

**POLOKWANE  
LOCAL MUNICIPALITY**



**ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
30 JUNE 2015  
UNAUDITED**

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**POLOKWANE MUNICIPALITY  
ANNUAL FINANCIAL STATEMENTS ENDED 30 JUNE 2015**

**APPROVAL AND CERTIFICATION**

I am responsible for the preparation of these annual financial statements, which are set out on pages 2 to 62, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 25 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Cooperative Governance and Traditional Affairs determination in accordance with this Act.

**Maboya TF**

**ACTING MUNICIPAL MANAGER**

**DATE**

**POLOKWANE MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS 30 JUNE 2015**

**Reporting entity's mandate**

The City of Polokwane is a category B local authority established in terms of section 151 of the Constitution of the Republic of South Africa ( Act 108 of 1996)

The principal activities of the City are to:  
> provide democratic and accountable government to the local communities;  
> ensure sustainable service delivery to communities;  
> promote social and economic development;  
> promote a safe and healthy environment; and  
> encourage the involvement of communities and community organisations in the matters of local government

The City's operations are governed by the Local Government: Municipal Finance Management Act (Act 56 of 2003), the Municipal Systems Act (Act 32 of 2000), the Municipal Structures Act (Act 117 of 1998) and various other acts and regulations.

**General information**

**Legal form of the entity**

Local Municipality

**Jurisdiction**

Polokwane Local Municipality demarcated area

**Members of the Council**

TP Nkademeng	Executive Mayor
MC Mathiba	Speaker
MK Teffo	Chief Whip
LE Hardy	Member of the Mayoral Committee
MJ Kaka	Member of the Mayoral Committee
ME Maleka	Member of the Mayoral Committee
SJ Malope	Member of the Mayoral Committee
SM Mashabela	Member of the Mayoral Committee
RC Molepo	Member of the Mayoral Committee
SE Nkademeng	Member of the Mayoral Committee
MJ Ralefatane	Member of the Mayoral Committee
MJ Sello	Member of the Mayoral Committee
MS Tjale	Member of the Mayoral Committee
AH Botha	Member of Council
HE Chauke	Member of Council
FA Haas	Member of Council
ME Khalo	Member of Council
MF Kubjane	Member of Council
D Kwenaitse	Member of Council
LM Legodi	Member of Council
MJ Lekota	Member of Council
MM Lemekoana	Member of Council
MW Letsoalo	Member of Council
RF Lourens	Member of Council
M Maake	Member of Council
MG Mabelebele	Member of Council
MM Mabitsela	Member of Council
MT Mabutla	Member of Council
NE Machaba	Member of Council
MD Madikoto	Member of Council
TJ Magoro	Member of Council
RT Makgabo	Member of Council
KP Makgoba	Member of Council
MP Maifala	Member of Council
SM Mahlatji	Member of Council
MM Mailula	Member of Council
MM Maja	Member of Council
CM Mamabolo	Member of Council
ML Mamabolo	Member of Council
SN Mamabolo	Member of Council
MA Manong	Member of Council
HF Marx	Member of Council
MC Mashiane	Member of Council
A Mashie	Member of Council

**POLOKWANE MUNICIPALITY**  
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MR Mashitsho	Member of Council
MA Mathabatha	Member of Council
JM Matlou	Member of Council
MJ Manamela	Member of Council
QN Mehlaphe	Member of Council
ST Mehlaphe	Member of Council
JA Moabelo	Member of Council
MA Moakamedi	Member of Council
PJ Modikoa	Member of Council
TJ Mogale	Member of Council
TSP Mojapelo	Member of Council
NJ Mokgokong	Member of Council
JS Mokonyama	Member of Council
MH Morwana	Member of Council
SM Motseo	Member of Council
M Mothiba	Member of Council
ML Motshekga	Member of Council
MM Peta	Member of Council
MP Phadu	Member of Council
RH Phoshoko	Member of Council
M Pretorius	Member of Council
MJ Raletjena	Member of Council
CS Ramabu	Member of Council
DM Ramakgwakgwa	Member of Council
MJ Sedibane	Member of Council
MR Sekgobela	Member of Council
ND Setjie	Member of Council
TC Shilajoe	Member of Council
MMP Sono	Member of Council
KG Tsheola	Member of Council
MA Thobejane	Member of Council
MJ Willemse	Member of Council

**Members of the Audit and Performance Audit Committee**

S Mofokeng	Chairperson
HG Hlomane	Member
S Kholong	Member
SJ Masite	Member
MFA Moja	Member
MP Mongalo	Member

**Acting Municipal Manager**  
Maboya TF

**Chief Financial Officer**  
F J Mudau

**Auditors**  
Auditor General South Africa

**Grading of Local Authority**  
Grade 10

**Bankers**  
Standard Bank

**Business address**  
Civic Centre  
C/O Landdros Mare and Bodenstein Street  
Polokwane  
0699

**Lawyers**  
Pule Incorporated  
Mogaswa Attorneys  
AM Carrims Attorneys  
Maboku Mangena Attorneys  
Kgatla Incorporated  
Matabane Incorporated  
Noko Maimela Incorporated  
Rachoene Attorneys

**Postal address**  
P O Box 111  
Polokwane  
0700

**POLOKWANE MUNICIPALITY**  
**STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 30 JUNE 2015**

	Note	2015 R	2014 R Restated
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	15	322 963 447	422 558 018
Trade and other receivables from exchange transactions unless specified otherwise	12	372 358 535	365 515 748
Other receivables from non-exchange transactions	13	14 277 866	20 326 040
Inventories	11	36 214 414	40 386 116
Investments	9	0	0
Current portion of receivables	10	5 666 187	6 783 383
VAT receivable	14	18 377 908	0
<b>Total Current Assets</b>		<b>769 858 357</b>	<b>855 569 306</b>
<b>Non-current assets</b>			
Non-current receivables	10	375 671	9 215 758
Investments	9	59 000 800	59 000 800
Property, plant and equipment	8	8 589 553 130	8 665 108 184
Intangible assets	8.1	2 507 661	3 117 657
Investment property	8.2	617 158 459	624 423 999
Heritage assets	8.3	4 588 129	4 588 129
Biological assets	8.4	14 277 750	16 633 000
<b>Total Non-current assets</b>		<b>9 287 461 601</b>	<b>9 382 087 530</b>
<b>Total Assets</b>		<b>10 057 319 958</b>	<b>10 237 656 835</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables from exchange transactions	6	352 680 831	281 946 863
Consumer deposits	5	67 612 259	65 650 273
Unspent conditional grants and receipts	7	195 134 950	274 579 322
Current portion of borrowings	4	37 263 987	36 905 952
Current portion of finance lease liability	38	35 579 308	35 480 967
VAT payable	14	0	3 530 070
<b>Total Current Liabilities</b>		<b>688 271 335</b>	<b>698 093 447</b>
<b>Non-current liabilities</b>			
Non-current borrowings	4	188 024 387	225 288 375
Non-current finance lease liability	38	55 018 493	76 808 630
Non-current Provisions	35	244 712 945	233 760 669
<b>Total Non-current Liabilities</b>		<b>487 755 825</b>	<b>535 857 674</b>
<b>Total liabilities</b>		<b>1 176 027 160</b>	<b>1 233 951 121</b>
<b>Net assets</b>		<b>8 881 292 798</b>	<b>9 003 705 715</b>
<b>NET ASSETS</b>			
Housing Development Fund	2	6 955 962	10 444 442
Revaluation Reserves	3	3 387 175 876	3 402 773 733
Accumulated surplus		5 487 160 962	5 590 487 541
<b>Total net assets</b>		<b>8 881 292 800</b>	<b>9 003 705 715</b>

**POLOKWANE MUNICIPALITY**  
**STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2015**

	Note	2015 R	2014 R Restated
<b>REVENUE</b>			
<b>Revenue from Exchange Transactions unless specified otherwise</b>			
Property rates - Non Exchange Transactions	16	256 187 487	285 392 425
Service charges	17	927 228 857	897 796 867
Rental of facilities	18	12 973 612	17 132 411
Investment Revenue – external investments	21	35 720 658	30 546 748
Interest earned – outstanding debtors		45 797 676	51 302 423
Fines - Non Exchange Transactions		9 846 497	12 346 564
Licenses and permits		9 195 509	8 909 042
Income for agency services		15 608 127	16 039 967
Government grants recognised - operating - Non Exchange Transactions	19	547 555 480	516 199 287
Government grants recognised - capital - Non Exchange Transactions	19	555 234 831	350 188 424
Public contributions, donated and contributed property, plant and equipment - Non Exchange	19	2 797 470	5 583 999
Other revenue	22	87 019 945	80 192 355
<b>Total Revenue</b>		<b><u>2 505 166 149</u></b>	<b><u>2 271 630 513</u></b>
<b>EXPENDITURE</b>			
Employee related costs	23	520 315 822	456 579 238
Remuneration of councillors	24	25 405 636	24 042 773
Bad debts		130 414 056	193 867 475
Collection costs		-	2 880 095
Depreciation		542 900 222	539 905 644
Repairs and maintenance		163 392 950	115 940 765
Finance cost	25	38 371 116	37 351 912
Bulk purchases	26	674 894 906	619 152 841
Grants and subsidies paid	27	6 740 000	6 940 000
General expenses	28	496 666 408	361 491 071
<b>Total Expenditure</b>		<b><u>2 599 101 115</u></b>	<b><u>2 358 151 813</u></b>
Impairment of assets	8	(122 883)	(27 423)
Impairment of receivables (PHA Loan)		(7 595 282)	
Loss on disposal of PPE	8	(39 467 015)	(66 009 613)
Reversal of previously recognised impairment	3	-	23 987 493
Gain on fair value adjustment	43	22 195 710	11 288 935
<b>NET SURPLUS / (DEFICIT) FOR THE YEAR</b>		<b><u>(118 924 435)</u></b>	<b><u>(117 281 908)</u></b>



POLOKWANE MUNICIPALITY STATEMENT OF CHANGES IN NET ASSETS 30 JUNE 2015

	Notes	Housing Fund	Revaluation Reserve	Total	Accumulated Surplus/ (Deficit)	Total
			R		R	R
<b>Balance at 30 June 2013</b>		<b>10 754 921</b>	<b>1 929 371 574</b>	<b>1 940 126 495</b>	<b>5 843 751 426</b>	<b>7 783 877 921</b>
Change in Accounting Policy		-	-	-	916 425	916 425
Correction of error		-	1 490 675 622	1 490 675 622	(80 715 404)	1 409 960 219
Restated 2013		10 754 921	3 420 047 196	3 430 802 117	5 763 952 447	9 194 754 564
Correction of error		-	(10 414 339)	(10 414 339)	(44 005 774)	(54 420 113)
Restated 2014 opening		10 754 921	3 409 632 857	3 420 387 778	5 719 946 673	9 140 334 451
Adjustments on revenue -prior year Fines		-	-	-	14 645 730	14 645 730
Debtors discount allowance		-	-	-	31 398 377	31 398 377
Adjustment debtors prior year amounts received in advance		-	-	-	(2 658 768)	(2 658 768)
Adjustment debtors impairment prior year		-	-	-	(55 563 564)	(55 563 564)
Revaluation of Land		-	6 714 030	6 714 030	-	6 714 030
Reversal of previously recognised impairment		-	(13 573 154)	(13 573 154)	-	(13 573 154)
Investment in PHA		-	-	-	1 000	1 000
Net gains and losses not recognised in the statement of financial performance (Housing Dev Fund)		(310 480)	-	(310 480)	-	(310 480)
Surplus for the period		-	-	-	(117 281 908)	(117 281 908)
<b>Balance at 30 June 2014</b>		<b>10 444 441</b>	<b>3 402 773 733</b>	<b>3 413 218 174</b>	<b>5 590 487 541</b>	<b>9 003 705 714</b>
Realisation of Revaluation Reserve - Derecognition		-	(15 597 857)	(15 597 857)	15 597 857	-
Net gains and (losses) not recognised in the statement of financial performance (Housing Development Fund)		(3 488 480)	-	(3 488 480)	-	(3 488 480)
Transfers to/ from accumulated surplus (provisions)		-	-	0	-	-
Surplus (deficit) for the period		-	-	-	(118 924 435)	(118 924 435)
<b>Balance at 30 June 2015</b>		<b>6 955 961</b>	<b>3 387 175 876</b>	<b>3 394 131 837</b>	<b>5 487 160 962</b>	<b>8 881 292 799</b>

**POLOKWANE MUNICIPALITY**  
**CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2015**

	Note	2015 R	2014 R Restated
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Cash receipted from ratepayers, government and others		2 323 346 762	2 119 773 266
Cash paid to suppliers and employees		-1 845 502 229	-1 571 212 587
<b>Cash generated from operations</b>	<b>30</b>	<b>477 844 533</b>	<b>548 560 679</b>
Interest received		35 720 658	30 546 748
Finance cost		-38 371 116	-37 351 912
Tax -VAT receivables		-18 377 908	5 999 217
<b>Net cash from operating activities</b>		<b>456 816 167</b>	<b>547 754 732</b>
<b>CASH FLOW FROM INVESTMENT ACTIVITIES</b>			
Purchase of property, plant and equipment		-505 274 820	-441 141 797
Purchase of intangible assets		-927 367	-43 591
Disposal of Investment in PHA		9 957 284	405 341
<b>Net cash from investment activities</b>		<b>-496 244 904</b>	<b>-440 780 047</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Repayment of long term loans		-36 905 952	-36 393 590
Funds received from deposits		1 961 986	1 862 159
Repayment of finance lease liability		-21 691 797	78 053 488
<b>Net cash from financing activities</b>		<b>-56 635 763</b>	<b>43 522 057</b>
<b>Increase/(decrease) in cash and cash equivalents</b>		<b>-96 064 499</b>	<b>150 496 742</b>
Cash and cash equivalents at beginning of the year	15	422 558 018	272 061 276
Cash and cash equivalents at end of the year	15	322 963 447	422 558 018

**POLOKWANE MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL FOR THE YEAR ENDED 30 JUNE 2015**

Description	2014/2015							
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of MFMA)	Virement (i.t.o Council approved policy)	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R		
	1	2	3	4	5	7	8	9
<b>Financial Performance</b>								
Property Rates	302 252 040	302 252 040	302 252 040	302 252 040	256 187 487	(46 064 553)	84.76	84.76
Service Charges-electricity revenue	775 070 850	703 000 000	703 000 000	703 000 000	658 254 819	(44 745 181)	93.64	84.93
Service Charges-water revenue	279 545 526	234 000 000	165 100 000	165 100 000	162 482 794	(2 617 206)	98.41	58.12
Service Charges-sanitation revenue	66 163 473	50 000 000	50 000 000	50 000 000	49 064 812	(935 188)	98.13	74.16
Service Charges-refuse revenue	61 639 583	58 680 233	58 680 233	58 680 233	57 426 431	(1 253 802)	97.86	93.16
Rental of facilities	20 482 257	20 482 257	20 482 257	20 482 257	12 973 612	(7 508 645)	63.34	63.34
Investment Revenue – external investments	23 000 000	23 000 000	23 000 000	23 000 000	35 720 658	12 720 658	155.31	155.31
Interest earned – outstanding debtors	30 000 000	30 000 000	30 000 000	30 000 000	45 797 676	15 797 676	152.66	152.66
Fines	10 752 559	10 752 559	10 752 559	10 752 559	9 846 497	(906 062)	91.57	91.57
Licenses and permits	9 027 438	9 027 438	9 027 438	9 027 438	9 195 509	168 071	101.86	101.86
Agency services	15 656 200	15 656 200	15 656 200	15 656 200	15 608 127	(48 073)	99.69	99.69
Transfers recognised - operational	556 489 000	558 631 000	558 631 000	558 631 000	547 555 480	(11 075 520)	98.02	98.39
Other revenue	78 020 074	184 845 273	253 745 273	253 745 273	87 019 945	(166 725 328)	34.29	111.54
<b>Total Revenue (Excluding capital transfers and contributions)</b>	<b>2 228 099 000</b>	<b>2 200 327 000</b>	<b>2 200 327 000</b>	<b>2 200 327 000</b>	<b>1 947 133 848</b>	<b>(253 193 152)</b>	<b>88.49</b>	<b>87.39</b>
Employee Costs	510 670 800	510 670 800	520 693 538	520 693 538	520 315 822	(377 716)	99.93	101.89
Remuneration of Councillors	25 410 000	25 410 000	25 410 000	25 410 000	25 405 636	(4 364)	99.98	99.98
Debt Impairment	50 000 000	50 000 000	50 000 000	50 000 000	130 414 056	80 414 056	260.83	260.83
Depreciation and asset impairment	265 999 966	204 999 966	204 999 966	204 999 966	542 900 222	337 900 256	264.83	204.10
Finance Charges	23 747 000	23 747 000	38 372 000	38 372 000	38 371 116	(884)	100.00	161.58
Bulk purchases	698 000 000	698 000 000	677 625 000	677 625 000	674 894 906	(2 730 094)	99.60	96.69
Other materials	170 000 000	170 600 000	166 770 216	166 770 216	163 392 950	(3 377 266)	97.97	96.11
Transfers recognised - operational	5 240 000	6 740 000	6 740 000	6 740 000	6 740 000	-	100.00	128.63
Other Expenditure	396 643 234	422 759 234	422 316 280	418 606 280	395 005 751	(23 600 529)	94.36	99.59
Gain / (loss) on fair value adjustment/disposal/impairment of assets/investment property			-	3 710 000	126 650 126	122 940 126	0.00	0.00
<b>Total Expenditure</b>	<b>2 145 711 000</b>	<b>2 112 927 000</b>	<b>2 112 927 000</b>	<b>2 112 927 000</b>	<b>2 624 090 584</b>	<b>511 163 584</b>	<b>124.19</b>	<b>122.29</b>
<b>Loss: Impairment of Assets</b>								
<b>Surplus/(Deficit)</b>	82 388 000	87 400 000	87 400 000	87 400 000	(676 956 736)	(764 356 736)	-774.55	-821.67
Transfer Recognised - capital	430 646 000	694 316 900	694 316 900	694 316 900	555 234 831	(139 082 069)	79.97	128.93
Contributions Recognised - capital & contributed assets	6 153 000	6 153 000	6 153 000	6 153 000	2 797 470	(3 355 530)	45.47	0.00
<b>Surplus/(Deficit) after capital transfer and contributions</b>	519 187 000	787 869 900	787 869 900	787 869 900	(118 924 435)	(906 794 335)	-15.09	-22.91
Share of Surplus/Deficit of associate	-	-	-	-	-	-	-	-
<b>Surplus for the year</b>	<b>519 187 000</b>	<b>787 869 900</b>	<b>787 869 900</b>	<b>787 869 900</b>	<b>(118 924 435)</b>	<b>(906 794 335)</b>	<b>-15.09</b>	<b>-22.91</b>
<b>Capital expenditure and funds resources</b>								
<b>Capital Expenditure</b>								
Transfers recognised - Capital	430 646 000	694 316 900	694 316 900	694 316 900	555 234 831	(139 082 069)	79.97	128.93
Public Contributions and Donations	6 153 000	6 153 000	6 153 000	6 153 000	2 797 470	(3 355 530)	45.47	0.00
Internally generated funds	81 950 000	87 207 100	87 207 100	87 207 100	50 538 489	(36 668 611)	57.95	61.67
<b>Total sources of capital</b>	<b>518 749 000</b>	<b>787 677 000</b>	<b>787 677 000</b>	<b>787 677 000</b>	<b>608 570 790</b>	<b>(179 106 210)</b>	<b>77.26</b>	<b>117.32</b>
<b>Cash Flows</b>								
<b>Cash/cash equivalents at the beginning of</b>	50 000 000	359 593 000	359 593 000	359 593 000	422 558 018	62 965 018	117.51	845.12
Net Cash from (Used) operating	472 978 000	545 193 000	545 193 000	545 193 000	456 816 167	(88 376 833)	83.79	96.58
Net Cash from (Used) Investing	(337 062 000)	(635 990 000)	(635 990 000)	(635 990 000)	(496 244 904)	139 745 096	78.03	147.23
Net Cash from (Used) Financing	(31 806 000)	(31 806 000)	(31 806 000)	(31 806 000)	(56 635 763)	(24 829 763)	178.07	178.07
<b>Cash/cash equivalents at the year end</b>	<b>154 110 000</b>	<b>236 990 000</b>	<b>236 990 000</b>	<b>236 990 000</b>	<b>326 493 519</b>	<b>89 503 519</b>	<b>137.77</b>	<b>211.86</b>
Explanations for material variances of the Municipality's actual financial performance with the budgeted is set out in Appendix E.1								

