913
Housing allowance	294 981	273 392
Contributions to UIF, Medical and Pension Funds	171 626	160 492
Cellphone Allowance	6 948	4 649
Other	50 696	-
	<b>1 389 001</b>	<b>1 255 993</b>

#### Remuneration of Engineering Services Manager

Annual Remuneration	395 419	743 547
Car Allowance	41 159	77 395
Housing allowance	130 333	244 130
Contributions to UIF, Medical and Pension Funds	99 480	187 272
Cellphone Allowance	5 694	11 239
Leave Pay	61 009	66 730
	<b>733 094</b>	<b>1 330 313</b>

The contract of the previous engineering services manager expired on 31 December 2017. The position has been vacant since then.

#### Remuneration of Economic Development, Tourism & Agricultural Manager

Annual Remuneration	433 099	814 401
Car Allowance	84 000	168 000
Housing allowance	104 335	181 890
Contributions to UIF, Medical and Pension Funds	108 953	207 195
Cellphone Allowance	5 694	9 310
Leave Pay	112 785	49 848
	<b>848 866</b>	<b>1 430 644</b>

The contract of the previous economic development, tourism & agricultural manager expired on 31 December 2017. The position has been vacant since then.

#### Remuneration of Community Services Manager

Annual Remuneration	790 837	743 547
Car Allowance	120 000	84 000
Housing allowance	156 959	176 236



# DR RUTH S MOMPATI DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2018

## Notes to the Annual Financial Statements

Figures in Rand	2018	2017
<b>20. Employee related costs (continued)</b>		
Contributions to UIF, Medical and Pension Funds	198 011	186 314
Cellphone Allowance	11 388	11 239
Leave Pay	50 696	47 664
Bonus	65 903	60 563
	<b>1 393 794</b>	<b>1 309 563</b>

### 21. Remuneration of councillors

Councillors - Refer to Related Parties note for details	7 104 170	6 400 125
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#### In-kind benefits

The Mayor and Speaker have the use of Council owned vehicles for official duties.

The Mayor and Speaker both have two full-time VIP bodyguards/drivers.

### 22. Depreciation and amortisation

Property plant and equipment	62 063 952	38 387 285
Intangible assets	256 282	241 557
	<b>62 320 234</b>	<b>38 628 842</b>

### 23. Impairment of assets

#### Impairments

Investments	150 694 804	-
VBS investment impaired due to uncertainty if the investment made and interest accrued will be recovered. The recoverable amount of the asset was based on its present value of expected future cashflows. Due to the uncertainty surrounding the recoverability of the money invested, no future cashflows are expected.		
Property, plant and equipment	-	282 473
Impairment of property plant and equipment that was damaged, stolen or lost.		
	<b>150 694 804</b>	<b>282 473</b>

### 24. Finance costs

Interest paid	36 959	15 125
Interest on Actuarial Valuations	3 697 000	3 421 000
	<b>3 733 959</b>	<b>3 436 125</b>

Refer to note 11 for details of interest on actuarial valuations.

### 25. Lease rentals on operating lease

#### Premises

Contractual amounts	2 909 119	2 903 758
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The rentals above are lease rentals for two properties

The Municipal office, situated at 50 Market Street, and storage space in Market Street leased from Charmakor (Pty) Ltd.

The Municipal office, situated at 50 Market Street is leased from Markork Investment Limited for a period of 3 years with an escalation of 8% over which the lease expense was straightlined.

The lease contracted commenced on 1 July 2015 and ended on 30 June 2018. The lessee had the option to extend the lease on a year to year basis. The municipality exercised the option and will lease the premises from 1 July 2018 on a yearly basis.

# DR RUTH S MOMPATI DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2018

## Notes to the Annual Financial Statements

Figures in Rand	2018	2017
<b>25. Lease rentals on operating lease (continued)</b>		
The storage space in Market Street is leased on a yearly basis.		
<b>26. Debt impairment</b>		
Movement in Impairment Provision	9 143 533	(964 437)
Employee Debtors impaired	-	1 105 703
	<b>9 143 533</b>	<b>141 266</b>
<b>27. Bulk purchases</b>		
Water	106 163 798	139 835 180
<b>28. Contracted services</b>		
<b>Outsourced Services</b>		
Professional Staff	13 000 351	6 592 761
Security Services	1 116 284	1 578 131
<b>Consultants and Professional Services</b>		
Business and Advisory	3 097 610	3 472 560
Infrastructure and Planning	12 870 040	10 993 209
<b>Contractors</b>		
Maintenance of Buildings and Facilities	436 856	-
	<b>30 521 141</b>	<b>22 636 661</b>
<b>29. Grants and subsidies paid</b>		
<b>Other subsidies</b>		
Grants paid to local municipalities	18 851 976	77 529 001
Grants paid to LED projects	472 382	1 526 099
	<b>19 324 358</b>	<b>79 055 100</b>

# DR RUTH S MOMPATI DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2018

## Notes to the Annual Financial Statements

Figures in Rand	2018	2017
<b>30. General expenses</b>		
Advertising	719 407	502 067
Auditors remuneration	3 096 730	4 033 186
Bacterial testing and analysis	-	74 193
Bank charges	43 154	52 026
Books and publications	-	2 109
Bursaries for Officials	125 439	273 126
Cleaning materials and consumables	123 642	84 854
Community functions	683 094	838 291
Conferences and seminars	263 211	286 863
Donations	130 805	29 605
Electricity	285 718	707 910
Employee assistance program	120 625	46 709
Entertainment allowance: Mayor and Councillors	-	1 499
Fuel and oil	898 854	1 109 904
Hire	24 339	178 988
Insurance	548 406	666 814
Kitchen ware and cutlery	986	167
Legal Fees	1 047 265	1 355 846
License fees	61 740	63 731
Mayoral Inauguration	-	193 761
Membership fees: Societies	(49 143)	128 008
Postage and courier	1 102	4 154
Printing and stationery	1 092 057	862 511
Promotions and sponsorships	506 852	838 605
Property rates	142 735	173 160
Protective clothing	318 795	16 560
Refreshment and meals	468 958	581 612
Rental equipment	931 941	1 011 596
Repairs and maintenance	(15 845)	3 141 041
Sanitary and refuse	37 415	109 310
Sitting allowance	210 000	338 000
Small tools and equipment	25 888	5 474
Software expenses	1 117 719	634 869
Special Projects	720 147	514 988
Sundry expenses	298	1 436
Telephone and data costs	1 239 406	1 441 983
Training	685 017	360 667
Travel and subsistence: Officials	6 407 011	5 413 021
Water	527 719	19 730
	<b>22 541 487</b>	<b>26 098 374</b>

Refer to note 43 - Repairs and maintenance for more detail.