## **Accounting Policies**

### **1. Presentation of Annual Financial Statements**

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP) prescribed by the Minister of Finance in terms of General Notice 991 and 992 of 2005. MFMA Section 122(3) also prescribes GRAP. These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

A summary of the significant accounting policies, which have been consistently applied, are disclosed below.

These accounting policies are consistent with the previous period.

#### **1.1 Significant judgments 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 judgment 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 loans and receivables for impairment at each reporting period. The municipality makes judgments as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset/liability

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

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

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

The write down is included in the impairment of assets note.

##### **Fair value estimation**

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the statement of financial position date. The quoted market price used for financial assets held by the municipality is the current bid price. The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the prime interest rate that is available to the municipality for similar financial instruments.

### **Impairment testing**

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.

The municipality has identified all its capital assets, excluding Investment Property, as non-cash generating assets as it's the municipality's view that the primary objective of these assets are to provide a service and not to generate a commercial return.

### **Provisions**

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in note 35 - Provisions.

### **Useful lives of assets**

The municipality's management determines the estimated useful lives and related depreciation charges. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

### **Post-retirement benefits**

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

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability. Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 44.

### **Interest rate**

The municipality used the prime interest rate to discount future cash flows.

### **Allowance for doubtful debts**

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

### **Residual value**

The estimated value of an asset at the end of its useful life, or the value that remains at the end of the analysis period where the asset useful life exceeds the analysis period. The residual value is considered as a benefit (cash inflow) in the final year of the analysis period.

### **Inventories**

Unsold properties are taken at fair value on the date when the intention to dispose land has arisen to inventory from investment property on initial recognition.

### **Revenue- estimation of meter readings**

Where meter readings are not available, the readings are estimated as follows:

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Where readings are not available other than as a result of a meter fault, estimations are done by using the consumption of the readings of the same period the preceeding year, or an average of any consecutive two months. Where Council or the owner are of the opinion that the meter are at fault, such a meter must be replaced and sent for testing. The results of the testing of the meters will determine the correction of the account as prescribed in the respective year's Tariff of Charges Policy.

**1.2 Presentation of Currency**

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

### **1.3 Going concern assumption**

In terms of the accounting standard GRAP 1 paragraphs 27 to 30 the annual financial statements are prepared on a going concern basis. The assumption is based on the fact that the municipality may invoke its power to levy additional rates or taxes to enable the municipality to be considered as a going concern even though the municipality will be operational for extended periods with negative net assets.

### **1.4 Comparative figures**

Current year comparatives

Budgeted amounts have been included in the statement of comparison of budget and actual amounts for the current financial year only.

Prior year comparatives

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

### **1.5 Offsetting**

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

#### **1.6.1 Housing development fund**

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

#### **1.6.2 Revaluation Reserve**

The surplus arising from the revaluation of land and buildings is credited to a revaluation reserve. The revaluation surplus is realised through a transfer from the revaluation reserve to the accumulated surplus/(deficit) on disposal, the net revaluation surplus is transferred to the accumulated surplus/(deficit) while gains or losses on disposal, based on re-valued amounts, are credited or charged to the Statement of Financial Performance.

## **1.7 Property, plant and equipment**

### **1.7.1 Initial recognition**

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.

The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

Where an asset is acquired at no cost, or for a nominal cost, 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.

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.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as 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.



**1.7.2 Subsequent recognition**

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, except for land, community assets and infrastructure assets which are carried at revaluation amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Revaluations are made with sufficient regularity such that the carrying value does not differ materially from that which it would be determined using fair value at the end of the reporting period.

When an item of property, plant and equipment is re-valued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after re-valuation equals its re-valued amount.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a re-valuation surplus. 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 surplus 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.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings as the asset is used. The amount transferred is equal to the difference between depreciation based on the re-valued carrying amount and depreciation based on the original cost of the asset. If a revaluation is necessary, all assets of that class are revalued.

During the current financial period the revaluation method was adopted for infrastructure and community assets. For consistency purposes this revaluation has been applied retrospectively with the effective date 30 June 2012, resulting in a restatement of the opening balances for the respective asset portfolios.

**1.7.3 Depreciation**

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 useful life range

**Infrastructure**

→ Roads and stormwater	5-80 years
→ Electricity	3-50 years
→ Sanitation	15-100 years
→ Water	5-80 years
→ Housing	3-50 years
→ Landfill sites	15-50 years

**Community**

→ Sport and recreational facilities	5 - 50 years
→ Cemeteries	5 - 50 years
→ Halls	5 - 50 years
→ Libraries	5 - 50 years
→ Parks	5 - 50 years
→ Fire / Ambulance stations	5 - 50 years
→ Clinics	5 - 50 years
→ Sport fields	15 - 30 years
→ Stadium	50 years

**Other**

→ Transport assets	5-15 years
→ Machinery and equipment	2-15 years
→ Computer equipment	3-7 years
→ Office equipment	3-10 years
→ Library books	10 years

Land is not depreciated as it is regarded as having an infinite useful life.

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

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

### **1.8 Biological Assets**

#### **Initial Recognition**

A biological asset or agricultural produce is recognised when, and only when:

- the municipality controls the asset as a result of past events;
- it is probable that future economic benefits associated with the asset will flow to the municipality
- and the fair value or cost of the asset can be measured reliably.

#### **Subsequent Measurement:**

Biological assets are measured at their fair value less estimated point-of-sale costs.

The fair value of livestock is determined based on market prices of livestock of similar age, breed, and genetic merit. The fair value of milk is determined based on market prices in the local area. The fair value of the vine / pine plantations is based on the combined fair value of the land and the vines / pine trees. The fair value of the raw land and land improvements is then deducted from the combined fair value to determine the fair value of the vines / pine trees.

A gain or loss arising on initial recognition of agricultural produce at fair value less estimated point-of-sale costs is included in profit or loss for the period in which it arises.

Where market determined prices or values are not available, the present value of the expected net cash inflows from the asset, discounted at a current market-determined pre-tax rate is used to determine fair value.

An unconditional government grant related to a biological asset measured at its fair value less estimated point-of-sale costs is recognised as income when the government grant becomes receivable.

Where fair value cannot be measured reliably, biological assets are measured at cost less any accumulated depreciation and any accumulated impairment losses.

Depreciation is provided on biological assets where fair value cannot be determined, to write down the cost, less residual value. The annual depreciation rates are based on the following estimated average asset lives:

### **1.9 Heritage Assets**

#### **Recognition of Assets**

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

A heritage asset is further recognised as an asset only if:

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

#### Subsequent Measurement

Heritage asset is measured at its cost value and should it be acquired through a non-exchange transaction will it be measured at its fair value as at the date of acquisition and is carried at its cost less any accumulated impairment losses.

Heritage assets which are shown at cost, are not depreciated due to the uncertainty regarding their estimated useful lives, as reflected below:

Memorials & Statues	- indefinite life
Heritage Sites	- indefinite life
Museums	- indefinite life
Art Works	- indefinite life

Although a heritage asset is not depreciated, the asset is assessed for impairment at each reporting date to disclose whether there is an indication that it may be impaired.

#### De-recognition of Asset

The carrying amount of a heritage is de-recognised:

- on disposal, or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the de-recognition, of a heritage asset should be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

### **1.10 Investment Property**

#### **Initial recognition and measurement**

Investment property includes property held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services or the sale of an asset in the ordinary course of operations.

Investment Property is initially recognised when future economic benefits or service potential are probable and the cost or fair value can be determined reliably.

At initial recognition, the entity measures investment property at cost including transaction costs once it meets the definition of investment property.

Where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is the cost at date of completion.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property (property, plant and equipment), the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the entity accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

The cost of day to day servicing of investment property is recognised in the Statement of Financial Performance as incurred.

#### **Subsequent measurement**

##### **Fair value model**

Investment property is measured using the fair value model. This entails determining the fair value of investment properties on a regular basis. To the extent that the fair value model is applied investment property is not depreciated. Fair value gains / losses that result from the revaluation are recognised in the Statement of Financial Performance.

**Derecognition**

An Investment Property is derecognised when there is a disposal or no future economic benefits or service potential are to be derived from the property. All gains or losses, which result from the derecognition, are recognised in the Statement of Financial Performance.

**1.11 Inventories**

Inventories are initially measured at cost except where inventories are acquired at no cost, or for nominal consideration, then their costs are their fair valued as at the date of acquisition.

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

The cost at reporting date comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. The cost of inventories is assigned using the weighted average method. The same cost formula is used for all inventories having a similar nature and use to the entity.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values.

Unsold properties are at the lower cost and net realisable value. Direct cost are accumulated for each separately identifiable development. Cost also includes a portion of the overhead costs.

### **1.12 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 un-collectability.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related. Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

De-recognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position. The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment,

call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, (see the Standard of GRAP on Revenue from Exchange Transactions) transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

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

A financial asset is:

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

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

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

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

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.

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

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:  
→ the entity designates at fair value at initial recognition; or  
→ are held for trading.

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

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

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

### **Classification**

The municipality 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**

Long term liabilities Financial liability measured at amortised cost  
Trade and other payables Financial liability measured at amortised cost

### **Initial recognition**

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

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

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. The entity first assesses whether the substance of a concessionary **its** loan is in fact a loan. On initial recognition, the entity analyses a concessionary loan into its component parts and accounts for each component separately.

The entity accounts for that part of a concessionary loan that is:

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

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

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

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

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

### **Fair value measurement considerations**

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation

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

### **Reclassification**

The entity does not reclassify a financial instrument while it is issued or held unless it is:

- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

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

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

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

### **Gains and losses**

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

### **Impairment and un-collectability 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.



## **De-recognition**

### **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 de-recognition 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 de-recognition 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 de-recognition 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 de-recognition 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.

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

### **Presentation**

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

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

Distributions to holders of residual interests are debited by the entity directly to net assets, net of any related income tax benefit [where applicable]. Transaction costs incurred on residual interests is accounted for as a deduction from net assets, net of any related income tax benefit [where applicable].

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 de-recognition, the entity does not offset the transferred asset and the associated liability.

### **1.13 Revenue from exchange transactions**

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

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

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

### **Measurement**

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

### **Sale of goods**

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

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

### **Rendering of services**

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

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

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

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable. Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by.

### **Interest, royalties and dividends**

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

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

Interest is recognised, in surplus or deficit, using the effective interest rate method. Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

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

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

#### **1.14 Revenue from non-exchange transactions**

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

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange. Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

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

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified. Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality. Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law. Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

#### **Recognition**

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

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

### **Measurement**

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

### **Transfers**

Apart from Services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset. The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset. Transferred assets are measured at their fair value as at the date of acquisition.

### **Fines**

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset. Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality. Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

### **Bequests**

Bequests that satisfy the definition of an asset 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.

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

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

## **1.15 Grants and receipts**

### **Conditional Grants**

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

### **Unconditional Grants**

Revenue received from unconditional grants have no conditions attached and are recognised as revenue upon receipt.

## **1.16 Provisions and contingencies**

Provisions are recognised when:

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

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date. Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation. The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

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

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation. Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense. A provision is used only for expenditure for which the provision was originally recognised. Provisions are not recognised for future operating deficits.

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

After their initial recognition contingent liabilities recognised in business 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 33.

#### **1.17 Unauthorised expenditure**

Unauthorised expenditure means:

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

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

#### **1.18 Irregular expenditure**

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

Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

#### **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 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.

#### **Finance leases – lessee**

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

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease. The lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

#### **Operating leases – lessor**

Operating lease income is recognised as an income 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 income.

Income for leases is disclosed under revenue in the 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. This liability is not discounted.

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

### **1.21 Intangible assets**

An asset is identified as an intangible asset when it:

- . 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, assets or liability; or
- . arises from contractual rights or other legal rights, regardless whether those rights are transferable or separate from the municipality or from other rights and obligations.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
- the cost of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

An intangible asset acquired at no or nominal cost, the cost shall be its fair value as at the date of acquisition.

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.

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- 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. Amortisation is not provided for these property, plant and equipment. 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 every period-end. Reassessing the useful life of an intangible asset with a definite 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:

Computer software, internally generated 3 - 5 years  
Computer software, other 3 - 5 years

Amortisation begins when the asset is available for use.

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.



### **1.22 Impairment of cash-generating assets**

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

The entity tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

Where items of property, plant and equipment have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the Statement of Financial Performance in the period that the impairment is identified.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of the impairment is recognised in the Statement of Financial Performance.

#### **Identification**

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

#### **Cash-generating units**

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit. Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

#### **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.

#### **Re-designation**

The re-designation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a re-designation is appropriate.

### **1.23 Impairment of non-cash-generating assets**

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

The entity tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. In assessing whether there is an indication that an asset may be impaired, management considers both external and internal indicators (sources of information).

Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

#### **Value in use**

Value in use of an asset is the present value of the asset's remaining service potential. The present value of the remaining service potential of an asset is determined using the following approach:

#### **Depreciated replacement cost approach**

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

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

#### **Restoration cost approach**

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

#### **Service units approach**

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

### **Recognition and measurement**

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss. An impairment loss is recognised immediately in surplus or deficit. Any impairment loss of a re-valued 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.

### **Re-designation**

The re-designation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a re-designation is appropriate.

### **1.24 Employee benefits**

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

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

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

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

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after

the end of the period in which the employees render the related service. Vested employee benefits are employee benefits that are not conditional on future employment. Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

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

#### **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 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 cell phones) 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.

#### **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 each reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

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

Defined benefit plans are post-employment benefit plans other than defined contribution plans. Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the municipality 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 municipality) that are held by an municipality (a fund) that is legally separate from the reporting municipality 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 municipality's own creditors (even in liquidation), and cannot be returned to the reporting municipality, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting municipality; or
- the assets are returned to the reporting municipality 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.

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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 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 municipality's informal practices. Informal practices give rise to a constructive obligation where the municipality has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the municipality'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 municipality measure the resulting asset at the lower of:

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

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

The municipality 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 municipality 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)

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The municipality 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, a municipality 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, a municipality 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 municipality 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 municipality re-measures the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices). When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is [OR is not] presented as the net of the amount recognised for a reimbursement.

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

#### **Actuarial assumptions**

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled. The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money.

The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

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

**POLOKWANE MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

- 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.

Pension Obligations: The municipality and its employees contribute to 7 different Pension Funds, of which 3 (The Municipal Employees Pension Fund, Municipal Gratuity Fund and Samwu National Provident Fund) cater for the majority of the staff. The Joint Municipal Pension Fund, Municipal Employees Pension Fund, Municipal Gratuity Fund, Samwu National Provident Fund, Municipal Councillors Pension Fund, Government Employees Pension Fund and National Fund for Municipal Workers are defined contribution funds.

The schemes are funded through payments to financial consultant companies or trustee-administered funds, determined by periodic actuarial calculations. The Municipality has both defined benefit and defined contribution plans. A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. A defined contribution plan is a pension plan under which the Municipality pays fixed contributions into a separate entity. The Municipality has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

For defined contribution plans, the Municipality pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Municipality has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.



### **1.25 Borrowing costs**

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use. The amount of borrowing costs eligible for capitalisation is determined as follows:

- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any investment income on the temporary investment of those borrowings.
- Weighted average of the borrowing costs applicable to the municipality on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

The capitalisation of borrowing costs commences when all the following conditions have been met:

- expenditures for the asset have been incurred;
- borrowing costs have been incurred; and
- activities that are necessary to prepare the asset for its intended use or sale are undertaken.

When the carrying amount or the expected ultimate cost of the qualifying asset exceeds its recoverable amount or recoverable service amount or net realisable value, the carrying amount is written down or written off in accordance with the accounting policy on Impairment of Assets as per accounting policy number 1.21. In certain circumstances, the amount of the write-down or write-off is written back in accordance with the same accounting policy.

Capitalisation is suspended during extended periods in which active development is interrupted. Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete. All other borrowing costs are recognised as an expense in the period in which they are incurred.

### **1.26 Investments**

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

### **1.27 Grants in aid**

The Polokwane Municipality transfers money to individuals, institutions and organisations. When making these transfers, The Municipality does not: Receive any goods or services directly in return, as would be expected in a purchase or sale transaction Expect to be repaid in future; or Expect a financial return, as would be expected from an investment These transfers are recognised in the financial statements as expenses in the period that the events giving rise to the transfer occurred.

### **1.28 Presentation of Budget Information in the Financial Statements**

The Municipality shall present a comparison of the budget amounts for which it is held publicly accountable and actual amounts either as a separate additional financial statement or as additional budget columns in the financial statements currently presented in accordance with Standards of GRAP. The comparison of budget and actual amounts shall present separately for each level of legislative oversight:

- the approved and final budget amounts;
- the actual amounts on a comparable basis; and
- by way of note disclosure, an explanation of material differences between the budget for which the entity is held publicly accountable and actual amounts, unless such explanation is included in other public documents issued in conjunction with the financial statements, and a cross reference to those documents is made in the notes.

Where an entity prepares its budget and annual financial statements on a comparable basis, it includes the comparison as an additional column in the primary annual financial statements. Where the budget and annual financial statements are not prepared on a comparable basis, a separate statement is prepared called the 'Statement of Comparison of Budget and Actual Amounts'. This statement compares the budget amounts with the amounts in the annual financial statements adjusted to be comparable to the budget.

A comparable basis means that the budget and annual financial statements:

- are prepared using the same basis of accounting i.e. either cash or accrual;
- include the same activities and entities;
- use the same classification system; and
- are prepared for the same period.

### **1.29 Commitments**

Items are classified as commitment where the municipality commits itself to future transactions that will normally result in the outflow of resources. Commitments are not recognised in the Statement of Financial Position as a liability, but are included in the disclosure notes in the following cases:

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

### **1.30 Changes in accounting policy**

The Financial Statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice on a basis consistent with prior year except for the adoption of the following new standards: GRAP 25 Employee benefits

The change in accounting policy did not have any effect on the financial statements for the year ended 30 June 2014.

## **2. New standards and interpretations**

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

The municipality has not applied the following standards and interpretations.

### **GRAP 18: Segment Reporting - Issued March 2005**

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the entity. The major classifications of activities identified in budget documentation will usually reflect the segments for which an entity reports information to management.

Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of an entity that provides specific outputs or achieves particular operating objectives that are in line with the entity's overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by an entity within a particular region.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 01 April 2011.

The municipality expects to adopt the standard for the first time in the 2012 annual financial statements. It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

### **GRAP 20: Related Party – Issued June 2011**

Related party relationships exist throughout the public sector, because:

- (a) The Municipalities is subject to the overall direction of an executive government or Council and ultimately, parliament, and operate together to achieve the policies of the government
- (b) The Municipality conduct activities necessary for the achievement of different parts of their responsibilities and objectives through separate controlled entities, and through entities over which they have significant influence
- (c) Public entities enter into transactions with other government entities on a regular Basis, and
- (d) Ministers, councillors or other elected or appointed members of the government and other members of management can exert significant influence over the operations of an entity.

The mere existence of related party relationships means that one party can control, jointly control or significantly influence the activities of another party. This provides the opportunity for transactions to occur on a basis that may give one party an advantage at the expense of another. Therefore the disclosure of related party transactions, outstanding balances, and the relationship underlying those transactions is necessary for accountability purposes.

Management could hold positions of responsibility within an entity and therefore members of management will be responsible for the strategic direction and operational management of an entity and are entrusted with significant authority. However, their responsibilities may enable them to influence the benefits of office that flow to them, or their related parties or parties that they represent on the governing body.

Close members of the family of persons related to the entity may influence, or be influenced by them in their transactions with the entity.

Disclosure of related party transactions, outstanding balances, including commitments, and relationships with related parties may affect users' assessments of the financial position and performance of the reporting entity and its ability to deliver agreed services, including assessments of the risks and opportunities facing the entity. This disclosure also ensures that the reporting entity is transparent about its dealings with related parties.

The effective date of the standard has not yet been determined.  
The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operation.

At present the impact of the standard is not material.

**"GRAP 105: Transfer of Functions between Entities under Common Control – Issued November 2010"**

"The compliance to the standard would have no effect on the present presentation of the Annual Financial Statement. However should in the future it be necessary to transfer functions between entities under common control will the accounting policy be amended to cater for such transfer."

**"GRAP 106: Transfer of Function between Entities Not Under Common Control – Issued November 2010"**

"The compliance to the standard would have no effect on the present presentation of the Annual Financial Statement. However should in the future it be necessary to transfer functions between entities not under common control will the accounting policy be amended to cater for such transfer."

**GRAP 107: Mergers – Issued November 2010**

"The compliance to the standard would have no effect on the present presentation of the Annual Financial Statement. However should in the future there be a merger between entities will the accounting policy be amended to cater for such merger transactions and disclosure."

**GRAP 32: Service Concession Agreement – Issued November 2013**

"The compliance to the standard would have no effect on the present presentation of the Annual Financial Statement. However should in the future there be service concession agreements involving the entity will the accounting policy be amended to cater for such transactions and disclosure."

**GRAP 108: Statutory Receivables – Issued September 2013**

"The compliance to the standard would have no effect on the present presentation of the Annual Financial Statement. However should in the future there be a statutory receivables involving the entity will the accounting policy be amended to cater for such transactions and disclosure."

**GRAP 109: Accounting by Principals and Agents – Issued July 2015**

"The compliance to the standard would have no effect on the present presentation of the Annual Financial Statement. However should in the future there be principal-agent relationships involving the entity will the accounting policy be amended to cater for such transactions and disclosure."

**POLOKWANE MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

	<b>2015</b> <b>R</b>
<b>2. HOUSING DEVELOPMENT FUND</b>	<b>6 955 962</b>
Unappropriated Surplus	3 975 991
Loans extinguished by Government on 1 April 1998	2 979 971
The Housing Fund is represented by the following assets:	
Housing selling scheme loans	166 836
Bank and cash	6 789 126
	<b>6 955 962</b>

The Housing selling scheme loans are included in receivables (note 10) on the Statement of Financial Position and bank and cash in cash and equivalents (note 15) on the Statement OF Financial Position

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997).

Loans from national and provincial government used to finance housing selling schemes undertaken by the Municipality were extinguished on 1 April 1998 and transferred to a Housing Development Fund.

In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund.

Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

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**3. RESERVES**

<b>Revaluation Reserve</b>	<b>3 387 175 876</b>
- Balance Beginning of the Year	3 402 773 733
- Reversal of previously recognised impairment	(15 597 857)
Revaluation of Land	-

**4. BORROWINGS**

**Non-Current Borrowings**

Local Registered Stock loans	136 829
Annuity loans	187 887 558
	<b>188 024 387</b>

**Current Portion of Borrowings**

Local Registered Stock loans	27 799
Annuity loans	37 236 188
	<b>225 288 375</b>

Refer to Appendix A for more detail on long term liabilities.

The Fair value of all long term loans approximates their book value.

**Long term loan commitments:**

The Municipality had entered into a loan agreement with the Development Bank of Southern Africa in February 2011 to borrow R320 million at a interest rate of 8.875% over 10 years. The last loans are repayable in 2021.

The Municipality had entered into a loan agreement with the Development Bank of Southern Africa in February 2011 to borrow R50 million at a interest rate of 11.52% over 10 years. The last loans are repayable in 2020.

These loans are from different sporting bodies at an interest rate of 10% repayable over 20 years. The last loans are repayable in 2017.

No loans are secured against any assets of the Municipality

**POLOKWANE MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

	2015 R
<b>5. CONSUMER DEPOSITS</b>	
Water and electricity & other	<u><u>67 612 259</u></u>
Guarantees held in lieu of electricity and water deposits	<u><u>9 772 800</u></u>

**POLOKWANE MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

		2015 R
<b>6.</b>	<b>TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS</b>	
	Trade Creditors	156 237 215
	Amounts received in advance	40 815 700
	Unallocated Credits	0
	Deferred income elec pre-paid	4 060 115
	Leave bonus (13th cheque)	10 145 041
	Staff leave	66 759 454
	Retention withheld on projects	48 026 978
	Unidentified receipts	25 191 392
	Other	1 444 937
		<u><b>352 680 831</b></u>
<b>7.</b>	<b>CURRENT UNSPENT CONDITIONAL GRANTS FROM GOVERNMENT AND PUBLIC DONATIONS</b>	
	Public Transport Infrastructure and Systems Grant	28 167 868
	Municipal Infrastructure Grant	133 711 394
	Limpopo Provincial Government	2 949 710
	Water Services Refurbishment Grant	20 840 184
	Electricity Demand Side Management Grant	-
	Housing Accreditation Grant	404 429
	Neighbourhood Development Partnership Grant	5 705 692
	Department Sport & Recreation	-
	KFW German Bank	-
	National Lottery	3 355 674
		<u><b>195 134 950</b></u>

See note 19 and 20 for reconciliation of unspent grants. These amounts are invested until utilised.

**POLOKWANE MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

**2014**  
**R**  
**Restated**  
**10 444 442**

7 464 471
2 979 971

1 255 138
9 189 304

**10 444 442**

**3 402 773 733**

3 420 047 196
(23 987 493)
6 714 030

164 628
225 123 747
<b><u>225 288 375</u></b>

**36 905 952**

193 333
36 712 619
<b><u>262 194 327</u></b>



**POLOKWANE MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

**2014**  
**R**

**65 650 273**

**10 221 261**

**POLOKWANE MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

**2014**  
**R**

135 801 994  
33 668 930  
0  
3 612 084  
9 224 415  
52 351 415  
29 648 336  
14 415 935  
3 223 754  

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**281 946 863**

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111 917 691  
136 106 614  
2 949 710  
7 731 052  
4 057 090  
385 777  
-  
3 270 508  
2 007 735  
6 153 144  

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**274 579 322**

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**POLOKWANE MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

**8 PROPERTY, PLANT & EQUIPMENT**

	Land R	Community Facilities	Infrastructure R	Other and Movable R	Finance lease R	Total R
<b>Carrying values at 30 June 2013</b>	<b>161 363 255</b>	<b>1 718 932 289</b>	<b>6 813 715 528</b>	<b>98 667 368</b>	<b>27 735 076</b>	<b>8 820 413 517</b>
Cost	161 363 255	3 102 075 010	13 415 272 576	180 915 351	28 515 334	16 888 141 526
Accumulated Impairment	-	-	-	-	-	-
Accumulated depreciation – cost	-	(1 383 142 727)	(6 601 557 048)	(82 332 535)	(780 257)	(8 067 812 561)
Acquisitions	-	15 703 357	243 296 221	5 144 924	101 821 170	365 965 672
Capital Work in Progress	-	(6 648 422)	81 851 970	-	-	75 203 548
Depreciation – based on cost	-	(99 178 770)	(393 522 817)	(21 421 362)	(22 944 046)	(537 066 995)
Impairment	-	(8 402)	(19 021)	-	-	(27 423)
Revaluation	6 714 030	-	-	-	-	6 714 030
Loss on disposal of assets	-	(12 664 263)	(39 748 519)	(13 596 831)	-	(66 009 613)
Cost	-	(22 450 238)	(71 522 562)	(26 073 460)	-	(120 046 259)
Accumulated depreciation	-	9 785 975	31 774 043	12 476 828	-	54 036 646
<b>Carrying values at 30 June 2014</b>	<b>168 077 285</b>	<b>1 616 135 790</b>	<b>6 705 573 362</b>	<b>68 709 547</b>	<b>106 612 200</b>	<b>8 665 108 184</b>
Cost	168 077 285	3 088 679 707	13 668 898 206	159 986 815	130 336 504	17 215 978 517
Accumulated Impairment	-	(8 402)	(19 021)	-	-	(27 423)
Accumulated depreciation – cost	-	(1 472 535 515)	(6 963 305 823)	(91 277 268)	(23 724 304)	(8 550 842 910)
Acquisitions	610 000	2 860 486	393 614 287	7 625 098	682 590	405 392 462
Capital Work in Progress	-	25 293 876	74 711 366	-	-	100 005 241
Depreciation – based on cost	-	(94 246 394)	(400 239 146)	(20 673 873)	(26 203 445)	(541 362 859)
Impairment	-	(122 883)	-	-	-	(122 883)
Revaluation	-	-	-	-	-	-
Loss on disposal of assets	-	-	(30 747 047)	(8 719 968)	-	(39 467 015)
Cost	-	-	(77 954 083)	(41 453 868)	-	(119 407 951)
Accumulated depreciation	-	-	47 207 036	32 733 900	-	79 940 936
<b>Carrying values at 30 June 2015</b>	<b>168 687 285</b>	<b>1 549 920 875</b>	<b>6 742 912 821</b>	<b>46 940 804</b>	<b>81 091 346</b>	<b>8 589 553 130</b>
Cost	168 687 285	3 116 834 069	14 059 269 775	126 158 045	131 019 094	17 601 968 269
Accumulated Impairment	-	(131 285)	(19 021)	-	-	(150 306)
Accumulated depreciation – cost	-	(1 566 781 910)	(7 316 337 933)	(79 217 242)	(49 927 748)	(9 012 264 833)

Refer to Appendix B for more detail on property, plant & equipment, including the capital under construction.

Infrastructure and Community Assets: Annual review meetings were conducted with all Strategic Business Units during which impairment triggers and asset performance indicators were discussed and possible impairments were identified. In addition, insurance claims were also reviewed and considered as identifiers of possible impairment triggers. During physical field assessment, information pertaining to the condition and performance of these assets were recorded and further analysed to establish the impact on the value in use of identified components.

Capital work in progress: The following table indicates the opening balances and yearly movements:

	Community assets	Infrastructure Assets	TOTAL
<b>Opening balance at 1 July 2014</b>	30 803 641	253 728 557	284 532 199
Additional cost	9 054 935	325 148 191	334 203 126
Transfers to asset register	(15 703 357)	(243 296 221)	(258 999 578)
<b>Closing balance as at 30 June 2014</b>	<b>24 155 219</b>	<b>335 580 527</b>	<b>359 735 746</b>
Additional cost	27 819 962	468 660 052	496 480 014
Transfers to asset register	(2 526 086)	(393 948 687)	(396 474 773)
<b>Closing balance as at 30 June 2015</b>	<b>49 449 095</b>	<b>410 291 893</b>	<b>459 740 988</b>

Moveable assets: During the asset verification movable assets were identified which were not previously included in the asset register. These assets were fair valued. The fair value of an asset is represented by a depreciated replacement cost, which in turn is a product of the assessed condition of the asset and comparable prices within an active markets of identical/similar assets.

Refer to note 29 for the disclosure of the effect of the prior period adjustment.

A number of movable assets were not physically verified during the current years' physical verification, and are currently under investigation. Items with a total carrying value of R4,882,342 were derecognised at year end and disclosed as Contingent assets, refer to Contingent Assets note below.

During the year Remaining Useful Lives have been reviewed on all depreciable assets. However, during the revaluation of infrastructure and the holistic approach adopted in the review of all asset portfolios, estimate lifespans have already been corrected and absorbed within the 2012, as a result, no change in accounting estimate are required during the current financial year.

As at 30 June 2015 all impaired assets are carried at value in use.

Land: Properties to the value of R44,210,000 for which title deeds are registered under the name of the Municipality, have not been included in the Municipality's financial records. These properties are represented by ex R 293 and other land parcels, vacant and improved, over which the municipality does not execute any form of control or have any legal claim to ownership.

Assets are not pledged as collateral.

**Contingent assets**

During the current financial period a number of movable assets were not physically verified during the physical verification process and are currently under investigation. These items were duly derecognised at year end and classified as contingent assets. If and when items are to be physically verified, the derecognition will be reversed and it will again be recognised in the asset register accordingly.

Items with a total carrying value of R4,882,342 were derecognised at year end.

**8.1 INTANGIBLE ASSETS**

	2015 R	2014 R		
<b>Carrying Value Opening Balance</b>	<b>3 117 657</b>	<b>5 912 715</b>		
Cost	10 647 623	10 604 032		
Accumulated amortisation	(7 529 966)	(4 691 317)		
Acquisitions	927 367	43 591		
Impairment	(192 299)	-	192 299.48	COMAF 17
Amortisation and impairment– based on cost	(1 537 363)	(2 838 649)	640 575	1 933 237 COMAF 17
<b>Carrying Value Closing Balance</b>	<b>2 507 661</b>	<b>3 117 657</b>		
Cost	11 574 990	10 647 623		
Accumulated amortisation	(9 067 329)	(7 529 966)		

**Reconciliation of Intangible Assets - 2015**

	Carrying value Opening Balance R	Additions R	Capital Work in Progress R	Impairment R	Amortisation/Transfer R	Carrying value Closing Balance R
Computer infrastructure/systems	2 820 592	927 367	-	(192 299)	(1 389 034)	2 166 626
Aerial photographs	297 065	-	-	-	(148 330)	148 736
	<b>3 117 657</b>	<b>927 367</b>	-	<b>(192 299.00)</b>	<b>(1 537 364)</b>	<b>2 315 362</b>

**Reconciliation of Intangible Assets - 2014**

	Carrying value Opening Balance R	Additions R	Capital Work in Progress R	Amortisation R	Carrying value Closing Balance R
Computer infrastructure/systems	4 166 438	43 591	-	(1 389 437)	2 820 592
Aerial photographs	445 395	-	-	(148 330)	297 065
	<b>4 611 833</b>	<b>43 591</b>	-	<b>(1 537 767)</b>	<b>3 117 657</b>

**POLOKWANE MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 LUNE 2015**

**8.2. INVESTMENT PROPERTY**

	2015 R	2014 R
<b>Carrying Value Opening Balance</b>	<b>624 423 999</b>	<b>615 802 714</b>
Fair Value	624 423 999	615 802 714
Acquisitions		
Fair value adjustment	23 822 460	8 621 285
Transfer	(31 088 000)	-
<b>Fair Value</b>	<b>617 158 459</b>	<b>624 423 999</b>

A register containing the information required by section 63 of the Municipal Finance Management Per accounting policy note 1.10, the municipality is on the fair value model for investment property.