### 31. Loss on disposal of assets and liabilities

Gains or losses arising on the disposal of property, plant and equipment

	-	(6 725 801)
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### 32. Fair value adjustments

Investment property

	(142 034)	1 015 100
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# DR RUTH S MOMPATI DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2018

## Notes to the Annual Financial Statements

Figures in Rand	2018	2017
<b>33. Cash generated from operations</b>		
Surplus	161 151 798	272 126 886
<b>Adjustments for:</b>		
Depreciation and amortisation	62 284 234	38 628 843
Gain on sale of assets and liabilities	-	6 725 801
Transfers from WIP to expenditure	-	53 209 044
Fair value adjustments	142 034	(1 015 100)
Impairment deficit	150 694 804	282 473
Debt impairment	9 143 533	141 266
Movements in retirement benefit assets and liabilities	1 234 000	563 000
<b>Changes in working capital:</b>		
Other receivables from non-exchange transactions	1 552 498	(7 296 940)
Prepayments	-	10 241 893
Operating lease receivable	20 641	(66 905)
Payables from exchange transactions	(80 347 491)	19 591 109
VAT	42 911 638	(22 984 284)
Unspent conditional grants and receipts	116 856 183	36 759 791
	<b>465 643 872</b>	<b>406 906 877</b>

# DR RUTH S MOMPATI DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2018

## Notes to the Annual Financial Statements

Figures in Rand	2018	2017
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### 34. Contingent Liabilities

The following litigation are in the process against the municipality relating to disputes:

#### 1. G & HG SILVER BLUE CONSTRUCTION JV

This Joint Venture instituted legal proceedings during the 2011/2012 financial year against the municipality for payment of an amount of R15 409 362 allegedly being due to them in respect of Bid nr BDM2007-013B and the termination of the Joint Venture's services in respect thereof. The plaintiff has not taken any initiative in quite a while and the municipal legal representative is awaiting a notice of set down. The delay in the proceeding is due to the death of the plaintiff's lawyer. The case has been dormant at the North West High Court, the municipality has requested their attorneys to engage the applicant with a view to remove the matter from the court's roll.

#### 2. LOHAN CIVIL (PTY) LTD & 2 OTHERS // DR RUTH MOMPATI DISTRICT MUNICIPALITY - NORTH WEST DIVISION; MAFIKENG - CASE NO: UM08/2018KP

The plaintiff instituted legal proceedings against the Municipality on 21/06/2018 for review of the the appointment of Bigacon on Bid BDM2007-028D- Bloemhof water treatment works to Olievenfontein elevated tank and pump station. The matter is ongoing before the court and it is being defended. Legal cost to defend the matter to date amounts to R 245 043 and R 500 000 is the further costs estimated for finalisation of the matter at the High Court in Mahikeng. The municipality is defending the case as they are confident that SCM processes were followed correctly. Applicant seeks an order to set aside the award of the tender to Bigacon and to be award the same tender.

#### 3. LOHAN CIVIL (PTY) LTD & ANOTHER // DR RUTH MOMPATI DISTRICT MUNICIPALITY - NORTH WEST DIVISION; MAFIKENG - CASE NO: UM82/2018

The applicant initiated a civil litigation claim on 21/06/2018 against the Municipality requesting the Municipality to avail records on the process followed to appoint Lesedi Civil with the intention to review the appointment on Bid RDM2014-034G - Taung bulk water supply to Southern Eastern Village: Volume Reservoirs phase 2E. The matter was heard on the 28th June 2018 in court at Mahikeng. The applicant withdrew the matter with agreement to pay the respondent's costs on party to party scale. R 50 183 costs already incurred by the Municipality in this matter and to be incurred in due course is R27 036. Applicant is seeking an order to be provided with documents.

#### 4. LOHAN CIVIL (PTY) LTD / RAUBEX INFRA (PTY) LTD/ BATHO- BOTLHE GENERAL CONSTRUCTION CC JV // DR RUTH MOMPATI DISTRICT MUNICIPALITY - NORTH WEST DIVISION; MAFIKENG - CASE NO: UM83/2018

The applicant took the Municipality to court requesting the Municipality to avail records on the process followed to appoint Bigacon on the Bid BDM2007-028D- Bloemhof water treatment works to Olievenfontein elevated tank and pump station. The matter was heard on the 20th June 2018 in Mafikeng and the applicant withdrew the application, with an agreement to pay the Applicant's Legal occasioned by the very application on party to party scale. The attorneys of the municipality is still waiting for their bill of costs. R 119 901 costs incurred by the Municipality in this matter. Applicant was seeking an order to be provided with documents.

#### 5. PERFORMANCE BONUSES

The district municipality has a performance agreement with senior managers for performance bonuses to be paid after performance assessment of the managers has been done and the results are approved by council. Since the 2012/13 year end, Council has not paid out any of the performance bonuses to senior managers. Assessments have been done on the performance of all senior managers up until the 2014/15 year end. The municipality to be prudent has been calculating the possible pay out to Senior Managers based on the maximum percentage as per the performance agreement. The accumulated amounts calculated are R 8 486 117 in the current year and R 6 810 861 for 2017.

### 35. Unauthorised expenditure

Unauthorised expenditure	85 063 612	43 028 362
Add: Unauthorised Expenditure - current year	163 661 349	42 035 250
Less: Amounts written off	(42 463 347)	-
	<b>206 261 614</b>	<b>85 063 612</b>

# DR RUTH S MOMPATI DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2018

## Notes to the Annual Financial Statements

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### 35. Unauthorised expenditure (continued)

Investigations are still in progress and as a result no criminal or disciplinary steps have been taken as a consequence of the above expenditure as yet.

During the 2017/2018 financial year a council resolution was taken to write-off R 42 463 347 as recommended in the MPAC oversight report tabled. The amounts relates to 2015/2016 irregular expenditure that was audited.

The main reason for current year unauthorised expenditure was due to the impairment of the VBS investment of R150 694 804. The impairment was not budgeted for and included in final adjusted budget.

### 36. Irregular expenditure

Opening balance	497 360 787	200 092 166
Add: Irregular Expenditure - current year	531 472 554	302 484 889
Less: Prior period correction of duplicate items included - Refer to Prior period error note 49	-	(5 216 268)
	<b>1 028 833 341</b>	<b>497 360 787</b>

#### Details of irregular expenditure (Cumulative Balance)

Tax Clearance	2 743 579
Adverts	5 399 344
Roster	213 440 113
Quotations	48 803 311
Central Supplier Database (CSD)	34 697 319
Sec 21(d) - Above R10 Million Non - Compliance	229 108 600
Councillor Remuneration	854 190
Trade Receivables written off	1 105 703
Investment impairment	150 000 000
Declaration of interest	498 016
Weakness in competitive bidding/ evaluation	276 740 306
Construction Industry Development Board Act (CIDB)	65 442 860
	<b>1 028 833 341</b>

### 37. Fruitless and wasteful expenditure

Opening balance	140 053	103 128
Fruitless and wasteful expenditure current year	36 959	36 925
<b>Balance carried forward</b>	<b>177 012</b>	<b>140 053</b>

The fruitless and wasteful expenditure relates to interest incurred on overdue accounts.

During the 2017/2018 financial year a council resolution was taken to refer the 2015/2016 fruitless and wasteful register amounting to R 103 128 to MPAC for further investigation.

### 38. Going concern

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

### 39. Events after the reporting date

There were no events after reporting period date.

# DR RUTH S MOMPATI DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2018

## Notes to the Annual Financial Statements

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### 40. Commitments

#### Authorised capital expenditure

##### Already contracted for but not provided for

• Property, plant and equipment	915 045 335	514 529 176
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##### Not yet contracted for and authorised by accounting officer

• Property, plant and equipment	14 796 578	14 796 578
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#### Total capital commitments

Already contracted for but not provided for	915 045 335	514 529 176
Not yet contracted for and authorised by accounting officer	14 796 578	14 796 578

<b>929 841 913</b>	<b>529 325 754</b>
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#### Operating leases - as lessee (expense)

##### Minimum lease payments due

- within one year	3 385 728	3 134 933
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The operating lease between the District Municipality (lessee) and the Markok Investments (Pty) Ltd (lessor) had a lease period being from 1 July 2015 to 30 June 2018. As this lease was for 3 years, the expense was straightlined over the period which resulted in an operating lease liability. At the end of the lease term, the contract was renewed for one financial year, being 01 July 2018 to 30 June 2019. No contractual obligations beyond the financial year is applicable. No contingent rent is payable.

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

##### Minimum lease payments due

- within one year	775 109	963 014
- in second to fifth year inclusive	-	775 109

<b>775 109</b>	<b>1 738 123</b>
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The operating lease between the District Municipality (lessor) and the Department of Transport and Public Works (lessee) has a lease period being from 1 April 2016 to 31 March 2019. As this lease is for 3 years, the income was straightlined over the period which resulted in an operating lease asset being created. The lease payments are due for 9 months after the current financial year end. No contingent rent is receivable.

# DR RUTH S MOMPATI DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2018

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### 41. 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 Finance department provides services to the business, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the municipality through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk (including currency, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk.

The Budget and Treasury Office monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risks and liquidity risk. Risk management policies and systems are reviewed regularly to reflect changes to market conditions and the municipality's activities, and compliance with policies and procedures is reviewed by the internal auditors on a continuous basis, and annually by external auditors. The municipality does not enter into or trade financial instruments for speculative purposes.

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports periodically to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function.

#### Liquidity risk

Liquidity Risk is the risk that the municipality will encounter difficulty in meeting the obligations associated with its Financial Liabilities that are settled by delivering cash or another financial asset. The municipality's approach to managing liquidity is to ensure, as far as is possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the municipality's reputation.

Liquidity risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

#### 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 counterparty.

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.

#### Market risk

##### Interest rate risk

Interest rate risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes. The entity's policy is to minimise interest rate cash flow risk exposures on long-term financing. Longer term borrowings are therefore usually at fixed rates. The entity's exposures to interest rates on financial assets and financial liabilities are detailed below.

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

- Call and notice deposits
- Development Bank of Southern Africa loans.



# DR RUTH S MOMPATI DISTRICT MUNICIPALITY

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<b>42. Related parties</b>		
<b>Relationships</b>		
Accounting Officer	Mr. Z.E.L. Tshetlho (Accounting Officer) - 01 July 2016 - 31 July 2017 Mrs. E. Moncho (Accounting Officer - Acting Municipal Manager) - From 01 August 2017 to 30 November 2017 Mr. J Mononela (Accounting Officer) - 01 December 2017 to date	
Chief Financial Officer	Ms. S.A.S Phatudi (Chief Financial Officer) - 30 April 2017 to 30 April 2018 Ms. D.L. Motshelabola (Acting Chief Financial Officer) - 1 May 2018 to date	
Members of key management	Mrs. M. Makhonofane (Senior Manager: Economic Development & Tourism) - 01 July 2017 - 31 December 2017 Mrs. A.K. Moheta (Acting Senior Manager: Economic Development & Tourism) - 01 January 2018 to date Mrs. E. Mogwera (Acting Senior Manager: Corporate Services) - 01 January 2018 to date Mrs. D. Dambuza (Senior Manager: Corporate Services) - 01 July 2017 - 31 December 2017 Mr. F. Buys (Senior Manager: Internal Auditor) Mrs. E. Moncho (Senior Manager: Executive Support) Mrs Koketso Maje (Acting Senior Manager: Executive Support) Mr. W. Jood (Senior Manager: Engineering Services) Mrs. A.K. Moheta (Acting Senior Manager: Engineering Services) - 01 January 2018 to date Mr. V. Tlhabanelo (Senior Manager: Community Services)	

# DR RUTH S MOMPATI DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2018

## Notes to the Annual Financial Statements

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### 42. Related parties (continued)

#### Remuneration of Councillors

##### Council Members

2018

Name	Basic salary	Travel Allowance	Housing Allowance	Telephone Allowance	Pension, Medical Aid & SDL	Sitting Allowance	Total
Cllr B.L. Mahlangu - Executive Mayor	475 653	118 913	126 841	42 900	76 189	-	840 496
Cllr L.V. Maogwe - Speaker	380 523	95 131	103 295	42 900	60 525	-	682 374
Cllr K.L. Mamapula - MMC: Economic Development, Tourism & Agriculture	206 327	51 582	85 970	-	3 653	-	347 532
Cllr V.L. Molefe - MMC: Budget and Treasury	206 327	51 582	85 970	-	3 479	-	347 358
Cllr M.K.I. Olifant - MMC: Planning & Development	206 327	51 582	85 970	-	3 376	-	347 255
Cllr O.R. Modise - MMC: Community Services	206 327	51 582	85 970	-	3 648	-	347 527
Cllr B. Setlhabetsi - MMC: Corporate Services	356 740	89 185	77 851	42 900	75 198	-	641 874
Cllr G.D. Kgabo - MMC: Engineering and Technical Services	356 740	89 185	148 642	42 900	6 405	-	643 872
Cllr CP Herbst	-	-	-	-	115	9 180	9 295
Cllr DJ Molapo	150 413	37 603	62 672	42 900	2 941	-	296 529
Cllr OJ Balebanye	-	-	-	-	253	15 242	15 495
Cllr DA Itumeleng	-	-	-	-	407	20 168	20 575
Cllr MV Mosinkiemang	-	-	-	-	217	15 242	15 459
Cllr SD Mothibedi	-	-	-	-	289	13 086	13 375
Cllr TP Sebe	-	-	-	-	337	16 088	16 425
Cllr T Tlhaganyane	-	-	-	-	101	9 122	9 223
Cllr JA Adonis	-	-	-	-	507	30 426	30 933
Cllr AN Bareng	-	-	-	-	216	19 206	19 422
Cllr ME Keetile	150 413	37 603	16 602	42 900	46 857	-	294 375
Cllr P Maleke	150 413	37 603	62 672	42 900	3 118	-	296 706
Cllr MM Mkandawira	150 413	37 603	40 110	42 900	24 331	-	295 357
Cllr ETL Mocumi	150 413	37 603	41 999	42 900	22 479	-	295 394
Cllr SDJ Strydom	150 413	37 603	56 375	42 900	9 061	-	296 352
Cllr KD Tshite	150 413	37 603	62 672	42 900	3 081	-	296 669
Cllr BR Bareng	13 842	3 460	5 767	-	345	6 734	30 148
Cllr MM Diphikwe	13 383	3 346	5 576	-	511	962	23 778
Cllr TM Lenkopane	13 842	3 460	5 767	-	295	-	23 364