No Investment Properties were pledged as security.  
There are no restrictions on investment properties.  
There are no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

The values were determined by an external Professional Valuer registered with the South African Council for the Property Valuers Profession, Registration No. 4678  
The value of investment property, comprising of land and buildings was determined by using a combination of valuation approaches. Each of these approaches assessed the relevance of each specific property based on their nature, use and comparable market transactions.  
The preferred valuation methodology applied to vacant land was that of comparable market related sales, based on use, location and extent. Where developed properties are leased, relevant market related rentals based on use, type and extent of the said properties were used in performing a discounted cashflow valuation.

Investment Properties were fair valued by Rashika Naidu, a registered professional valuer, registration number: (SACPVP) - Valuer: 4678

Rental income from investment properties in respect of monthly and annual leases amounted to R 1 248 037.

The total direct operating expenses for repairs and maintenance on all municipal properties amounts to RNil (2014:RNil), including repairs and maintenance expenses on investment properties.

**8.3 HERITAGE ASSETS**

	2015 R	2014 R
<b>Carrying Value Opening Balance</b>	<b>4 588 129</b>	<b>3 671 704</b>
Cost	4 588 129	4 588 129
Changes in fair value adjustments	-	-
<b>Carrying Value Closing Balance</b>	<b>4 588 129</b>	<b>4 588 129</b>

Where practical, heritage assets were valued on the replacement value method and retrospectively restated on 1 July 2012 in accordance with the transitional provision applicable to GRAP 103. However, due to the nature of certain heritage assets, it is not possible or practical to establish a fair value associated with these assets and have been recognised in accordance with GRAP 103.94.

- R74921 Tank
- 2x Cannon - Pro Gloria Et Patria 1897

Assets are not pledged as collateral

**8.4 BIOLOGICAL ASSETS**

	2015 R	2014 R
<b>Carrying Value Opening Balance</b>	<b>16 633 000</b>	<b>13 965 349</b>
Fair value	16 633 000	13 965 349
Accumulated depreciation	-	-
Changes in fair value adjustments	(1 626 750)	2 667 651
Carrying value of disposals	(728 500)	-
<b>Carrying Value Closing Balance</b>	<b>14 277 750</b>	<b>16 633 000</b>
<b>Fair value</b>	<b>14 277 750</b>	<b>16 633 000</b>

All biological assets relate to game.  
There were 1,789 game at year end. (2014: 1,565)

**POLOKWANE MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

	2015 R	2014 R Restated
<b>9. INVESTMENTS</b>		
<b>Long Term Investments</b>		
Standard Bank (Credit rating BBB-)	58 999 800	58 999 800
Investment in municipal entity (PHA)	<u>1 000</u>	<u>1 000</u>
	<u><b>59 000 800</b></u>	<u><b>59 000 800</b></u>
<b>Total Investments</b>	<u><b>59 000 800</b></u>	<u><b>59 000 800</b></u>
Council's valuation of investments	<u><b>59 000 800</b></u>	<u><b>59 000 800</b></u>

Polokwane Municipality has a 100% controlling interest in PHA. The subsidiary provide social housing to the community.  
Investments are held to maturity.

The Standard Bank long term investment serves as guarantee for Eskom bulk purchases

	2015 R	2014 R Restated
<b>10. RECEIVABLES</b>		
Housing selling scheme loans	166 836	1 255 138
Sport loans	187 670	413 448
Erven loans	5 687 352	6 735 274
Loan to Subsidiary - Polokwane Housing Association	-	7 595 282
<b>Total Receivables</b>	<u><b>6 041 858</b></u>	<u><b>15 999 142</b></u>

<b>Current Portion Transferred to Current Receivables</b>	<b>5 666 187</b>	<b>6 783 383</b>
Housing selling scheme loans	2 241	17 870
Sport loans	27 799	193 333
Erven loans	5 636 147	6 572 180

<b>Non-Current Portion of Receivables</b>	<u><b>375 671</b></u>	<u><b>9 215 758</b></u>
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**Housing selling scheme loans**  
These loans attract interest rates at 9% and were given over a period of 30 years.

**Sport loans**  
These loans were given to sporting bodies at an interest rate of 10% repayable over 20 years. The remaining loans are repayable in 2017.

**Erven loans**  
These loans were granted to the community for the purchase of stands. The loans attract interest rates at 9% over a period of 5 years.

**Loan to Subsidiary**  
An interest free loan was given to the Polokwane Housing Association. The loan was written off during the year.

	2015 R	2014 R Restated
<b>11. INVENTORY</b>		
<b>Opening balance of inventories</b>	40 386 116	40 822 205
Consumables stores - at cost	39 976 306	40 487 443
Water	409 810	334 762
<b>Additions</b>	192 415 318	171 784 098
Consumables stores	35 252 490	25 122 276
Water	157 162 828	146 661 822
<b>Issued (Expensed)</b>	(196 587 021)	(172 220 187)
Consumables stores	(39 410 845)	(25 633 413)
Water	(157 176 176)	(146 586 774)
<b>Closing balances of inventories</b>	36 214 414	40 386 116
Consumable stores - at cost	35 817 952	39 976 306
Water - at cost	396 462	409 810

Consumable stores fair value disclosed is based on the weighted average calculation method.  
No inventory is pledged as security

Inventory were corrected and consist of the following:  
Surplus inventory to the value of R9 963  
Shortages to the value of (R6 717)  
Transformers transferred to PPE (R4 714 913)  
Fuel shortages to the value of (R 422 730)

**POLOKWANE MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

	2015 R	2014 R
<b>12. TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS UNLESS SPECIFIED OTHERWISE</b>		
Consumer Debtors	749 917 521	711 166 409
Sale of water and electricity 15 to 30 June	29 314 507	29 291 140
	<u>779 232 028</u>	<u>740 457 549</u>
Less Provision for bad debts	(408 535 232)	(376 587 983)
Plus outstanding RD cheques	1 661 740	1 646 183
	<u>372 358 535 0</u>	<u>365 515 748</u>
<b>Ageing of consumer debtors</b>		
Current (0-30 days)	120 281 619	118 182 430
31-60 days	42 689 915	46 223 034
61-90 days	32 093 030	28 173 281
91-120 days	31 355 934	27 432 626
120+ days	552 811 529	520 446 177
	<u>779 232 028</u>	<u>740 457 549</u>
<b>Consumer debtors per category</b>		
Government	69 298 510	26 741 269
Business	188 929 212	190 579 183
Individuals	435 502 116	417 336 415
Other	85 502 190	105 800 682
	<u>779 232 028</u>	<u>740 457 549</u>
<b>The analysis and ageing of consumer debtors per service.</b>		
<b>Water</b>		
Current (0-30 days)	26 647 517	26 907 237
31-60 days	15 843 812	15 485 803
61-90 days	10 311 891	10 584 533
91-120 days	11 184 222	9 115 418
120+ days	159 370 194	129 184 675
	<u>223 357 637</u>	<u>191 277 666</u>
<b>Electricity</b>		
Current (0-30 days)	60 968 854	58 680 052
31-60 days	12 710 231	15 085 667
61-90 days	8 552 907	6 389 562
91-120 days	6 764 954	4 637 323
120+ days	63 049 893	49 485 304
	<u>152 046 839</u>	<u>134 277 907</u>
<b>Property Rates - Non Exchange Transactions</b>		
Current (0-30 days)	21 274 353	18 890 833
31-60 days	9 396 886	10 285 389
61-90 days	8 463 106	7 970 715
91-120 days	6 159 934	6 953 840
120+ days	113 962 091	101 415 665
	<u>159 256 370</u>	<u>145 516 442</u>
<b>Sewerage</b>		
Current (0-30 days)	3 467 252	3 383 295
31-60 days	1 549 319	1 583 190
61-90 days	1 168 710	958 889
91-120 days	968 778	827 954
120+ days	12 821 937	10 339 661
	<u>19 975 996</u>	<u>17 092 988</u>
<b>Refuse</b>		
Current (0-30 days)	4 942 416	4 677 095
31-60 days	2 121 804	2 001 936
61-90 days	1 546 124	1 373 987
91-120 days	1 323 367	1 169 260
120+ days	20 112 264	15 163 736
	<u>30 045 974</u>	<u>24 386 014</u>
<b>Other Consumer Receivable</b>		
Current (0-30 days)	2 981 228	5 643 918
31-60 days	1 067 863	1 781 050
61-90 days	2 050 293	895 596
91-120 days	4 954 679	4 728 831
120+ days	183 495 150	202 044 465
	<u>194 549 212</u>	<u>215 093 860</u>
<b>Total outstanding</b>	<u>779 232 028</u>	<u>727 644 878</u>
<b>Reconciliation of bad debt provision</b>		
Balance at beginning of year	376 587 984	166 269 422
Contributions to provision	114 596 050	234 894 481
Bad debts recovered/(written off) against provision	(82 648 802)	(24 575 919)
<b>Balance at year end</b>	<u>408 535 232</u>	<u>376 587 984</u>

**POLOKWANE MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

	2015 R	2014 R
<b>13 OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS UNLESS SPECIFIED OTHERWISE</b>		
Other debtors	742 287	3 059 680
Stock adjustments- Non exchange	5 134 398	-
Fines - Non exchange	1 269 690	9 666 334
Computicet	112 065	669 961
Banks- Accrued Interest	1 217 763	1 743 847
Amounts paid in advance	5 146 490	4 581 168
Deposits	655 174	605 050
	<b>14 277 866</b>	<b>20 326 040</b>
<b>13.1 Provision for outstanding fines</b>	14 536 586	14 645 730
Carrying amount at beginning of year	15 818 004	9 557 190
Additions during the year	(1 091 895)	(9 666 334)
Reductions during the year	<b>29 262 695</b>	<b>14 536 586</b>
Carrying amount at end of year		
<b>14 VAT - EXCHANGE TRANSACTIONS</b>		
VAT Claimable (Not due)	17 234 943	14 969 349
VAT Payable (Output)	-41 360 351	-34 166 034
Nett VAT refundable by SARS	42 503 315	15 666 615
	<b>18 377 908</b>	<b>-3 530 070</b>
VAT is payable on cash basis.		
<b>15 CASH AND CASH EQUIVALENTS</b>		
The municipality has the following bank accounts:		
<b>Current account (primary bank account)</b>		
Standard Bank: Polokwane	66 106 200	67 886 848
Account number: 030172349		
Cash book balance at end of year	<b>66 106 200</b>	<b>67 886 848</b>
<b>Current account (grants)</b>		
Standard Bank: Polokwane	226 428 108 0	242 063 970
Account number: 251753846		
Cash book balance at end of year	<b>226 428 108</b>	<b>242 063 970</b>
<b>Current Account (Housing)</b>		
Standard Bank: Polokwane	404 429	385 777
Account number: 330535269		
Cash book balance at end of year	<b>404 429</b>	<b>385 777</b>
<b>Short Term Fixed Deposits</b>		
	<b>Interest rate</b>	<b>Tenure</b>
Ned Bank	6.1 %	3 months
Standard Bank	6.55 %	3 months
	-	60 000 000
	30 000 000	50 000 000
	<b>30 000 000</b>	<b>110 000 000</b>
Other	-	2 196 713
Petty cash	24 710	24 710
<b>Total cash and cash equivalents</b>	<b>322 963 447</b>	<b>422 558 018</b>
<b>16 PROPERTY RATES</b>		
Residential	92 522 492	99 095 684
Government	7 904 851	30 532 245
Commercial	121 970 947	125 509 145
Other	33 789 197	30 255 353
	<b>256 187 487</b>	<b>285 392 425</b>
<b>VALUATIONS</b>	<b>R000's</b>	<b>R000's</b>
Residential	26 017 318	21 677 041
Government	1 823 150	3 709 018
Commercial	17 246 618	13 629 236
Municipal	1 217 927	2 072 234
Other	7 934 134	6 584 249
	<b>54 239 147</b>	<b>47 671 778</b>
Valuations on land are performed every four years and the last general valuation come into effect on 1 July 2014. The basic rate on residential vacant land for 2014/15 was .01935c in the Rand on the market value of the property. Different rebates are granted to owners dependent on the category of the rateable property.		
<b>17 SERVICE CHARGES</b>		
Sale of electricity	658 254 819	616 925 525
Sale of water	162 482 794	177 412 860
Refuse removal	57 426 431	54 870 829
Sewerage and sanitation charges	49 064 812	48 587 653
	<b>927 228 857</b>	<b>897 796 867</b>
<b>18 RENTAL OF FACILITIES AND EQUIPMENT</b>		
Rental of facilities	12 973 612	17 132 411
<b>Total rentals</b>	<b>12 973 612</b>	<b>17 132 411</b>

**POLOKWANE MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

	2015 R	2014 R
<b>19 GOVERNMENT GRANTS &amp; SUBSIDIES &amp; PUBLIC CONTRIBUTIONS</b>		
<b>Operating Grants from Government</b>	<b>547 555 480</b>	<b>516 199 287</b>
Equitable share	455 799 000	415 990 000
Municipal systems improvement grant	930 000	890 000
Local govt economic development grant	-	54 714
Local govt transition grant	-	649 874
Local govt restructuring grant	-	953 927
Finance management grant	1 800 000	1 650 000
Municipal infrastructure grant	44 973 055	26 592 951
Integrated national electrification programme grant	31 000 000	36 374 328
Expanded public works programme incentive grant	3 960 000	4 614 000
Public transport infrastructure and systems grant	6 093 425	-
Infrastructure skills development grant	3 000 000	3 200 000
Sport & Recreation	-	25 229 492
<b>Capital Grants from Government</b>	<b>555 234 831</b>	<b>350 188 424</b>
Municipal infrastructure grant	262 336 166	217 144 604
Electricity demand side management grant	4 057 090	5 942 610
Public transport infrastructure and systems grant	277 656 398	129 181 585
Water services refurbishment grant	6 890 869	-
Neighbourhood development grant	4 294 308	-
Water services refurbishment grant	-	(2 080 375)
<b>Capital Grants from Public Contributions</b>	<b>2 797 470</b>	<b>5 583 999</b>
KFW German bank	4347842.74	5 571 999
National Lottery	2 797 470	-
CoGHSTA	-	12 000
<b>Total Government Grants &amp; Subsidies &amp; Public Contributions</b>	<b>1 105 587 781</b>	<b>871 971 710</b>
<b>19.1 Equitable Share</b>		
Balance unspent at beginning of year	-	-
Current year receipts	455 799 000	415 990 000
Conditions met – transferred to revenue	(455 799 000)	(415 990 000)
	<u>-</u>	<u>-</u>
This grant is an unconditional grant and is partially utilized for the provision of indigent support through free basic services. Registered indigents receive a maximum monthly subsidy of R205.00 (R145.00 2013/14) which is funded from this grant.		
<b>19.2 Restructuring Grant</b>		
Balance unspent at beginning of year	-	953 927
Current year receipts	-	-
Transferred to revenue	-	(953 927)
<b>Unspent amount transferred to liabilities</b>	<u>-</u>	<u>-</u>
(see note 7)		
The grant was used for various restructuring initiatives. The remaining portion was transferred to revenue		
<b>19.3 Finance Management Grant</b>		
Balance unspent at beginning of year	-	-
Current year receipts	1 800 000	1 650 000
Conditions met – transferred to revenue	(1 800 000)	(1 650 000)
<b>Unspent amount transferred to liabilities</b>	<u>-</u>	<u>-</u>
(see note 7)		
This grant was used to promote and support reforms to municipal financial management and the implementation of the MFMA, 2003. The conditions of the grant were met. No funds have been withheld.		
<b>19.4 Water Services Operating Subsidy Grant</b>		
Current year receipts	-	-
Conditions met – transferred to revenue	-	-
<b>Unspent amount transferred to liabilities</b>	<u>-</u>	<u>-</u>
(see note 7)		
The grant was utilised to subsidize salaries of staff and repair and maintenance of water schemes transferred by DWAF.		
<b>19.5 Public Transport Infrastructure and Systems Grant</b>		
Balance unspent at beginning of year	111 917 691	42 338 276
Current year receipts	200 000 000	198 761 000
Conditions met – transferred to revenue	(283 749 823)	(129 181 585)
Paid back to National Treasury	-	-
<b>Unspent amount transferred to liabilities</b>	<u>28 167 868</u>	<u>111 917 691</u>
(see note 7)		
The grant was used for public transport and non motorised transport infrastructure.		