# DR RUTH S MOMPATI DISTRICT MUNICIPALITY

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## Notes to the Annual Financial Statements

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### 42. Related parties (continued)

Cllr LC Loabile	13 842	3 460	5 767	-	417	-	23 486
Cllr E Van Biljon	9 573	2 393	3 980	-	187	-	16 133
Cllr MW Moseswa	9 573	2 393	3 989	-	533	-	16 488
Cllr K.G. Sereko (Appointed 01 October 2017)	112 632	28 157	46 930	31 800	2 173	-	221 692
Cllr O.P. Moirwagale - Chair: Municipal Public Accounts Committee (Resigned 31 August 2017)	30 495	7 624	12 706	4 400	537	-	55 762
Cllr C.E. Tladinyane (Appointed 17 October 2017)	105 356	26 339	43 898	28 400	2 805	-	206 798
Cllr MM Mokomele-Mothibi (Deceased 28 September 2017)	35 643	8 911	14 851	6 600	642	-	66 647
	<b>3 806 036</b>	<b>951 506</b>	<b>1 292 842</b>	<b>543 100</b>	<b>355 228</b>	<b>155 456</b>	<b>7 104 168</b>

### 2017

Name	Basic salary	Travel Allowance	Housing Allowance	Telephone Allowance	Pension, Medical Aid & SDL	Sitting Allowance	Total
Cllr B.L. Mahlangu - Executive Mayor (Appointed 10 August 2016)	418 130	94 752	112 438	22 161	51 412	-	698 893
Cllr L.V. Maogwe - Speaker (Appointed 10 August 2016)	332 854	75 801	114 815	22 161	16 940	-	562 571
Cllr K.L. Mampula - MMC: Economic Development, Tourism & Agriculture (Appointed 10 August 2016)	148 901	37 225	62 051	-	2 472	-	250 649
Cllr V.L. Molefe - MMC: Budget and Treasury (Appointed 10 August 2016)	148 901	37 225	62 042	-	2 511	-	250 679
Cllr M.K.I. Olifant - MMC: Planning & Development (Appointed 10 August 2016)	148 901	37 225	62 051	-	2 432	-	250 609
Cllr O.R. Modise - MMC: Community Services (Appointed 10 August 2016)	148 901	37 225	62 051	-	2 542	-	250 719
Cllr B. Sethabetsi - MMC: Corporate Services (Appointed 10 August 2016)	280 668	67 005	71 102	22 161	47 187	-	488 123
Cllr G.D. Kgabo - MMC: Engineering and Technical Services (Appointed 10 August 2016)	280 668	67 005	113 965	22 161	4 704	-	488 503
Cllr O.P. Moirwagale - Chair: Municipal Public Accounts Committee (Appointed 10 August 2016)	162 866	37 147	63 950	22 161	2 787	-	288 911
Cllr CP Herbst	4 363	1 091	1 163	-	785	13 736	21 138
Cllr DJ Molapo (Appointed 10 August 2016)	131 301	29 663	49 439	23 900	2 383	962	237 648
Cllr OJ Balebanye (Appointed 10 August 2016)	-	-	-	-	24	3 848	3 872
Cllr DA Itumeleng (Appointed 10 August 2016)	-	-	-	-	54	4 810	4 864
Cllr MM Mokomele-Mothibi (Appointed 10 August 2016)	131 301	29 663	49 439	23 900	2 294	-	236 597
Cllr MV Mosinkiemang (Appointed 10 August 2016)	-	-	-	-	127	12 506	12 633
Cllr SD Mothibedi (Appointed 10 August 2016)	-	-	-	-	151	13 736	13 887
Cllr TP Sebe (Appointed 10 August 2016)	-	-	-	-	122	13 736	13 858

# DR RUTH S MOMPATI DISTRICT MUNICIPALITY

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### 42. Related parties (continued)

Cllr T Tlhaganyane (Appointed 10 August 2016)	-	-	-	-	142	13 736	13 878
Cllr JA Adonis	-	-	-	-	229	24 050	24 279
Cllr AN Bareng (Appointed 10 August 2016)	-	-	-	-	53	7 700	7 753
Cllr ME Keetile (Appointed 10 August 2016)	131 301	29 663	44 076	23 900	7 586	-	236 526
Cllr P Maleke (Appointed 10 August 2016)	131 301	29 663	49 439	23 900	2 374	-	236 677
Cllr MM Mkandawira (Appointed 10 August 2016)	131 301	29 663	35 074	23 900	16 954	-	236 892
Cllr ETL Mocumi (Appointed 10 August 2016)	131 301	29 663	35 074	23 900	16 874	-	236 812
Cllr SDJ Strydom (Appointed 10 August 2016)	131 301	29 663	49 439	24 200	2 287	-	236 890
Cllr KD Tshite (Appointed 10 August 2016)	131 301	29 663	49 439	23 900	2 354	-	236 657
Cllr BR Bareng (Appointed 10 August 2016)	11 674	2 919	4 864	-	209	-	19 666
Cllr MM Diphikwe (Appointed 10 August 2016)	11 674	2 919	4 864	-	229	-	19 686
Cllr TM Lenkopane (Appointed 10 August 2016)	11 674	2 919	4 864	-	199	-	19 656
Cllr LC Loabile (Appointed 10 August 2016)	13 085	3 271	5 609	-	288	962	23 215
Cllr E Van Biljon (Appointed 10 August 2016)	7 387	1 847	3 078	12 258	242	-	24 812
Cllr MW Moseswa (Appointed 10 August 2016)	8 074	2 019	3 364	-	201	-	13 658
Cllr C.E. Tladinyane - Executive Mayor (Resigned 09 August 2016)	48 904	12 226	13 041	4 569	8 031	-	86 771
Cllr N.W. Skalk - Speaker (Resigned 09 August 2016)	39 123	9 781	8 575	3 149	9 310	-	69 938
Cllr M.S. Montshiwagae - MMC: Economic Development, Tourism & Agriculture (Resigned 09 August 2016)	36 678	9 170	6 272	1 413	10 589	-	64 122
Cllr M.K. Mojanaga - MMC: Budget and Treasury (Resigned 09 August 2016)	36 678	9 170	6 272	1 413	10 571	-	64 104
Cllr P. Kgosienq - MMC: Planning & Development (Resigned 09 August 2016)	36 678	9 170	7 923	4 569	8 925	-	67 265
Cllr M.S. Moyakhe - MMC: Community Services (Resigned 09 August 2016)	36 678	9 170	6 272	1 413	10 571	-	64 104
Cllr K. Sereko - MMC: Corporate Services (Resigned 09 August 2016)	36 678	9 170	7 923	9 099	9 030	-	71 900
Cllr S.F. Kgodumo - MMC: Engineering and Technical Services (Resigned 09 August 2016)	36 678	9 170	8 130	1 440	7 751	-	63 169
Cllr O.V. Mongale - Chair: Municipal Public Accounts Committee	6 961	-	-	491	195	-	7 647
Cllr LD Motlapele	3 848	-	-	-	29	-	3 877
Cllr MP Ditshakane (Resigned 09 August 2016)	-	-	-	-	128	13 736	13 864
Cllr JL Halenyane (Resigned 09 August 2016)	-	-	-	-	19	3 848	3 867
Cllr MS Kanyane (Resigned 09 August 2016)	-	-	-	-	79	5 772	5 851
Cllr R Mokoto (Resigned 09 August 2016)	-	-	-	-	29	5 772	5 801
Cllr KP Molifi (Resigned 09 August 2016)	-	-	-	-	29	5 772	5 801
Cllr JG Brand (Resigned 09 August 2016)	15 330	3 833	6 387	4 400	292	-	30 242
Cllr MJ Nchochoba (Resigned 09 August 2016)	-	-	-	-	10	1 924	1 934