**POLOKWANE MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

	2015 R	2014 R
<b>19.6</b>		
<b>Municipal Systems Improvement Grant</b>		
Balance unspent at beginning of year	-	-
Current year receipts	930 000	890 000
Conditions met – transferred to revenue	<u>(930 000)</u>	<u>(890 000)</u>
<b>Unspent amount transferred to liabilities</b>	<b>-</b>	<b>-</b>
(see note 7)		
The purpose of the grant is for institutional systems. The grant was utilised.		
<b>GOVERNMENT SUBSIDIES &amp; GRANTS (CONTINUED)</b>		
<b>19.7</b>		
<b>Department of Sport &amp; Recreation</b>		
Balance unspent at beginning of year	3 270 508	-
Current year receipts	-	28 500 000
Conditions met – transferred to revenue	-	<u>(25 229 492)</u>
Paid back to National Treasury	<u>(3 270 508)</u>	<u>-</u>
<b>Unspent amount transferred to liabilities</b>	<b>-</b>	<b>3 270 508</b>
(see note 7)		
This grant was utilised for sport related operating expenses including CHAN Games. The conditions of the grant were met and no funds have been withheld.		
<b>19.8</b>		
<b>Municipal Infrastructure Grant</b>		
Balance unspent at beginning of year	136 106 614	137 656 169
Current year receipts	304 914 000	242 188 000
Conditions met – transferred to revenue	<u>(307 309 221)</u>	<u>(243 737 555)</u>
Paid back to National Treasury	-	-
<b>Unspent amount transferred to liabilities</b>	<b>133 711 393</b>	<b>136 106 614</b>
(see note 7)		
This grant was used to construct municipal infrastructure to provide basic services for the benefit of poor households. The conditions of the grant were met and no funds have been withheld.		
<b>19.9</b>		
<b>Limpopo Provincial Government</b>		
Balance unspent at beginning of year	2 949 710	2 949 710
Current year receipts	-	-
Conditions met – transferred to revenue	-	-
<b>Unspent amount transferred to liabilities</b>	<b>2 949 710</b>	<b>2 949 710</b>
(see note 7)		
The grant was utilised in the planning phase of the Convention Centre		
<b>19.10</b>		
<b>Water Services Refurbishment Grant</b>		
Balance unspent at beginning of year	7 731 053	2 057 677
Current year receipts	20 000 000	10 000 000
Conditions met – transferred to revenue	<u>(6 890 869)</u>	<u>(2 268 948)</u>
Transaction reversed- Previous year expenditure	-	4 349 323
Paid back to National Treasury	-	<u>(6 407 000)</u>
<b>Unspent amount transferred to liabilities</b>	<b>20 840 184 0</b>	<b>7 731 053</b>
(see note 7)		
The grant was utilised to subsidise water & sewer schemes transferred by DWAF.		
<b>19.11</b>		
<b>Limpopo Local Government &amp; Housing</b>		
Balance unspent at beginning of year	385 777	364 781
Current year receipts	18 652	20 996
Conditions met – transferred to revenue	-	-
<b>Unspent amount transferred to liabilities</b>	<b>404 429</b>	<b>385 777</b>
(see note 7)		
The grant was used to fund the housing accreditation process		
<b>19.12</b>		
<b>Local Government Transition Grant</b>		
Balance unspent at beginning of year	-	649 874
Current year receipts	-	-
Transferred to revenue	-	<u>(649 874)</u>
<b>Unspent amount transferred to liabilities</b>	<b>-</b>	<b>-</b>
(see note 7)		
The grant was used to fund the local government transitional phase. The remaining portion was transferred to revenue.		
<b>19.13</b>		
<b>Local Economic Development Grant</b>		
Balance unspent at beginning of year	-	54 714
Current year receipts	-	-
Transferred to revenue	-	<u>(54 714)</u>
<b>Unspent amount transferred to liabilities</b>	<b>-</b>	<b>-</b>
(see note 7)		
The grant was used to fund local economic development processes. The remaining portion was transferred to revenue		
<b>19.14</b>		
<b>Integrated National Electrification Programme Grant</b>		
Balance unspent at beginning of year	-	1 374 328
Current year receipts	31 000 000	35 000 000
Conditions met – transferred to revenue	<u>(31 000 000)</u>	<u>(36 374 328)</u>
Paid back to National Treasury	-	-
<b>Unspent amount transferred to liabilities</b>	<b>-</b>	<b>-</b>
(see note 7)		
The grant was used to fund projects to address electrification backlogs in rural areas .		

**POLOKWANE MUNICIPALITY**  
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	2015 R	2014 R		
<b>19.15 Electricity Demand Side Management Grant</b>				
Balance unspent at beginning of year	4 057 090	-		
Current year receipts	-	9 999 700		
Conditions met – transferred to revenue	(4 057 090)	(5 942 610)		
Paid back to National Treasury	-	-		
<b>Unspent amount transferred to liabilities</b>	<b>-</b>	<b>4 057 090</b>		
(see note 7)				
The grant was used to fund projects in order to mitigate the risk of load shedding and supply interruptions .				
<b>19.16 Expanded Public Works Programme Incentive Grant</b>				
Balance unspent at beginning of year	-	-		
Current year receipts	3 960 000	4 614 000		
Conditions met – transferred to revenue	(3 960 000)	(4 614 000)		
<b>Unspent amount transferred to liabilities</b>	<b>-</b>	<b>-</b>		
(see note 7)				
The grant was used to fund projects in order to maximise job creation and skills development .				
<b>19.17 Neighbourhood Development Partnership Grant</b>				
Balance unspent at beginning of year	-	-		
Current year receipts	10 000 000	-		
Conditions met – transferred to revenue	(4 294 308)	-		
<b>Unspent amount transferred to liabilities</b>	<b>5 705 692</b>	<b>-</b>		
(see note 7)				
The grant was used to fund projects in order to provide community infrastructure to improve quality of life of residents in townships .				
<b>19.18 Skills Development Fund</b>				
Balance unspent at beginning of year	-	-		
Current year receipts	3 000 000	3 200 000		
Conditions met – transferred to revenue	(3 000 000)	(3 200 000)		
<b>Unspent amount transferred to liabilities</b>	<b>-</b>	<b>-</b>		
(see note 7)				
The grant was paid over to Lepelle Northern Water Board accordance a 3 party agreement with National Treasury.				
<b>20 PUBLIC CONTRIBUTIONS, DONATED &amp; CONTRIBUTED PROPERTY, PLANT &amp; EQUIPMENT</b>				
Balance unspent at beginning of year (Lottery)	6 153 144	6 153 144	6 153 144	6 153 144
Balance unspent at beginning of year (German Bank)	(4 347 843)	-	2 007 735	-
Current year receipts (German Bank)	4 347 843	911 216	4 347 843	7 579 734
Current year receipts (CoGHSTA)	-	12 000	-	12 000
Conditions met – transferred to revenue (Lottery)	(2 797 470)	-	(2 797 470)	-
Conditions met – transferred to revenue (German Bank)	-	(5 259 059)	(6 355 578)	(5 571 999)
Conditions met – transferred to revenue (CoGHSTA)	-	(12 000)	-	(12 000)
<b>Unspent amount transferred to liabilities</b>	<b>3 355 674</b>	<b>1 805 301</b>	<b>3 355 674</b>	<b>8 160 879</b>
(see note 7)				
The Lottery funds were partially utilised during the year				
<b>Total Unspent government grants &amp; Subsidies &amp; Public Contributions</b>			<b>195 134 950 0</b>	<b>274 579 321</b>
See note 7 for reconciliation				
<b>21 INVESTMENT REVENUE EXTERNAL INVESTMENTS</b>				
Primary account			10 149 419	9 525 831
Grant account			11 857 586	6 045 101
External investments			13 713 653	14 043 063
Investment in PHA			-	932 754
			<b>35 720 658</b>	<b>30 546 748</b>
<b>22 OTHER REVENUE FROM EXCHANGE TRANSACTIONS</b>				
Building plan fees			5 020 826	5 283 123
Burial fees			569 756	544 146
Sale of erven			230 000	514 561
Surcharge excess water consumption			60 766 635	47 080 053
Royalties Silicon			1 167 824	-
Refund Seta levy			317 734	810 892
Retention forfeited			-	6 861 905
Insurance claims			1 594 109	2 528 061
Admission fees			670 622	767 061
Tender deposits			2 014 923	1 445 597
Suspence accounts transferred to revenue			-	4 188 402
Recovery Black Leopards			3 000 000	-
Unidentified receipts			-	-
Donations			5 492 335	3 664 000
Sundry income			6 175 181	6 504 553
			<b>87 019 945</b>	<b>80 192 355</b>

**POLOKWANE MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

23	<b>EMPLOYEE RELATED COSTS</b>	<b>2015 R</b>	<b>2014 R</b>
	Employee related cost - Salaries and wages	328 528 925	291 164 278
	Employee related cost - Social contributions	76 671 762	67 984 108
	Motor car allowances	34 573 173	31 732 004
	Housing benefits and other allowances	9 994 159	9 107 894
	Overtime benefits	42 677 095	38 579 627
	Leave bonus provision	1 078 746	(1 133 412)
	Leave reserve provision	24 568 532	16 490 296
	Long term service awards	2 223 431	2 654 443
		<u><b>520 315 822</b></u>	<u><b>456 579 238</b></u>
	There were no advances paid to employees.		
	<b>Municipal Manager</b>		
	Annual remuneration	1 038 716	1 225 259
	Motor car allowance	154 000	168 000
	Council Contributions	255 945	260 854
	Historic leave	180 952	0
	Termination settlement	1 464 780	0
		<u><b>3 094 394</b></u>	<u><b>1 654 113</b></u>
	The Municipal Manager resigned in June 2015 and was paid a settlement for 10 months. Historic leave was also paid out concurrently.		
	<b>Chief Financial Officer</b>		
	Annual remuneration	1 460 096	1 300 191
	Motor car allowance	120 000	120 000
	Council Contributions	1 861	1 859
		<u><b>1 581 957</b></u>	<u><b>1 422 050</b></u>
	<b>Director Planning &amp; Economic Development</b>		
	Annual remuneration	755 825	706 434
	Motor car allowance	156 000	156 000
	Council Contributions	193 800	180 408
		<u><b>1 105 625</b></u>	<u><b>1 042 842</b></u>
	<b>Director Engineering Services</b>		
	Annual remuneration	759 330	674 688
	Motor car allowance	240 000	220 000
	Council Contributions	195 981	170 258
		<u><b>1 195 311</b></u>	<u><b>1 064 946</b></u>
	<b>Director Community Services</b>		
	Annual remuneration	692 091	671 061
	Motor car allowance	216 000	216 000
	Council Contributions	197 534	183 533
		<u><b>1 105 625</b></u>	<u><b>1 070 594</b></u>
	<b>Director Corporate &amp; Shared Services</b>		
	Annual remuneration	959 764	894 240
	Motor car allowance	144 000	144 000
	Council Contributions	1 861	1 859
		<u><b>1 105 625</b></u>	<u><b>1 040 099</b></u>
	<b>Director Community Development</b>		
	Annual remuneration	1 103 764	1 002 281
	Motor car allowance	-	-
	Council Contributions	1 861	1 859
		<u><b>1 105 625</b></u>	<u><b>1 004 141</b></u>
	<b>Director Strategic Planning, Monitoring &amp; Evaluation</b>		
	Annual remuneration	852 714	800 811
	Motor car allowance	48 000	48 000
	Council Contributions	204 911	188 857
		<u><b>1 105 625</b></u>	<u><b>1 037 668</b></u>
	<b>Director Transportation Services</b>		
	Annual remuneration	755 841	738 763
	Motor car allowance	168 000	168 000
	Council Contributions	181 784	166 406
		<u><b>1 105 625</b></u>	<u><b>1 073 169</b></u>
	No performance bonuses were paid out in terms of Section 57 of the Municipal Systems Act.		
24	<b>REMUNERATION OF COUNCILLORS</b>		
	Executive Mayor	912 252	866 207
	Speaker	740 900	701 330
	Chief Whip	676 255	639 158
	Mayoral Committee members	5 624 848	4 715 282
	Councillors	17 251 381	17 120 796
		<u><b>25 405 636</b></u>	<u><b>24 042 773</b></u>
	<b>In-kind Benefits</b>		
	The Executive Mayor, Speaker and certain Mayoral Committee Members are full time. Each is provided with an office and secretarial support at the cost of Council.		
	The Executive Mayor has use of a Council owned vehicle.		
	Refer to Annexure I for full details.		

**POLOKWANE MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

	2015 R	2014 R
<b>25 FINANCE COST</b>		
Local Registered Stock loans	32 444	42 897
Finance leases	13 106 580	13 311 006
Annuity loans	25 232 092	23 998 009
	<u>38 371 116</u>	<u>37 351 912</u>
<b>26 BULK PURCHASES</b>		
Electricity	517 688 732	477 745 014
Water	157 206 174	141 407 828
	<u>674 894 906</u>	<u>619 152 841</u>
<b>27 GRANT AND SUBSIDIES PAID</b>		
Animal care : SPCA	240 000	240 000
Grant - PHA	6 500 000	6 700 000
	<u>6 740 000</u>	<u>6 940 000</u>
<b>28 GENERAL EXPENSES</b>		
	<u>496 666 408</u>	<u>361 491 071</u>

See Annexure H for full information on Other expenditure.

Included under Other Expenditure is a transfer to the amount of R70 572 657 relating to completed roads projects which have been implemented on routes demarcated under the custodianship of RAL through Government Gazette 2372. The transfer has been done for no consideration. This transfer has been approved by Council through the approval of the Capital budget for the 2014/15 financial year and the Council resolution 10/08/2015 dated 27 August 2015

**29 PRIOR PERIOD ADJUSTMENT**

**ASSETS**

In addition to the revaluation of Infrastructure and Community Assets, the municipality also embarked on a process to review all asset portfolios. This process identified a number of errors relating to completeness and existence which were corrected retrospectively.

The nature of each correction has been listed per asset / liability:

Investment properties

During the review of this asset portfolio, it was identified that some investment properties were omitted during the 2014 financial year. As a result, comparative restated to reflect these omissions.

**2014**

Previously omitted investment properties and the relating fair value adjustments thereon

542 218

Movable and other assets

During the current financial period a physical verification process was performed, resulting in a number of assets identified which have not been previously in asset register. This correction resulted in the restatement of comparative figures.

**2014**

Additional assets included in the asset register

(269 449)

Community Facilities

During the current financial period, a comprehensive field assessment was performed on all facilities. This assessment revealed a number of inaccuracies others, unit rate calibration, classification, completeness and existence. As a result, comparative figures had to be restated to reflect the corrected valued C

**2014**

Changes in opening balances due to restated revaluation -  
 Reallocation of AUC projects between Opex and Capex, and corrections to project cost (18 457)  
 Depreciation changes (14 738 202)  
 Derecognition as a result of renewals (1 990 771)  
 Impairment changes due to restated revaluation (6 964)  
 AUC projects completed before revaluation date -  
 Reclassification between Community Facilities and Infrastructure Assets (86 843 308)  
 Change in revaluation reserve due to restated revaluation 2 311 335

(101 286 368)

Infrastructure Assets

During the current financial period, a comprehensive field assessment was performed on all facilities. This assessment revealed a number of inaccuracies others, unit rate calibration, classification, completeness and existence. As a result, comparative figures had to be restated to reflect the corrected valued I

**2014**

Changes in opening balances due to restated revaluation -  
 Reallocation of AUC projects between Opex and Capex, and corrections to project cost (34 245 803)  
 Depreciation changes (72 983 817)  
 Derecognition as a result of renewals (8 120 309)  
 Impairment changes due to restated revaluation 55 565  
 AUC projects completed before revaluation date -  
 Reclassification between Community Facilities and Infrastructure Assets 86 843 308  
 Change in revaluation reserve due to restated revaluation 8 103 005

(20 348 051)

Provisions: Provision for rehabilitation of landfill sites

During the current financial period it was noted that the provision for rehabilitation of landfill site, as disclosed in the annual financial statements, did not agree. This correction resulted in the restatement of comparative figures in terms of GRAP 3.

**2014**

Correction of value

(4 053 370)

Intangible assets

During the review of this asset portfolio it was noted that the 2014 amortisation calculation was incorrectly. This correction resulted in the restatement of comparative figures in terms of GRAP 3.

**2014**

Amortisation correction

575 076

Finance lease asset and liability

During the review of this asset portfolio, it was noted that a number of errors occurred during the capitalisation of financial leased assets. As a result, comparative figures had to be restated to reflect these corrections.

**2014**

Finance lease asset  
 Previously omitted financial leases 4 964 152  
 Items de-recognised (216 756)  
 Correction in value (11 677)

(11 677)

**POLOKWANE MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

	2015 R	2014 R
		4 735 720
<i>Finance lease liability</i>		
Previously omitted financial leases		(5 948 508)
Items de-recognised		226 957
Correction in value		905 549
		(4 816 002)

Trade and other payables

During the review of the Infrastructure Assets portfolio, it was noted that costs incurred during the 2014/15 period relating to projects completed and capitali 2013/14 financial period. As a result, comparative figures had to be restated to reflect that corrected values.

Accrue for costs incurred		2014 (2 580 832)
---------------------------	--	---------------------

Investments

The investment in PGA to the amount of R8 217 389 were written of . The Municipality has share holder capital to the amount of R1000 in the Entity.

PHA loan		2014 (8 217 389)
Investment PHA		1 000

Trade and other receivables

Incorrect charges on consumer account iro previous years have been corrected.