# DR RUTH S MOMPATI DISTRICT MUNICIPALITY

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### 42. Related parties (continued)

Cllr KD Baepi (Resigned 09 August 2016)	1 411	353	384	-	282	-	2 430
Cllr LE Gaobepe-Boemo (Resigned 09 August 2016)	1 411	353	587	-	23	-	2 374
Cllr MP Letebele (Resigned 09 August 2016)	15 330	3 833	3 704	4 400	3 128	-	30 395
Cllr KV Mokhuane (Resigned 09 August 2016)	15 330	3 833	6 387	4 400	371	5 772	36 093
Cllr GK Nthebotsenyane (Resigned 09 August 2016)	1 411	353	333	-	358	2 886	5 341
Cllr MG Tong (Resigned 09 August 2016)	15 330	3 833	3 627	4 400	3 192	-	30 382
Cllr IM Snyman (Resigned 09 August 2016)	976	244	406	-	16	-	1 642
	<b>3 574 562</b>	<b>838 561</b>	<b>1 199 913</b>	<b>359 719</b>	<b>272 106</b>	<b>155 264</b>	<b>6 400 125</b>

### 43. Repairs and Maintenance

Buildings	209 360	240 144
Official Vehicles	864 323	946 110
Computer equipment	22 946	1 831 789
Machinery and equipment	61 616	120 108
Office Equipment	1 479	2 891
	<b>1 159 724</b>	<b>3 141 042</b>

# DR RUTH S MOMPATI DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2018

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### 44. Awards made to family members of person in service of state - not disclosed in the annual financial statements

Employee Name	Employee Position	Supplier Name	Name of Close family Member	Relations to employee	Award date	Award amount R
Mr OT Mothus	Snr Finance Controller: Expenditure	Remoratile Omontle Business Enterprise (Pty) Ltd	Portia Lorato Mothusi	Spouse	15/08/2017	1 980
Mr OT Mothus	Snr Finance Controller: Expenditure	Remoratile Omontle Business Enterprise (Pty) Ltd	Portia Lorato Mothusi	Spouse	30/08/2017	1 980
Mr OT Mothus	Snr Finance Controller: Expenditure	Remoratile Omontle Business Enterprise (Pty) Ltd	Portia Lorato Mothusi	Spouse	18/10/2017	4 000

Rewards made to the spouse of Mr OT Mothusi amounted to R 7 960 (2017: R 3 000).

### 45. Financial instruments disclosure

#### Categories of financial instruments

#### Disclosure notes

#### Financial assets

	At amortised cost	Total
Other receivables from non-exchange transactions	9 500 132	9 500 132
Cash and cash equivalents	33 168 160	33 168 160
	<b>42 668 292</b>	<b>42 668 292</b>

#### Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	88 325 715	88 325 715
Unspent conditional grants and receipts	188 172 429	188 172 429
Other financial liabilities - DBSA Loan	54 834 335	54 834 335
	<b>331 332 479</b>	<b>331 332 479</b>

### 2017

#### Financial assets

	At amortised cost	Total
Other receivables from non-exchange transactions	10 913 305	10 913 305
Cash and cash equivalents	82 498 973	82 498 973
	<b>93 412 278</b>	<b>93 412 278</b>

#### Financial liabilities

# DR RUTH S MOMPATI DISTRICT MUNICIPALITY

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## Notes to the Annual Financial Statements

Figures in Rand	2018	2017
<b>Financial instruments disclosure (continued)</b>		
	<b>At amortised cost</b>	<b>Total</b>
Trade and other payables from exchange transactions	154 733 651	154 733 651
Unspent conditional grants and receipts	37 658 156	37 658 156
Other financial liabilities - DBSA Loan	65 633 888	65 633 888
	<b>258 025 695</b>	<b>258 025 695</b>
<b>46. Non - compliance with MFMA</b>		
The following instances of non-compliance to MFMA were done by the district municipality.		
Money owed by the municipality was not always paid with 30 days, as required by section 65(2) of the MFMA.		
Effective steps were not taken to prevent irregular expenditure amounting to R 532 505 803 as disclosed on note 36 to the annual financial statements, as required by section 62(1)(d) of the MFMA.		
Awards were made to providers who were in the service of other state institution or whose directors/principal shareholders were in the service of other state institutions, in contravention of MFMA 112(j) and SCM regulation 44. Similar awards were identified in the previous year and no effective steps were taken to prevent or combat the abuse of the SCM process, as required by SCM regulation 38(1).		
The performance of some of the contractors or providers was not monitored on a monthly basis, as required by section 116(2)(b) of the MFMA.		
The contract performance and monitoring measures and methods were insufficient to ensure effective contract management, in contravention of section 116(2)(c) of the MFMA.		
<b>47. Additional disclosure in terms of Municipal Finance Management Act</b>		
<b>Contributions to organised local government</b>		
Current year subscription / fee	38 604	34 883
Amount paid - current year	(38 604)	(34 883)
	-	-
<b>Audit fees</b>		
Opening balance	19 084	-
Current year subscription / fee	3 096 730	4 033 186
Amount paid - current year	(2 974 896)	(4 025 380)
Interest accrued	21 818	11 278
Amount paid - previous years	(19 084)	-
	<b>143 652</b>	<b>19 084</b>
<b>PAYE, UIF and SDL</b>		
Current year subscription / fee	23 840 603	22 402 968
Amount paid - current year	(23 840 603)	(22 402 968)
	-	-
<b>Pension and Medical Aid Deductions</b>		
Current year subscription / fee	26 139 855	15 833 134
Amount paid - current year	(26 139 855)	(15 833 134)
	-	-

# DR RUTH S MOMPATI DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2018

## Notes to the Annual Financial Statements

Figures in Rand

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

#### VAT

VAT receivable	37 586 907	80 498 545
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The net of VAT output payables and VAT input receivables are shown in note 4.

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

### 48. Deviation from supply chain management regulations

In terms of section 36(2) of the Municipal Supply Chain Management Regulations approved by the council, any deviation from the Supply Chain Management Policy needs to be approved / condoned by the Municipal Manager, noted by Council and bids where the formal procurement processes could not be followed must be noted in the Annual Financial Statements.

The following deviations from and ratification of minor breaches of procurement processes.

Emergency deviations - Various occasions (8)	510 535	-
Impractical to follow procedures - Various occasions (14)	439 249	789 036
Sole suppliers - Various occasions (95)	1 831 343	-
	<b>2 781 127</b>	<b>789 036</b>

### 49. Prior-year adjustments

Presented below are those items contained in the statement of financial position, statement of financial performance and cash flow statement that have been affected by prior-year adjustments:

#### Statement of financial position

##### 2016

	Note	As previously reported	Correction of error	Restated
Payables from exchange transactions	10	146 605 313	2 476 220	149 081 533
Property, Plant and Equipment	7	1 963 832 497	(126 140 054)	1 837 692 443
Accumulated Surplus	14	1 816 924 942	(128 616 274)	1 688 308 668
		<b>3 927 362 752</b>	<b>(252 280 108)</b>	<b>3 675 082 644</b>



# DR RUTH S MOMPATI DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2018

## Notes to the Annual Financial Statements

Figures in Rand

### 49. Prior-year adjustments (continued)

2017

	Note	As previously reported	Correction of error	Reclassification	Restated
Operating Lease Asset	2	88 970	-	-	88 970
Receivables from non exchange transactions	3	10 913 305	-	-	10 913 305
VAT receivable	4	79 130 156	1 368 389	-	80 498 545
Cash and cash equivalents	5	82 498 973	-	-	82 498 973
Property, plant and equipment	7	2 225 049 557	-	-	2 225 049 557
Intangible assets	8	1 525 915	-	-	1 525 915
Investment property	6	5 568 662	-	-	5 568 662
Other financial liabilities -DBSA Loan	9	(10 800 000)	-	-	(10 800 000)
Operating Lease Liability	2	(236 654)	-	-	(236 654)
Payables from exchange transactions	10	(157 209 871)	(11 463 068)	-	(168 672 939)
Employee benefit obligation	11	-	-	1 118 000	1 118 000
Unspent conditional grants and receipts	12	(37 658 156)	-	-	(37 658 156)
Other financial liabilities -DBSA Loan	9	(54 837 565)	-	-	(54 837 565)
Provisions		(37 537 000)	-	(37 537 000)	(75 074 000)
Employee benefit obligation - Non-current	11	-	-	36 419 000	36 419 000
Revaluation Reserves	13	(9 825 736)	-	-	(9 825 736)
Accumulated Surplus	14	(2 096 670 556)	320 745	-	(2 096 349 811)
		-	<b>(9 773 934)</b>	-	<b>(9 773 934)</b>

### Disclosure notes

	Note	As previously reported	Correction of error	Restated
Irregular expenditure - current year 2017	36	302 484 889	(5 216 268)	297 268 621

### Statement of financial performance

2017

	Note	As previously reported	Correction of error	Reclassification	Restated
Rental of facilities and equipment	17	942 373	-	-	942 373
Other income	16	343 993	-	-	343 993
Interest earned external	15	14 195 977	-	-	14 195 977
Government grants & subsidies	18	688 096 200	-	-	688 096 200
Other income		1 533 617	-	-	1 533 617
Employee related costs	20	(111 027 488)	(320 745)	-	(111 348 233)
Remuneration of councillors	21	(6 400 125)	-	-	(6 400 125)
Depreciation and amortisation	22	(38 628 843)	-	-	(38 628 843)
Impairment loss	23	(282 473)	-	-	(282 473)
Finance costs	24	(3 436 125)	-	-	(3 436 125)
Lease rentals on operating lease	25	-	-	(2 903 758)	(2 903 758)
Debt Impairment	26	(141 266)	-	-	(141 266)
Repairs and maintenance	43	(3 141 041)	-	3 141 041	-
Bulk purchases	27	(130 060 976)	(9 774 204)	-	(139 835 180)
Contracted services	28	(22 636 662)	-	-	(22 636 662)
Grants and subsidies paid	29	(79 055 100)	-	-	(79 055 100)
General expenditure	30	(25 861 091)	-	(237 283)	(26 098 374)
Loss on disposal of assets and liabilities	31	(6 725 801)	-	-	(6 725 801)
Fair value adjustments	32	1 015 100	-	-	1 015 100
Actuarial gains/losses	11	3 491 565	-	-	3 491 565
<b>Surplus for the year</b>		<b>282 221 834</b>	<b>(10 094 949)</b>	-	<b>272 126 885</b>

# DR RUTH S MOMPATI DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2018

## Notes to the Annual Financial Statements

Figures in Rand

### 49. Prior-year adjustments (continued)

#### Cash flow statement

2017

	Note	As previously reported	Reclassification	Restated
<b>Cash flow from operating activities</b>				
Cash receipts from ratepayers, government and other		697 228 956	(697 228 956)	-
Government grants and subsidies		-	726 389 607	726 389 607
Interest received		14 195 977	-	14 195 977
Other receipts		-	4 231 319	4 231 319
Cash paid to suppliers and employees		(304 514 376)	304 514 376	-
Employee related costs		-	(110 464 489)	(110 464 489)
Remuneration of councillors		-	(6 400 125)	(6 400 125)
Suppliers		-	(218 130 187)	(218 130 187)
Finance costs		-	(11 464)	(11 464)
Other payments		-	(2 903 758)	(2 903 758)
		<b>406 910 557</b>	<b>(3 677)</b>	<b>406 906 880</b>
<b>Cash flow from investing activities</b>				
Purchase of property, plant and equipment		(358 528 205)	-	(358 528 205)
Proceeds from sale of property, plant and equipment		92 873	-	92 873
Purchase of other intangible assets		(802 766)	-	(802 766)
		<b>(359 238 098)</b>	<b>-</b>	<b>(359 238 098)</b>
<b>Cash flow from financing activities</b>				
Operating lease payments		(34 958)	-	(34 958)
Repayment of DBSA Loan		(10 800 000)	3 677	(10 796 323)
		<b>(10 834 958)</b>	<b>3 677</b>	<b>(10 831 281)</b>

#### Errors

The following prior period errors adjustments occurred:

#### Accrual for bonuses

Accrual for annual bonuses was not included in the 2017 Annual Financial Statements for the period ending 30 June 2016 and 30 June 2017. Management therefore retrospectively calculated and accrued for the bonuses under Trade and other payables in accordance with GRAP19 - Provisions, Contingent Liabilities and Contingent Assets.

#### Property, Plant and Equipment

Management identified numerous errors on property, plant and equipment which was corrected in the prior year.

#### Payables from exchange transactions - Trade payables

Management identified payments that were made to suppliers after 30 June 2017 that was included in the balance of Payables from exchange transactions - trade payables on the 2016/2017 annual financial statements. The payments related to goods delivered before 30 June 2017. The correction was made by increasing the balance of Payables from exchange transactions - Trade payables with R 11 142 593, increasing VAT receivable with R 1 368 389 and increasing bulk purchases with R 9 774 204.