		2014 12 812 671
--	--	--------------------

**Accumulated Surpluses**

**Balance previously stated - 30 June 2013**

Heritage assets  
 Intangible assets  
 Investment properties  
 Movable and other assets  
 Community Facility assets  
 Infrastructure assets  
 Provisions: Provision for rehabilitation of landfill sites

**Restated balance - 30 June 2013**

Intangible assets  
 Investment properties  
 Movable and other assets  
 Finance lease assets  
 Community Facility assets  
 Infrastructure assets  
 Finance lease liability  
 Investments  
 Trade and other payables  
 Trade and other receivables  
 Provisions: Provision for rehabilitation of landfill sites  
 Reflected in Statement of Financial Performance

**Restated Opening balance- 30 June 2014**

**Statement of Financial Performance 2014**

Surplus / (Deficit) for the year as per audited financial statements  
 Profit/loss on disposal of assets  
 Accumulated depreciation adjusted  
 Revaluation reserve realised on the derecognition of PPE  
 Fair value adjustments  
 Service charges  
 Finance costs  
 Impairment of assets  
 General expenditure

**Total changes to the Statement of Financial Performance 2013**

**Restated surpluses for 2014**

Intangible assets  
 Investment Properties  
 Movable assets  
 Finance leased assets  
 Community Facilities  
 Infrastructure assets  
 Finance lease liability  
 Investments  
 Trade and other payables  
 Trade and other receivables  
 Provisions  
**TOTAL adjustment**

2014	
Previously reported	Restated
4 475 818	5 050 894
600 170 448	624 423 999
67 660 042	68 794 098
101 876 480	106 612 200
1 857 841 535	1 616 135 790
5 171 531 280	6 705 573 362
(107 473 597)	(112 289 598)
67 217 189	58 999 800
(313 532 093)	(316 112 898)
352 703 077	365 515 748
(4 055 135)	(47 563 669)

The effect of the changes above on net assets are:

Revaluation reserve  
 Accumulated surplus

**POLOKWANE MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

	2015 R	2014 R
<b>30 CASH GENERATED FROM/(UTILISED IN) OPERATIONS</b>		
<b>Net surplus for the year</b>	(118 924 435)	(117 281 908)
<b>Adjustment for:</b>		
Current year adjustment	(3 488 480)	(310 480)
Prior year adjustment- Fines	-	14 645 730
Prior year adjustment-amounts received in advance	-	(2 658 768)
Provision for bad debt	130 414 056	193 867 475
Gain / (loss) on fair value adjustment	24 866 590	30 733 184
Cost of sales	728 500	-
Correction of prior year error Debtors	-	(12 812 671)
Debtors discount allowance	-	31 398 377
Depreciation charges	542 900 222	539 905 644
2014 Opening balance adjustments on PPE	-	(28 391 551)
2014 Opening balance adjustments on Finance lease liability	-	(4 816 001)
2014 Opening balance adjustments on Trade and other payables from exchange transactions	-	(2 580 832)
Assets prior year adjustment	-	-
Correction of prior year error Debtors	(12 812 671)	(55 563 592)
Interest received	(35 720 658)	(30 546 748)
Interest paid	38 371 116	37 351 912
Impairment PHA Loan	8 217 389	-
Recovery Black Leopards	(3 000 000)	-
Donation of assets - Investment properties	31 088 000	-
<b>Operating surplus before working capital changes</b>	<b>602 639 628 0</b>	<b>592 939 771</b>
(Increase)/decrease in inventories	4 171 701	436 089
(Increase)/decrease in debtors	(137 256 843)	(138 960 161)
(Increase)/decrease in other debtors	6 048 174	(30 638 577)
Increase/(decrease) in conditional grants	(79 444 372)	80 026 720
Increase/(decrease) in creditors	70 733 968	30 302 232
Increase/(decrease) in provisions	10 952 276	14 454 605
<b>Working capital</b>	<b>(124 795 095) 0</b>	<b>(44 379 093)</b>
<b>Cash generated by operations</b>	<b>477 844 533</b>	<b>548 560 679</b>
<b>31 ADDITIONAL DISCLOSURES IN TERMS OF SECTION 125 OF MUNICIPAL FINANCE MANAGEMENT ACT, 2003</b>		
<b>31.1 Contribution to SALGA</b>		
Council membership fees payable	4 800 000	4 126 626
Amount paid current year	(4 800 000)	(4 126 626)
<b>Balance unpaid (included in creditors)</b>	<b>-</b>	<b>-</b>
<b>31.2 Audit Fees</b>		
Current year audit fee	4 773 533	4 897 935
Amount paid current year	(4 773 533)	(4 897 935)
<b>Balance unpaid (included in creditors)</b>	<b>-</b>	<b>-</b>
<b>31.3 VAT</b>		
Since July 2012 VAT is payable on cash basis. Nett VAT input receivables and VAT output payable are shown in note 14. All VAT returns have been submitted by the due date throughout the year.		
<b>31.4 Pay as You Earn (PAYE)</b>		
Current payroll deductions	72 800 959	62 330 997
Amount paid current year	(72 800 959)	(62 330 997)
<b>Balance unpaid</b>	<b>-</b>	<b>-</b>
<b>31.5 Unemployment Insurance Fund (UIF)</b>		
Current payroll deductions	5 492 364	5 020 662
Amount paid current year	(5 492 364)	(5 020 662)
<b>Balance unpaid</b>	<b>-</b>	<b>-</b>
<b>31.6 Medical Aid</b>		
Current payroll deductions	33 684 437	30 058 163
Amount paid current year	(33 684 437)	(30 058 163)
<b>Balance unpaid</b>	<b>-</b>	<b>-</b>
<b>31.7 Pension Fund</b>		
Current payroll deductions	77 079 526	67 132 567
Amount paid current year	(77 079 526)	(67 132 567)
<b>Balance unpaid</b>	<b>-</b>	<b>-</b>

**POLOKWANE MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

		2015 R	2014 R
<b>31.8</b>	<b>Councillor's arrear consumer accounts</b>		
	The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2015	<b>Total</b>	<b>Outstanding less than 90 days</b>
			<b>Outstanding more than 90 days</b>
		<b>R</b>	<b>R</b>
	MATHABATHA M A & E S	18 511	1 833
	MOTSEO S	34 052	548
	MOTHIBA L M	32 070	950
	SELLO M J	14 679	501
	RAPHASHA D N	14 680	428
	PETA M M	889	550
	SEDIBANE M J & D M	889	695
	MOJAPELO T S P	664	308
	MOKGOKONG N J	11 597	261
	NKADIMENG T P & C C	82 245	1 203
	<b>Total Councillor Arrear Consumer Accounts</b>	<b>210 276</b>	<b>7 279</b>
		<b>200 241</b>	
	<b>Highest Amount Outstanding</b>	<b>R</b>	<b>Ageing Days</b>
	NKADIMENG T P & C C	80 448	90+
	MOTSEO S	33 233	90+
	MOTHIBA L M	31 120	90+
	MATHABATHA M A & E S	15 595	90+
	RAPHASHA D N	14 248	90+
	SELLO M J	13 930	90-
	MOKGOKONG N J	11 296	90+
	SEDIBANE M J & D M	73	90+
	PETA M M	125	90+
	MOJAPELO T S P	174	90+
<b>32</b>	<b>COMMITMENTS</b>		
	<b>Commitments in respect of expenditure:</b>		
	Capital commitments-approved and contracted for	1 011 297 942	196 499 873
	Infrastructure	344 041 714	190 339 852
	Community	537 321 308	2 934 597
	Other	129 934 920	3 225 424
	Operational commitments	5 336 812	7 461 694
	<b>Total commitments</b>	<b>1 016 634 754</b>	<b>203 961 567</b>
	<b>The expenditure will be financed from:</b>	<b>1 016 634 754 0</b>	<b>203 961 567</b>
	- Government and other Grants	839 530 500	191 988 523
	- Internally generated funds	177 104 255	11 973 044
<b>33</b>	<b>CONTINGENT LIABILITIES</b>	<b>15 274 154</b>	<b>9 817 999</b>
	See Annexure G for full detail on Contingent Liabilities	<b>15 274 154</b>	<b>9 817 999</b>
	The above legal matters are ongoing and have not yet been finalized.		

**34 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED**

<b>34.1 Unauthorized expenditure</b>	<b>2015 R</b>	<b>2014 R Restated</b>
Reconciliation of unauthorized expenditure		
Opening balance	370 784 431	532 398 298
Unauthorized expenditure current year	519 041 770	370 784 431
Approved by Council or condoned	-	(532 398 298)
Transfer to receivables for recovery	-	-
Unauthorized expenditure awaiting authorization	<u>889 826 201</u>	<u>370 784 431</u>

Current year's unauthorised expenditure is attributed to the fact that the actual expenditure on depreciation and impairment exceeded the budget. However, both items do not involve the flow of cash. Prior year's unauthorised expenditure was authorised by council.

**34.2 Fruitless and wasteful expenditure**

Reconciliation of fruitless and wasteful expenditure		
Opening balance -	-	2 692 832
Fruitless and wasteful expenditure current year:	44 332	-
Condoned or written off by Council	-	(2 692 832)
Fruitless and Wasteful Expenditure as per submitted draft AFS-	44 332	-
<b>Add:</b> Current year Expenditure (Subsequent Event Adjustment)	1 559 124	-
Adjusted Fruitless and Wasteful Expenditure	<u>1 603 457</u>	<u>-</u>

**34.3 Irregular expenditure**

Reconciliation of irregular expenditure		
Opening balance	565 375 342	469 102 020
Irregular expenditure current year	<u>296 855 485</u>	<u>96 273 322</u>
Condoned during the year	-	-
Irregular expenditure awaiting condonement	<u>862 230 827</u>	<u>565 375 342</u>

Current year irregular expenditure is under investigation by MPAC. At the time of the preparation of the financial statements this was not completed.

**35 PROVISIONS**

**35.1 Provision for rehabilitation of landfill sites**

Carrying amount at beginning of year	47 563 669	43 141 650
Additions during the year	4 875 276	4 422 019
Reductions during the year	-	-
Carrying amount at end of year	<u>52 438 945</u>	<u>47 563 669</u>

The Weltevreden Landfill Site is a permitted facility in terms of Section 20 of the Environmental Conservation Act (Act 73 of 1989) and is located on portion 4 of the farm Weltevreden 746 LS - District Polokwane. The expected life span of the site is a further 6 years

Assumptions used:  
Discount rate used is 10.25% (2014: 10.25%)

The movement in the current year was just the unwinding of the interest and nothing changed in the structural nature of the waste site.

The expense relating to the provision is included under note 28: General Expenses.

**35.2 Post-Employment Health Care Benefits**

Fair value of plan assets	-	-
Accrued liability	155 576 000	151 027 000
<b>Unfunded Accrued Liability</b>	<u>155 576 000</u>	<u>151 027 000</u>
Net Liability in Balance Sheet	<u>155 576 000</u>	<u>151 027 000</u>

Reconciling and projecting the unfunded accrued liability

**Unfunded Accrued Liability**

Opening balance	151 027 000	160 387 000
Current-service cost	5 573 000	7 501 000
Interest cost	13 492 000	12 743 000
Actuarial (Gain)/Loss	(9 279 759)	(24 234 519)
Actual employer benefit payments	(5 236 241)	(5 369 481)
<b>Closing Balance</b>	<u>155 576 000</u>	<u>151 027 000</u>

Net liability to reflect in the balance sheet



**POLOKWANE MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS ENDED 30 JUNE 2015**

Opening balance	151 027 000	160 387 000
Current-service cost	5 573 000	7 501 000
Interest	13 492 000	12 743 000
Actuarial (Gain)/loss recognised	(9 279 759)	(24 234 519)
<b>Net Periodic Cost Recognised in P&amp;L</b>	<b>160 812 241</b>	<b>156 396 481</b>
Actual employer benefits payments	(5 236 241)	(5 369 481)
<b>Closing Balance</b>	<b>155 576 000</b>	<b>151 027 000</b>

**Valuation Method**

The Projected Unit Credit funding method has been used to determine the past-service liabilities at the valuation date and the projected annual expense in the year following the valuation date.

**Post-employment Medical Aid Liabilities**

The expected value of each employee and their spouse's future medical aid subsidies is projected by allowing for future medical inflation. The calculated values are then discounted at the assumed discount interest rate to the present date of valuation (calculation). We also allowed for mortality, retirements and withdrawals from service as set out below. The accrued liability is determined on the basis that each employee's medical aid benefit accrues uniformly over the working life of an employee up until retirement. Further it is assumed that the current policy for awarding medical aid subsidies remains unchanged in the future. We assumed that 100% of all active members on medical aid will remain on medical aid once they retire. We also assumed that all active members will remain on the same medical aid option at retirement.

We also assumed that 22.5% of in-service members not currently on a medical aid would join the Key-Health Silver medical aid scheme by

retirement. This assumption is consistent with that used in the preceding valuation.

**Valuation of Assets**

As at the valuation date, the medical aid liability of the Municipality was unfunded, i.e. no dedicated assets have been set aside to meet this liability. We therefore did not consider any assets as part of our valuation.

The following assumptions has been used for current and prior year

Discount rate	Yield Curve	8.94%
Health care cost inflation rate	CPI +1%	8.05%
Net effective discount rate	Yield Curve	

**35.3 Long Service Awards**

Accrued liability	27 867 000	26 932 000
<b>Unfunded Accrued Liability</b>	<b>27 867 000</b>	<b>26 932 000</b>
Net Liability in Balance Sheet	<b>27 867 000</b>	<b>26 932 000</b>

Reconciling and projecting the unfunded accrued liability

**Unfunded Accrued Liability**

Opening balance	26 932 000	24 897 000
Current-service cost	2 746 000	2 512 000
Interest cost	2 204 000	1 888 000
<b>Actuarial (Gain)/Loss</b>	<b>(2 701 825)</b>	<b>(1 285 885)</b>
<b>Actual employer benefit payments</b>	<b>(1 313 175)</b>	<b>(1 079 115)</b>
<b>Closing Balance</b>	<b>27 867 000</b>	<b>26 932 000</b>

Net liability to reflect in the balance sheet

Opening balance	26 932 000	24 897 000
Current-service cost	2 746 000	2 512 000
Interest cost	2 204 000	1 888 000
Actuarial (Gain)/loss recognised	(2 701 825)	(1 285 885)
<b>Net Periodic Cost Recognised</b>	<b>29 180 175</b>	<b>28 011 115</b>
Actual employer benefits payments	(1 313 175)	(1 079 115)
<b>Closing Balance</b>	<b>27 867 000</b>	<b>26 932 000</b>

Employees qualify for the following long service awards:

- After 10 years of continuous service an amount of R712.98 (2014:R673.96) (adjusted annually) per each year of service.
- After 20 years of continuous service a watch to the value of R6 449.77 (2014: R6 096.77) (adjusted annually).
- Additional 10,20 and 30 leave days for 10,15 and each 5 years after 15 years of service respectively

The following assumptions has been used for current and prior year

Discount rate	Yield Curve	7.96%
	Difference between nominal and real yield curve	
CPI (Consumer Price Inflation)	Equal to CPI + 1%	6.33%
Normal salary increase	Yield Curve Based	7.33%
Net effective discount rate		0.59%

**35.4 Ex-gratia benefits**

Fair value of plan assets	-	-
Accrued liability	8 831 000	8 238 000
<b>Unfunded Accrued Liability</b>	<b>8 831 000</b>	<b>8 238 000</b>
Net Liability in Balance Sheet	<b>8 831 000</b>	<b>8 238 000</b>

Reconciling and projecting the unfunded accrued liability

**Unfunded Accrued Liability**

Opening balance	8 238 000	5 417 000
Current-service cost	789 000	475 000
Interest cost	662 000	391 000
Actuarial (Gain)/Loss	(246 263)	2 556 846
Actual employer benefit payments	(611 737)	(601 846)
<b>Closing Balance</b>	<b>8 831 000</b>	<b>8 238 000</b>

Net liability to reflect in the balance sheet

**POLOKWANE MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS ENDED 30 JUNE 2015**

Opening balance	8 238 000	5 417 000
Current-service cost	789 000	475 000
Interest	662 000	391 000
Actuarial (Gain)/loss recognised	(246 263)	2 556 846
<b>Net Periodic Cost Recognised</b>	<b>9 442 737</b>	<b>8 839 846</b>
Expected employer benefits payments	(611 737)	(601 846)
<b>Closing Balance</b>	<b>8 831 000</b>	<b>8 238 000</b>
<b>Total Provisions</b>	<b>244 712 945</b>	<b>233 760 669</b>

36 RISK MANAGEMENT

36.1 Fair values

The table below analyses financial instruments carried at fair value at the end of the reporting period, by level of fair value hierarchy. The different levels are based on the extent to which quoted prices are used in the calculation of the fair value of the financial instruments and have been defined as follows:

Level 1

Fair values are based on quoted market prices in active markets for an identical instrument.

Level 2

Fair values are calculated using valuation techniques based on observable inputs. This category includes instruments valued using quoted market prices in active markets for similar instruments.

Level 3

Fair values are based on valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation

	<u>Level 1</u>	<u>Level 1</u>
Investments	-	-
Cash and cash equivalents	322 963 447	422 558 018
	<u>Level 2</u>	<u>Level 2</u>
Investments	59 000 800	59 000 800
Cash and cash equivalents	-	-
	<u>Level 3</u>	<u>Level 3</u>
Investments	1 000	1 000
Cash and cash equivalents	-	-
	<u>Total</u>	<u>Total</u>
Investments	59 001 800	59 001 800
Cash and cash equivalents	322 963 447	422 558 018

36.2 Credit risk

Credit risk is the risk of financial loss to the municipality if customers or counterparties to financial instruments fail to meet their contractual obligations, and arises principally from investments, loans, receivables and cash and cash equivalents.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk as at 30 June is as follows:

Investments in banks - Standard Bank (Credit rating BBB-)	58 999 800	58 999 800
Cash and cash equivalents	322 963 447	422 558 018
Trade and other receivables	386 636 401	385 841 788
	<u>768 599 648</u>	<u>867 399 606</u>

Investments and cash and equivalents

The Municipality limits its exposure to credit risk by investing only with reputable financial institutions that have a sound credit rating and within guidelines set in accordance with Councils approved investment policy. The municipality does not consider there to be any significant exposure to credit risk.

Receivables

Receivables are amounts owing by consumers and are presented net of impairment losses. The Municipality is compelled in terms of its constitutional mandate to provide all its residents with basic minimum services without recourse to an assessment of creditworthiness. Deposits are required for service connections serving as a guarantee. Policies and processes are in place to manage risk. Refer to note 12 and 13 for additional information relating to the analysis of receivables.