# DR RUTH S MOMPATI DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2018

## Notes to the Annual Financial Statements

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Figures in Rand

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### 49. Prior-year adjustments (continued)

#### Irregular, Fruitless and Wasteful Expenditure disclosure

1.) Management identified duplicate payments on the irregular expenditure register included in the 2016/2017 AFS.

Section 21 (d) - Above R10 Million items disclosed as R 230 756 438 included duplicates amounting to R 1 647 837.88. Restated amount R 229 108 600.

CSD disclosed as R 32 013 983 included duplicates amounting to R 1 047 990.11. Restated amount R 30 965 992.89.

Quotations disclosed as R 49 342 657 included duplicates amounting to R 2 444 840. Restated amount R 46 897 817.

Roster disclosed as R 185 180 346 included duplicates amounting to R 75 600. Restated amount R 185 104 746.

2.) Management identified that the balance outstanding for audit fees as disclosed in note 47 - Additional disclosure in terms of Municipal Finance Management Act, did not include accrued interest of R 11 278 .

The balance of R 7 806 as previously disclosed was incorrect. The correct balance for the comparative year is R 19 084.

#### Reclassifications

The following prior period reclassifications occurred:

##### Reclassification - Employee benefit obligation

Post-employment medical aid and Long service awards liabilities was incorrectly disclosed as provisions in the 2017 Annual Financial Statements. Management has reclassified these liabilities to Employee benefit obligations (non-current and current portions) on the 2018 Annual Financial Statements in accordance with GRAP 25 - Employee Benefits.

##### Reclassification - Lease rental on operating leases

Lease rentals on operating leases has been reclassified from general expenses and included as a separate line item on the Statement of Financial Performance. The reclassification was done in accordance with GRAP 1 - Presentation of Financial Statements. Management reclassified the amount due to the item being material in nature and value.

**APPENDIX A**  
**DR RUTH S MOMPATI DISTRICT MUNICIPALITY**  
**SCHEDULE OF LONG-TERM EXTERNAL LOANS AS AT 30 JUNE 2018**

Details	Original Loan Amount	Loan Interest Rate	Loan Number	Redeemable	Balance at 30-Jun-17	Redeemed/ Written Off during the Period	Balance at 30-Jun-18
	R	%			R	R	R
<b>ANNUITY LOANS</b>							
DBSA	79 433 888	12.75%	61007370	31/07/2023	65 637 565	10 803 230	54 834 335
<b>Total Annuity Loans</b>	<b>79 433 888</b>				<b>65 637 565</b>	<b>10 803 230</b>	<b>54 834 335</b>
<b>TOTAL EXTERNAL LOANS</b>	<b>79 433 888</b>				<b>65 637 565</b>	<b>10 803 230</b>	<b>54 834 335</b>

**APPENDIX E(1)**  
**DR RUTH S MOMPATI DISTRICT MUNICIPALITY**  
**ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2018**

Description	2017/2018 Actual	2017/2018 Budget	2017/2018 Variance	2017/2018 Variance	Explanation of Significant Variances greater than 10% versus Budget
R	R	R	%		
<b>REVENUE</b>					
Rental of facilities and equipment	942 373	1 076 900	(134 527)	-14%	Straightlining of lease asset expenditure
Investment revenue	15 069 912	17 874 000	(2 804 088)	-19%	MIG receipts was more than the allocated amount per initial DORA. Money was invested longer than expected.
Investment revenue - outstanding debtors	-	-	-	0%	No explanation needed variance under 10%
Other income	644 569	225 000	419 569	65%	Insurance claims received not in the normal course of operations.
Government grants and subsidies received	675 186 380	316 979 000	358 207 380	53%	Amendments to DORA lead to a significant increase in Grants receipts. Conditions met was not expected to be so high.
Other income - Non- exchange	12 642	-	12 642	100%	Expense budgeted for under other income - exchange transactions
Fair value adjustment	(142 034)	-	(142 034)	100%	Not budgeted for
Actuarial gains / losses	3 402 000	-	3 402 000	100%	Not budgeted for
<b>Total Revenue</b>	<b>695 115 842</b>	<b>336 154 900</b>	<b>358 960 942</b>		
<b>EXPENDITURE</b>					
Employee related costs	119 543 440	122 669 000	(3 125 560)	-3%	No explanation needed variance under 10%
Remuneration of councillors	7 104 171	8 160 456	(1 056 285)	-15%	Payment of Councillors as per government gazette. Budget was calculated based on the remuneration paid in 2016/2017.
Depreciation and amortisation	62 284 234	45 732 436	16 551 798	-100%	Errors in WIP transferred in 2016/2017 increased the 2017/2018 depreciation
Impairment of assets	150 694 804	-	150 694 804	100%	Impairment of VBS investment not budgeted for
Finance cost	3 678 670	10 928 400	(7 249 730)	-197%	Sedibeng old outstanding debt was settled
Lease rentals on operating leases	2 909 119	-	2 909 119	100%	Expense budgeted for under general expenses Debtors provision not budgeted for. Municipality did not anticipate
Debt impairment	9 143 533	1 000 000	8 143 533	89%	debtors to be long outstanding at year end
Bulk purchases	106 163 798	113 657 667	(7 493 869)	-7%	No explanation needed variance under 10%
Contracted Services	30 521 141	31 441 000	(919 859)	-3%	No explanation needed variance under 10%
Grants and Subsidies paid	19 324 358	20 750 000	(1 425 642)	-7%	No explanation needed variance under 10%
General expenses	22 454 740	34 951 000	(12 496 260)	-56%	Due to uncertainty regarding the VBS money invested the municipality had to be more conservative
Loss on disposal of PPE	-	-	-	0%	No explanation needed variance under 10%
<b>Total Expenditure</b>	<b>533 822 007</b>	<b>389 289 959</b>	<b>144 532 048</b>		
<b>NET SURPLUS / (DEFICIT) FOR THE YEAR</b>	<b>161 293 835</b>	<b>(53 135 059)</b>	<b>214 428 894</b>		

**APPENDIX F**  
**DR RUTH S MOMPATI DISTRICT MUNICIPALITY**  
**DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003**

**Grants and Subsidies Received**

Name of Grant	Name of Organ of State or Municipal Entity	Quarterly Receipts					Quarterly Expenditure					Grants and Subsidies Delayed / Withheld					Reason for Delay / Withholding of Funds	Compliance to Revenue Act (*) See below	Reason for Non-compliance
		TOTAL	Sept	Dec	March	June	TOTAL	Sept	Dec	March	June	June	Sept	Dec	March	June			
MIG	Nat Treasury	213 445 000	60 000 000	50 000 000	103 445 000	-	184 934 560	17 119 501	65 456 524	30 573 521	71 785 015	N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
E.P.W.P	Nat Treasury	4 842 000	1 211 000	2 178 000	1 453 000	-	4 310 560	73 421	1 501 319	1 196 120	1 539 701	N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
Equitable Share	Nat Treasury	308 412 000	128 520 000	102 780 000	77 112 000	-	308 412 000	128 520 000	102 780 000	77 112 000	-	N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
WSIG	Nat Treasury	77 986 000	-	62 389 000	15 597 000	-	89 893 460	24 031 599	43 205 493	9 873 024	12 783 344	N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
FMG	Nat Treasury	1 250 000	1 250 000	-	-	-	1 250 000	568 290	282 384	309 657	89 668	N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
RRAMS	Nat Treasury	2 439 000	1 707 000	-	732 000	-	2 139 474	-	489 146	729 475	920 853	N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
RBIG	Province	182 000 000	64 600 000	-	117 400 000	-	82 577 762	4 202 730	18 813 045	8 037 775	51 524 212	N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
Fire and Emergency	Province	1 668 563	-	-	1 668 563	-	1 668 563	-	-	-	1 668 563	N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
<b>Total Grants and Subsidies Received</b>		<b>792 042 563</b>	<b>257 288 000</b>	<b>217 347 000</b>	<b>317 407 563</b>	<b>-</b>	<b>675 186 380</b>	<b>174 515 541</b>	<b>232 527 911</b>	<b>127 831 572</b>	<b>140 311 356</b>								

## Appendix G(2)

## DR RUTH S MOMPATI DISTRICT MUNICIPALITY

## Budgeted Financial Performance (revenue and expenditure by municipal vote) for the year ended 30 June 2018

Description	2017/2018											
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	%	%	%
<b>REVENUE BY VOTE</b>												
Vote 1 - OFFICE OF THE EXECUTIVE MAYOR	25 193 639	(719 393)	24 474 246	-	-	24 474 246	24 659 824	-	185 578	1%	100.76	97.88
Vote 2 - OFFICE OF THE SPEAKER	9 388 045	994 328	10 382 373	-	-	10 382 373	9 386 949	-	(995 424)	-10%	90.41	99.99
Vote 3 - OFFICE OF THE MUNICIPAL MANAGER	4 845 482	-	4 845 482	-	-	4 845 482	4 844 916	-	(566)	0%	99.99	99.99
Vote 4 - INTERNAL AUDIT	14 806 122	(412 661)	14 393 461	-	-	14 393 461	14 804 394	-	410 933	3%	102.85	99.99
Vote 5 - BUDGET NAD TREASURY OFFICE	32 478 189	(559 855)	31 918 334	-	-	31 918 334	34 116 668	-	2 198 334	7%	106.89	105.04
Vote 6 - CORPORATE SERVICES	34 485 437	1 184 522	35 669 959	-	-	35 669 959	36 634 884	-	964 925	3%	102.71	106.23
Vote 7 - PLANNING AND DEVELOPMENT	5 676 451	(272 397)	5 404 054	-	-	5 404 054	5 675 789	-	271 734	5%	105.03	99.99
Vote 8 - ENVIRONMENTAL HEALTH	12 324 641	(1 744 706)	10 579 935	-	-	10 579 935	12 323 202	-	1 743 268	16%	116.48	99.99
Vote 9 - FIRE AND DISASTER MANAGEMENT	24 696 369	(1 691 162)	23 005 207	-	-	23 005 207	26 362 050	-	3 356 843	15%	114.59	106.74
Vote 10 - ENGINEERING	546 749 452	6 589 472	553 338 924	-	-	553 338 924	440 430 405	-	(112 908 519)	-20%	79.60	80.55
Vote 11 - PROJECT MANAGEMENT UNIT	7 045 150	-	7 045 150	-	-	7 045 150	69 563 891	-	62 518 741	887%	987.40	987.40
Vote 12 - ECONOMIC DEVELOPMENT, TOURISM AND AGRICULTURE	16 456 823	(125 048)	16 331 775	-	-	16 331 775	16 454 904	-	123 129	1%	100.75	99.99
<b>Total Revenue by Vote</b>	<b>734 145 799</b>	<b>3 243 100</b>	<b>737 388 899</b>	<b>-</b>	<b>-</b>	<b>737 388 899</b>	<b>695 257 876</b>	<b>-</b>	<b>(42 131 023)</b>			
<b>EXPENDITURE BY VOTE</b>												
Vote 1 - OFFICE OF THE EXECUTIVE MAYOR	25 143 639	(769 393)	24 374 245	-	-	24 374 245	20 940 976	-	(3 433 270)	-14%	85.91	83.29
Vote 2 - OFFICE OF THE SPEAKER	8 538 192	1 644 181	10 182 373	-	-	10 182 373	7 060 984	-	(3 121 389)	-31%	69.35	82.70
Vote 3 - OFFICE OF THE MUNICIPAL MANAGER	4 795 482	-	4 795 482	-	-	4 795 482	4 860 872	65 391	65 391	1%	101.36	101.36
Vote 4 - INTERNAL AUDIT	14 706 122	(412 661)	14 293 462	-	-	14 293 462	12 922 899	-	(1 370 563)	-10%	90.41	87.87
Vote 5 - BUDGET NAD TREASURY OFFICE	31 808 188	2 681 212	34 489 400	-	-	34 489 400	195 877 421	161 388 020	161 388 020	468%	567.94	615.81
Vote 6 - CORPORATE SERVICES	32 484 819	2 285 139	34 769 959	-	-	34 769 959	34 230 998	-	(538 960)	-2%	98.45	105.38
Vote 7 - PLANNING AND DEVELOPMENT	5 626 451	(272 396)	5 354 055	-	-	5 354 055	3 709 518	-	(1 644 537)	-31%	69.28	65.93
Vote 8 - ENVIRONMENTAL HEALTH	12 274 640	(1 994 705)	10 279 935	-	-	10 279 935	9 652 052	-	(627 883)	-6%	93.89	78.63
Vote 9 - FIRE AND DISASTER MANAGEMENT	24 646 369	(1 841 162)	22 805 207	-	-	22 805 207	25 013 144	2 207 937	2 207 937	10%	109.68	101.49
Vote 10 - ENGINEERING	198 719 355	6 433 493	205 152 847	-	-	205 152 847	201 646 569	-	(3 506 278)	-2%	98.29	101.47
Vote 11 - PROJECT MANAGEMENT UNIT	6 965 150	30 000	6 995 150	-	-	6 995 150	5 419 881	-	(1 575 269)	-23%	77.48	77.81
Vote 12 - ECONOMIC DEVELOPMENT, TOURISM AND AGRICULTURE	16 356 823	(558 375)	15 798 448	-	-	15 798 448	12 628 728	-	(3 169 720)	-20%	79.94	77.21
<b>Total Expenditure by Vote</b>	<b>382 065 230</b>	<b>7 225 332</b>	<b>389 290 562</b>	<b>-</b>	<b>-</b>	<b>389 290 562</b>	<b>533 964 041</b>	<b>163 661 349</b>	<b>144 673 479</b>			
<b>Surplus/(Deficit) for the year</b>	<b>352 080 569</b>	<b>(3 982 232)</b>	<b>348 098 337</b>			<b>348 098 337</b>	<b>161 293 835</b>	<b>(163 661 349)</b>	<b>(186 804 502)</b>			