36.3 Liquidity risk

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

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

The table below analyses the municipality's financial liabilities into relevant maturity groupings based on the remaining period at the Statement of Financial Position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Liabilities

Borrowings		
	<u>Up to 1 year</u>	<u>Up to 1 year</u>
Capital repayments	37 263 987	36 905 952
Interest	20 339 631	25 264 536
	<u>57 603 618</u>	<u>62 170 488</u>
	<u>1-5 Years</u>	<u>1-5 Years</u>
Capital repayments	188 024 388	193 071 687
Interest	47 535 549	65 686 116
	<u>235 559 937</u>	<u>258 757 803</u>
	<u>&gt;5 years</u>	<u>&gt;5 years</u>
Capital repayments	0	32 216 688
Interest	0	2 189 064
	<u>0</u>	<u>34 405 752</u>

**POLOKWANE MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS ENDED 30 JUNE 2015**

	<b>Total</b>	<b>Total</b>
Capital repayments	225 288 375	262 194 327
Interest	67 875 180	93 139 716
	<b>293 163 555</b>	<b>355 334 043</b>

	<u>Up to 1 year</u>	<u>Up to 1 year</u>
Trade and other payables	352 680 831	281 946 863
	<b>352 680 831</b>	<b>281 946 863</b>

**37 RATIFICATION OF DEVIATIONS FROM BREACHES IN PROCUREMENT PROCESSES**

Prescribed procurement processes were not followed but was approved by the Municipal Manager in terms of delegated powers and in accordance with Supply Chain Management Regulations and Policy. Valid reasons for deviations were recorded in all instances.

	<b>91 632 107</b>	<b>17 738 790</b>
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**38 FINANCE LEASE COMMITMENTS**

The municipality future lease commitments on vehicles and their present values are as follows:

Finance lease obligation

Minimum lease payments due

- within one year

35 480 967

30 852 007

- in second to fifth year inclusive

103 240 947

138 721 914

- late than five years

-

-

138 721 914

169 573 922

Less: future finance charges

32 671 202

45 982 209

Present value of minimum lease payments

**106 050 712**

**123 591 713**

Present value of minimum lease payments

-

-

- within one year

22 374 387

17 541 001

- in second to fifth year inclusive

83 676 325

106 050 712

- late than five years

-

-

106 050 712

123 591 713

Non-current

55 018 493

76 808 630

Current

35 579 308

35 480 967

**90 597 801**

**112 289 598**

Finance Lease Liabilities relates to Vehicles with lease terms of 5 years. The effective interest rate on Finance Leases is 8.5%. Capitalised Lease Liabilities are secured over the items of vehicles leased.

**39 RELATED PARTIES**

**Relationships**

Members of key management

No other payments are paid outside contractual employment payments from employment. Refer to note 23 for remuneration.

Other related party relationships

*Polokwane Housing Association. Refer to note 10*

**Related party transactions**

Compensation to councillors

Payments to councillors are for allowances as gazetted. No other payments are made to councillors. Refer to note 24 for remuneration of councillors.

**Related party balances**

**Loan accounts - Owed by related parties**

Polokwane Housing Association	-	7 595 282
The PHA loan has been written off during the year.		

**Debtors accounts for rates and services - Owed by related parties**

Polokwane Housing Association	-	4 030 043
The rates owed by PHA have been written off during the year.		

<b>Operational grant - Paid to PHA</b>	6 500 000	6 700 000
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**40 DISTRIBUTION LOSSES**

The Municipality has incurred the following distribution losses as result of supply of electricity and water

Water distribution losses In KL	971 047 (36.93%)	13 768 388 (40.54%)
Electricity distribution losses kWh	105 726 349.2 (13.23%)	56 190 111(7.36%)
Monetary value		
Water distribution losses	R 48 947 636	R 62 193 829
Electricity distribution losses	R 71 888 946	R 35 162 323
	R 120 836 581	R 97 356 152

**41 COMPARISON WITH THE BUDGET**

The comparison of the Municipality's actual financial performance with that budgeted is set out in Appendix E.1

**42 CHANGE IN ACCOUNTING POLICY**

Where practical, heritage assets were valued on the replacement value method and retrospectively restated on 1 July 2012 in accordance with the transitional provision applicable to GRAP 103. As a result, the following restatement of comparative figures were required:

**Heritage Assets**

<b>Statement of Financial Position</b>	
<i>Restated carrying value as at 1 July 2012</i>	
Cost	4 588 129
Accumulated depreciation	-
<i>Previously stated Carrying value as at 1 July 2012</i>	
Cost	3 671 704
Accumulated depreciation	-
Less: Increase / (Decrease) in PPE as at 1 July 2012	
	916 425
Less: <b>Statement of Financial Performance</b>	
No effect	-
<b>Statement of Changes in Net Assets</b>	
Increase / (Decrease) in Accumulated Surplus - 30 June 2013	916 425

**43 FAIR VALUE ADJUSTMENT**

Biological assets	(1 626 750)	2 667 651
Investment Property	23 822 460	8 621 285
	22 195 710	11 288 936

Investment Property and biological assets were fair valued at year end.

**44 EMPLOYEE BENEFIT OBLIGATIONS**

**Defined contribution and benefit plan**

The Council provides retirement benefits to employees by contributing to pension and provident Funds Membership of either pension or provident fund is compulsory for all permanent employees.

The municipality and its employees contribute to 7 different Pension Funds, of which 3 (The Municipal Employees Pension Fund, Municipal Gratuity Fund and Samwu National Provident Fund ) cater for the majority of the staff. The Joint Municipal Pension Fund, Municipal Employees Pension Fund, Municipal Gratuity Fund ,Samwu National Provident Fund and National Fund for Municipal Workers are defined benefit funds.

The employees of the Council as well as the Council as employer, contribute to municipal pension, retirement and various provident funds as listed below:

	2015	2014
The Joint Municipal Pension Fund	2 414 052	2 378 468
Municipal Councillors Pension Fund	3 911 419	3 313 587
Government Employees Pension Fund	2 080 084	2 230 382
Municipal Employees Pension Fund	35 261 570	30 155 188
Municipal Employees Gratuity Fund	17 250 696	14 201 002
Samwu National Provident Fund	8 889 971	8 737 098
National Fund For Municipal Workers	7 271 736	6 116 843
	<b>77 079 526</b>	<b>67 132 567</b>

**Post-Retirement medical aid contributions**

The municipality operates on 7 accredited medical aid schemes, namely Bonitas, Hosmed, Key-Health, LA Health and Samwumed, Resolution Health, and Government Employees Medical Scheme. Pensioners may continue on the option they belonged to on the day of their retirement.

The last post-employment health care benefits actuarial valuation in terms of GRAP 25 was done by ZAQ Consultants and Actuaries for the period ending 30 June 2015.

According to the last valuation did, the accrued liability amount to R 155 576 000 as at 30 June 2015.

A reconciliation of Polokwane accrued liability for the year ending 30 June 2015 is set out below:

**Year ended 30 June 2015**

	2015	2014
Opening balance	151 027 000	160 387 000
Service cost	5 573 000	7 501 000
Interest cost	13 492 000	12 743 000
Actual employer benefits payments	(5 236 241)	(5 369 481)
<b>Expected closing balance</b>	<b>164 855 759</b>	<b>175 261 519</b>
Actuarial (gain)/loss -	(9 279 759)	(24 234 519)
	<u>0</u>	<u>0</u>
<b>Actual closing balance</b>	<b>155 576 000</b>	<b>151 027 000</b>

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

**Carrying value**

Present value of the defined benefit obligation- Wholly unfunded	(155 576 000)	(151 027 000)
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**Movements for the year**

Opening balance	(151 027 000)	(160 387 000)
Contributions - Current year	(4 549 000)	9 360 000
<b>Closing balance</b>	<b>(155 576 000)</b>	<b>(151 027 000)</b>

**Key assumptions used**

The projected unit credit method is used as the standard valuation methodology for the valuation done during the 2014/2015 financial period. Plan assets were valued at current market value as required by GRAP 25.

Assumptions used on last valuation on 30 June 2015.

Discount rates used	Yield Curve	8.94%
Medical inflation	CPI +1%	8.05%
Net effective discount rate	Yield Curve	0.82%

Other assumptions; Post retirement mortality PA (90-1) Retirement age 63 years

**Sensitivity analysis**

The impact of a 1% change in the medical aid inflation rate is reflected in the table underneath.

**Sensitivity to medical inflation**

Base	155 576 000	151 027 000
-1%	142 855 000	140 316 000
1%	169 509 000	161 842 000
	<b>467 940 000</b>	<b>453 185 000</b>

The employees of the Council as well as the Council as employer, contribute to municipal medical aids as listed below

	2015	2014
Bonitas	10 265 105	9 049 912
Hosmed	4 947 482	4 593 971
Key Health	8 890 886	9 245 384
LA Health	4 001 958	3 322 202
Samwumed	4 918 278	3 158 746
Resolution Health	19 943	21 756
Government Employees Medical Scheme	640 785	666 191
<b>Total</b>	<b>33 684 437</b>	<b>30 058 163</b>

**45 EVENTS AFTER THE REPORTING PERIOD**

Two of the three directors suspended after year end, that is, Director of Transport and the Director Corporate Services opted for settlement with the municipality.

The financial effect of the settlement with the two directors is estimated at R 1,046,190.44.

**46 GOING CONCERN**

In terms of the accounting standard GRAP 1 paragraphs 27 to 30 the annual financial statements are prepared on a going concern basis. The assumption is based on the fact that the municipality a constitutional mandate to levy additional rates or taxes to enable the municipality to be considered as a going concern even though the municipality will be operational for extended periods with negative net assets.

The municipality's budget is substantially funded by the government which has not announced any intention to cease funding the municipality  
Furthermore, based on the current solvency and liquidity ratio's tests performed, the municipality's ability to operate as a going concern is not under threat.

**APPENDIX A**  
**SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2015 (Unaudited)**

External Loans	Loan No.	Redeemable	Balance at 30 June 2014	Received during the period	Redeemed or written off during the period	Balance at 30 June 2015
			R	R	R	R
<b>LONG TERM LOANS</b>						
Stock Loan@10%	510	2013/14	0			0
Stock Loan@10%	511	2013/14	0			0
Stock Loan@10%	512	2013/14	0			0
Stock Loan@10%	514	2014/15	100 000		100 000	0
Stock Loan@10%	515	2014/15	10 000		10 000	0
Stock Loan@10%	516	2014/15	0			0
Stock Loan@10%	517	2014/15	83 333		83 333	0
Stock Loan@10%	523	2014/15	0			0
Stock Loan@10%	518	2015/16	7 799			7 799
Stock Loan@10%	519	2015/16	0			0
Stock Loan@10%	520	2015/16	40 000			40 000
Stock Loan@10%	522	2015/16	6 829			6 829
Stock Loan@10%	524	2015/16	90 000			90 000
Stock Loan@10%	527	2016/17	20 000			20 000
			<b>357 961</b>	<b>0</b>	<b>193 333</b>	<b>164 628</b>
<b>ANNUITY LOAN</b>						
ANNUITY LOAN @ 11.52%	61000907	2019/20	36 319 548	0	4 495 931	31 823 617
ANNUITY LOAN @ 8.875%	61006782	2020/21	225 516 818	0	32 216 688	193 300 130
			<b>261 836 366</b>	<b>0</b>	<b>36 712 619</b>	<b>225 123 747</b>
<b>Total External Loans</b>			<b>262 194 327</b>	<b>-</b>	<b>36 905 952</b>	<b>225 288 375</b>



	Historical Cost					
	Opening Balance	Capital under construction	Additions for the year	Donations	Fair value adjustments	Revaluations
<b>COMMUNITY</b>	<b>3 088 679 707</b>	<b>25 293 876</b>	<b>2 860 486</b>	-	-	-
Community	683 060 034	-	-	-	-	-
Sport and recreation	2 381 464 454	-	2 860 486	-	-	-
Capital under construction	24 155 219	25 293 876	-	-	-	-
<b>INFRASTRUCTURE</b>	<b>13 668 898 206</b>	<b>74 711 366</b>	<b>393 614 287</b>	-	-	-
<b>Infrastructure</b>	<b>13 130 299 036</b>	<b>64 259 558</b>	<b>393 202 226</b>	-	-	-
Electricity network	2 828 239 929	-	639 504	-	-	-
Information	21 872 430	-	995 462	-	-	-
Roads and bridges	6 007 512 517	-	316 726 212	-	-	-
Sanitation facilities	1 062 132 937	-	5 883 329	-	-	-
Water supply	2 875 103 382	-	68 957 719	-	-	-
Capital under construction	335 437 841	64 259 558	-	-	-	-
<b>Other Assets</b>	<b>537 294 402</b>	<b>10 451 808</b>	<b>412 061</b>	-	-	-
Housing	26 263 205	-	-	-	-	-
Operational	510 888 511	-	412 061	-	-	-
Capital under construction	142 686	10 451 808	-	-	-	-
<b>Intangible</b>	<b>1 304 768</b>	-	-	-	-	-
Electricity network	777 325	-	-	-	-	-
Sanitation facilities	215 879	-	-	-	-	-
Water supply	311 563	-	-	-	-	-
<b>LAND</b>	<b>168 077 285</b>	-	-	<b>610 000</b>	-	-
Land	168 077 285	-	-	610 000	-	-
<b>OTHER ASSETS</b>	<b>159 986 815</b>	-	<b>7 625 098</b>	-	-	-
Computer Equipment	14 170 077	-	1 417 876	-	-	-
Furniture and fixtures	32 895 973	-	2 237 970	-	-	-
Machinery and equipment	24 137 488	-	2 735 941	-	-	-
Transport Assets	65 545 207	-	577 480	-	-	-
Cellphones	2 875 979	-	162 705	-	-	-
Library Books	20 362 091	-	493 126	-	-	-
<b>BIOLOGICAL ASSETS</b>	<b>16 633 000</b>	-	-	-	<b>(1 626 750)</b>	-
Biological Assets	16 633 000	-	-	-	(1 626 750)	-
<b>INTANGIBLE ASSETS</b>	<b>10 647 623</b>	-	<b>927 367</b>	-	-	-
Intangible Assets	10 647 623	-	927 367	-	-	-
<b>INVESTMENT ASSETS</b>	<b>624 423 999</b>	-	-	-	<b>23 822 460</b>	-
Investment Assets	624 423 999	-	-	-	23 822 460	-
<b>HERITAGE ASSETS</b>	<b>4 588 129</b>	-	-	-	-	-
Heritage Assets	4 588 129	-	-	-	-	-
<b>FINANCE LIABILITIES</b>	<b>130 336 504</b>	-	<b>682 590</b>	-	-	-
Leased Assets	130 336 504	-	682 590	-	-	-
<b>Grand Total</b>	<b>17 872 271 268</b>	<b>100 005 241</b>	<b>405 709 829</b>	<b>610 000</b>	<b>22 195 710</b>	-

		Depreciation		
De-recognition	Closing balance	Opening balance	Depreciation for the year	De-recognition
-	<b>3 116 834 069</b>	<b>(1 472 535 515)</b>	<b>(94 246 394)</b>	-
-	683 060 034	(326 050 684)	(24 970 490)	-
-	2 384 324 940	(1 146 484 832)	(69 275 905)	-
-	49 449 095	-	-	-
<b>(77 954 083)</b>	<b>14 059 269 775</b>	<b>(6 963 305 823)</b>	<b>(400 239 146)</b>	<b>47 207 036</b>
<b>(77 867 891)</b>	<b>13 509 892 928</b>	<b>(6 662 142 048)</b>	<b>(373 045 506)</b>	<b>47 148 419</b>
-	2 828 879 433	(1 699 702 551)	(66 134 482)	-
-	22 867 892	(6 935 969)	(1 752 301)	-
(67 635 992)	6 256 602 736	(2 767 220 274)	(213 070 561)	41 352 397
(6 262 003)	1 061 754 263	(592 544 632)	(19 499 239)	3 688 559
(3 969 895)	2 940 091 205	(1 595 738 622)	(72 588 922)	2 107 463
-	399 697 399	-	-	-
<b>(86 192)</b>	<b>548 072 079</b>	<b>(301 163 775)</b>	<b>(27 193 641)</b>	<b>58 617</b>
-	26 263 205	(16 245 401)	(657 311)	-
(86 192)	511 214 381	(284 918 373)	(26 536 329)	58 617
-	10 594 494	-	-	-
-	<b>1 304 768</b>	-	-	-
-	777 325	-	-	-
-	215 879	-	-	-
-	311 563	-	-	-
-	<b>168 687 285</b>	-	-	-
-	168 687 285	-	-	-
<b>(41 259 151)</b>	<b>126 352 763</b>	<b>(91 269 368)</b>	<b>(20 665 973)</b>	<b>32 626 816</b>
(8 558 187)	7 029 766	(8 421 391)	(2 110 671)	6 530 595
(10 563 482)	24 570 461	(19 292 158)	(4 342 481)	7 943 794
(22 041 483)	4 831 946	(16 823 435)	(2 975 019)	18 099 956
-	66 122 687	(27 175 608)	(9 100 613)	-
(95 999)	2 942 685	(133 950)	(1 437 990)	52 471
-	20 855 217	(19 422 826)	(699 199)	-
<b>(728 500)</b>	<b>14 277 750</b>	-	-	-
(728 500)	14 277 750	-	-	-
-	<b>11 574 990</b>	<b>(7 529 966)</b>	<b>(1 537 364)</b>	-
-	11 574 990	(7 529 966)	(1 537 364)	-
<b>(31 088 000)</b>	<b>617 158 459</b>	-	-	-
(31 088 000)	617 158 459	-	-	-
-	<b>4 588 129</b>	-	-	-
-	4 588 129	-	-	-
-	<b>131 019 094</b>	<b>(23 724 304)</b>	<b>(26 203 445)</b>	-
-	131 019 094	(23 724 304)	(26 203 445)	-
<b>(151 029 734)</b>	<b>18 249 762 315</b>	<b>(8 558 364 975)</b>	<b>(542 892 322)</b>	<b>79 833 852</b>

		Impairments			Carrying value
Closing balance		Opening balance	Impairment for the year	Closing balance	Carrying value
<b>(1 566 781 910)</b>		<b>(8 402)</b>	<b>(122 883)</b>	<b>(131 285)</b>	<b>1 549 920 875</b>
(351 021 173)		(8 402)	(122 883)	(131 285)	331 907 576
(1 215 760 736)		-	-	-	1 168 564 204
-		-	-	-	49 449 095
<b>(7 316 337 933)</b>	-	<b>(19 021)</b>	-	<b>(19 021)</b>	-
<b>(6 988 039 135)</b>	-	<b>(19 021)</b>	-	<b>(19 021)</b>	-
(1 765 837 033)		-	-	-	1 063 042 400
(8 688 271)		-	-	-	14 179 621
(2 938 938 439)		-	-	-	3 317 664 298
(608 355 312)		-	-	-	453 398 951
(1 666 220 081)		(19 021)	-	(19 021)	1 273 852 103
(158 613)		-	-	-	399 697 399
<b>(328 298 798)</b>	-	-	-	-	-
(16 902 713)		-	-	-	9 360 492
(311 396 085)		-	-	-	199 818 295
-		-	-	-	10 594 494
-		-	-	-	<b>1 304 768</b>
-		-	-	-	777 325
-		-	-	-	215 879
-		-	-	-	311 563
-		-	-	-	<b>168 687 285</b>
-		-	-	-	168 687 285
<b>(79 308 525)</b>	-	-	-	-	-
(4 001 468)		-	-	-	3 028 299
(15 690 845)		-	-	-	8 879 616
(1 698 498)		-	-	-	3 133 448
(36 276 222)		-	-	-	29 846 465
(1 519 469)		-	-	-	1 423 216
(20 122 025)		-	-	-	733 193
-		-	-	-	<b>14 277 750</b>
-		-	-	-	14 277 750
<b>(9 067 330)</b>		-	-	-	<b>2 507 661</b>
(9 067 330)		-	-	-	2 507 661
-		-	-	-	<b>617 158 459</b>
-		-	-	-	617 158 459
-		-	-	-	<b>4 588 129</b>
-		-	-	-	4 588 129
<b>(49 927 748)</b>		-	-	-	<b>81 091 346</b>
(49 927 748)		-	-	-	81 091 346
<b>(9 021 264 833)</b>	-	<b>(27 423)</b>	<b>(122 883)</b>	<b>(150 306)</b>	-
					<b>9 228 188 564</b>



	Historical cost					
	Opening Cost / Revaluation	Capital under construct ion	Additions for the year	Donation s received	Fair value adjustments	Derecognition/D isposals for the year
<b>Council</b>	<b>806 397 021</b>	-	<b>185 398</b>	<b>610 000</b>	<b>23 822 460</b>	<b>(38 750 561)</b>
Council C	806 397 021	-	185 398	610 000	23 822 460	(38 750 561)
<b>Directorate</b>	<b>18 718 929</b>	-	<b>357 061</b>	-	-	-
Budget ar	-	-	-	-	-	-
Chief Fin	-	-	-	-	-	-
Supply Cl	18 718 929	-	357 061	-	-	-
<b>Directorate</b>	<b>2 579 106 190</b>	-	<b>5 276 564</b>	-	-	<b>(7 193 617)</b>
Cultural S	150 686 935	-	640 593	-	-	(1 478 584)
Director C	-	-	-	-	-	-
Facility M	65 775 392	-	3 000 460	-	-	(457 676)
Sports &	2 362 643 863	-	1 635 511	-	-	(5 257 357)
<b>Directorate</b>	<b>536 127 451</b>	-	<b>2 447 941</b>	-	-	<b>(13 981 348)</b>
Communi	6 214 702	-	3 935	-	-	(283 902)
Director C	60 101	-	-	-	-	-
Disaster M	111 644 091	-	167 640	-	-	(7 366 178)
Environm	250 351 818	-	2 100 694	-	-	(3 327 183)
Security &	2 143 340	-	9 330	-	-	(1 652 903)
Traffic an	22 467 409	-	166 343	-	-	(1 351 182)
Waste Ma	143 245 991	-	-	-	-	-
<b>Directorate</b>	<b>171 912 233</b>	-	<b>4 508 862</b>	-	-	<b>(4 440 172)</b>
Human R	5 075 603	-	1 721 997	-	-	(4 342 146)
Informati	35 872 201	-	2 085 534	-	-	(95 999)
Legal Ser	356 990	-	14 879	-	-	(2 026)
Mechanic	130 607 438	-	686 451	-	-	-
Secretari	-	-	-	-	-	-
<b>Directorate</b>	<b>12 837 848 580</b>	-	<b>392 741 347</b>	-	-	<b>(83 111 172)</b>
Director E	262 823	-	-	-	-	(118 049)
Energy se	2 864 705 570	-	297 193	-	-	(2 437 721)
Road Tra	6 023 731 780	-	316 762 260	-	-	(68 523 896)
Sanitator	1 064 601 538	-	9 651 984	-	-	(7 364 854)
Water Se	2 884 546 868	-	66 029 911	-	-	(4 666 652)
<b>Directorate</b>	<b>421 068 278</b>	-	<b>146 506</b>	-	<b>(1 626 750)</b>	<b>(2 787 617)</b>
Building F	4 129 292	-	94 793	-	-	(1 671 114)
City & Re	352 501 229	-	1 578	-	-	(120 100)
Director F	-	-	-	-	-	-
Economic	37 840 611	-	50 135	-	(1 626 750)	(848 816)
Housing	26 597 146	-	-	-	-	(147 586)
<b>Directorate</b>	<b>31 269 531</b>	-	<b>23 077</b>	-	-	<b>(263)</b>
IDP	375 448	-	23 077	-	-	(263)
Performa	-	-	-	-	-	-
Cluster O	30 894 083	-	-	-	-	-
<b>Directorate</b>	<b>108 916 066</b>	-	-	-	-	-
Transport	108 916 066	-	-	-	-	-
<b>Office of tl</b>	<b>1 171 243</b>	-	<b>23 072</b>	-	-	<b>(764 984)</b>

Communi	1 148 219		23 072	-	-	(764 984)
Internal A	23 024		-	-	-	-
Municipal	-		-	-	-	-
Risk Man	-		-	-	-	-
<b>Capital un</b>	<b>359 735 746</b>	<b>#####</b>	-	-		-
Capital ur	359 735 746	#####	-	-		-
	<b>17 872 271 268</b>	<b>#####</b>	<b>405 709 829</b>	<b>610 000</b>	<b>22 195 710</b>	<b>(151 029 734)</b>

Closing Cost /Revaluation	Depreciation				
	Opening balance	Depreciation for the year	Acc Depreciation on Derecognition /Disposal	Closing balance	
<b>792 264 318</b>	-	<b>(7 483 529)</b>	<b>(2 075 261)</b>	<b>5 625 477</b>	<b>(3 933 314)</b>
792 264 318	-	(7 483 529)	(2 075 261)	5 625 477	(3 933 314)
<b>19 075 990</b>	-	<b>(10 436 153)</b>	<b>(780 253)</b>	-	<b>(11 216 406)</b>
-	-	-	-	-	-
-	-	-	-	-	-
19 075 990	-	(10 436 153)	(780 253)	-	(11 216 406)
<b>2 577 189 137</b>	-	<b>(1 266 591 952)</b>	<b>(80 690 473)</b>	<b>5 456 190</b>	<b>(1 341 826 235)</b>
149 848 944	-	(88 903 697)	(7 879 297)	1 264 792	(95 518 202)
-	-	-	-	-	-
68 318 176	-	(39 632 129)	(2 629 021)	345 532	(41 915 618)
2 359 022 017	-	(1 138 056 126)	(70 182 156)	3 845 866	(1 204 392 415)
<b>524 594 044</b>	-	<b>(254 020 744)</b>	<b>(23 023 928)</b>	<b>11 951 353</b>	<b>(265 093 319)</b>
5 934 735	-	(3 118 398)	(255 060)	199 802	(3 173 656)
60 101	-	(48 521)	(2 786)	-	(51 307)
104 445 553	-	(61 497 775)	(6 410 691)	6 704 622	(61 203 844)
249 125 328	-	(109 138 982)	(8 163 035)	2 750 136	(114 551 881)
499 767	-	(1 345 844)	(276 755)	1 232 314	(390 285)
21 282 570	-	(13 594 977)	(1 655 518)	1 064 479	(14 186 015)
143 245 991	-	(65 276 247)	(6 260 083)	-	(71 536 331)
<b>171 980 923</b>	-	<b>(41 813 015)</b>	<b>(31 818 095)</b>	<b>3 329 411</b>	<b>(70 301 698)</b>
2 455 454	-	(2 999 599)	(753 649)	3 274 914	(478 334)
37 861 736	-	(14 673 852)	(4 791 326)	52 471	(19 412 707)
369 843	-	(210 627)	(48 566)	2 026	(257 167)
131 293 889	-	(23 928 937)	(26 224 553)	-	(50 153 490)
-	-	-	-	-	-
<b>13 147 478 756</b>	-	<b>(6 689 623 552)</b>	<b>(377 760 382)</b>	<b>51 134 315</b>	<b>(7 016 249 620)</b>
144 774	-	(184 607)	(32 295)	91 713	(125 189)
2 862 565 042	-	(1 719 071 108)	(69 265 944)	1 944 494	(1 786 392 558)
6 271 970 144	-	(2 776 289 848)	(215 155 141)	41 861 270	(2 949 583 719)
1 066 888 668	-	(594 038 134)	(19 850 933)	4 613 634	(609 275 433)
2 945 910 128	-	(1 600 039 857)	(73 456 069)	2 623 205	(1 670 872 721)
<b>416 800 417</b>	-	<b>(210 315 508)</b>	<b>(21 935 049)</b>	<b>1 721 372</b>	<b>(230 529 185)</b>
2 552 971	-	(2 430 802)	(516 481)	1 428 727	(1 518 557)
352 382 707	-	(189 120 385)	(19 865 407)	87 131	(208 898 661)
-	-	-	-	-	-
35 415 180	-	(2 315 656)	(849 216)	89 389	(3 075 484)
26 449 559	-	(16 448 664)	(703 945)	116 125	(17 036 484)
<b>31 292 345</b>	-	<b>(20 734 326)</b>	<b>(1 441 845)</b>	<b>263</b>	<b>(22 175 909)</b>
398 263	-	(256 443)	(41 608)	263	(297 788)
-	-	-	-	-	-
30 894 083	-	(20 477 883)	(1 400 237)	-	(21 878 120)
<b>108 916 066</b>	-	<b>(56 614 726)</b>	<b>(3 200 344)</b>	-	<b>(59 815 070)</b>
108 916 066	-	(56 614 726)	(3 200 344)	-	(59 815 070)
<b>429 332</b>	-	<b>(731 470)</b>	<b>(166 691)</b>	<b>615 471</b>	<b>(282 690)</b>

406 307		(716 592)	(163 657)	615 471	(264 778)
23 024		(14 878)	(3 034)	-	(17 912)
-		-	-	-	-
-		-	-	-	-
<b>459 740 988</b>	-	-	-	-	-
<hr/> 459 740 988		-	-	-	-
<b><hr/>18 249 762 315</b>		<b>(8 558 364 975)</b>	<b>(542 892 322)</b>	<b>79 833 852</b>	<b>(9 021 423 446)</b>



Impairments			Carrying value	Revaluation reserve
Opening balance	Impairment for the year	Closing balance	Carrying value	Closing balance
-	-	-	-	-
-	-	-	<b>788 331 004</b>	<b>(6 714 030)</b>
-	-	-	788 331 004	(6 714 030)
-	-	-	<b>7 859 583</b>	<b>(3 956 527)</b>
-	-	-	-	-
-	-	-	-	-
-	-	-	7 859 583	(3 956 527)
-	-	-	<b>1 235 362 902</b>	<b>(590 547 204)</b>
-	-	-	54 330 742	(27 106 521)
-	-	-	-	-
-	-	-	26 402 558	(12 076 169)
-	-	-	1 154 629 602	(551 364 514)
-	<b>(8 402)</b>	<b>(8 402)</b>	<b>259 492 323</b>	<b>(102 042 711)</b>
-	-	-	2 761 078	(1 301 970)
-	-	-	8 794	-
-	-	-	43 241 709	(16 035 576)
-	(8 402)	(8 402)	134 565 045	(59 781 419)
-	-	-	109 482	-
-	-	-	7 096 555	(2 950 293)
-	-	-	71 709 660	(21 973 454)
-	-	-	<b>101 679 225</b>	<b>(3 759 626)</b>
-	-	-	1 977 120	-
-	-	-	18 449 029	(3 759 626)
-	-	-	112 676	-
-	-	-	81 140 399	-
-	-	-	-	-
-	<b>(19 021)</b>	<b>(19 021)</b>	<b>6 131 210 115</b>	<b>(2 563 882 338)</b>
-	-	-	19 585	-
-	-	-	1 076 172 484	(500 305 445)
-	-	-	3 322 386 424	(1 355 926 489)
-	-	-	457 613 236	(200 865 974)
-	(19 021)	(19 021)	1 275 018 386	(506 784 431)
-	-	-	<b>186 271 232</b>	<b>(87 665 751)</b>
-	-	-	1 034 415	-
-	-	-	143 484 046	(81 630 704)
-	-	-	-	-
-	-	-	32 339 696	(1 479 322)
-	-	-	9 413 076	(4 555 726)
-	-	-	<b>9 116 437</b>	<b>(5 313 208)</b>
-	-	-	100 475	-
-	-	-	-	-
-	-	-	9 015 962	(5 313 208)
-	-	#####	<b>48 978 113</b>	<b>(23 294 481)</b>
-	-	#####	48 978 113	(23 294 481)
-	-	-	<b>146 641</b>	-

-	-	-	-	141 529	-
-	-	-	-	5 112	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	<b>459 740 988</b>	-
-	-	-	-	<u>459 740 988</u>	-
<b>(27 423)</b>	<b>#####</b>	<b>#####</b>		<b>9 228 188 564</b>	<b>(3 387 175 876)</b>

Appendix D Segmental Statement of Financial Performance 30 June 2015 (Unaudited)

2014 Actual Income	2014 Actual Expenditure	2014 Actual Surplus/ (Deficit)		2015 Actual Income	2015 Actual Expenditure	2015 Actual Surplus/ (Deficit)
R	R	R		R	R	R
-	249 910 857	(249 910 857)	<b>Executive &amp; Council</b>	-	253 638 163	(253 638 163)
-	226 093 948	(226 093 948)	Council general expenses	-	206 914 281	(206 914 281)
-	6 552 766	(6 552 766)	Municipal Manager	-	5 005 692	(5 005 692)
-	5 834 694	(5 834 694)	Facility management	-	31 806 468	(31 806 468)
-	11 429 449	(11 429 449)	Secretariat & Records	-	9 911 722	(9 911 722)
<b>1 283 970 110</b>	<b>478 140 200</b>	<b>805 829 911</b>	<b>Finance &amp; Admin</b>	<b>1 473 810 956</b>	<b>510 152 580</b>	<b>963 658 376</b>
872 096 710	-	872 096 710	<b>Finance</b>	1 110 639 352	-	1 110 639 352
112 468 622	3 743 918	(3 743 918)	Intergovernmental transfers	-	6 886 112	(6 886 112)
296 844 657	154 471 641	(42 003 018)	Mankweng/Sebayeng	104 797 743.19	117 876 664.25	(13 078 921)
-	17 407 902	279 436 755	Financial services	256 187 487.36	1 162 365	255 025 122
-	1 348 397	(1 348 397)	Assessment rates	-	-	-
810 892	28 550 827	(28 550 827)	<b>Human Resources</b>	-	1 867 042	(1 867 042)
66	9 272 817	(8 461 925)	O & W	-	36 370 141	(36 370 141)
-	4 292 775	(4 292 775)	Personnel	-	36 370 141	(36 370 141)
-	8 780 495	(8 780 495)	Training	-	4 994 862	(4 994 862)
-	24 463 861	(24 463 796)	Labour relations	-	5 762 620	(5 762 620)
-	6 878 269	(6 878 269)	Occupational Health	624	40 185 622	(40 184 998)
-	49 347 415	(49 347 415)	<b>IT</b>	-	-	-
-	9 151 432	(9 151 432)	<b>Property Services</b>	-	-	-
-	50 455 278	(50 455 278)	Administration	-	-	-
-	2 615 142	(2 615 142)	Civic Centre	-	-	-
-	6 196 143	(6 196 143)	<b>Other Admin</b>	-	5 934 328	(5 934 328)
-	33 714 779	(33 714 779)	Com & public participation	-	1 299 278	(1 299 278)
-	48 952 949	(48 952 949)	Security & risk management	-	4 383 229	(4 383 229)
-	8 663 031	(8 663 031)	Project Management	-	7 253 820	(7 253 820)
-	9 833 130	(8 083 967)	Internal audit	-	-	-
<b>17 513 916</b>	<b>45 989 344</b>	<b>(28 475 428)</b>	Technical depot	-	-	-
11 190 404	3 701 615	7 488 789	Transport workshop	-	53 898 012	(53 898 012)
521 123	5 851 544	(5 330 421)	Community security	-	48 914 322.54	(48 914 323)
5 802 388	22 214 433	(16 412 045)	Legal Services	-	16 845 188	(16 845 188)
-	2 927 290	(2 927 290)	Procurement	2 185 749	120 148 833	(117 963 084)
-	2 727 565	(2 727 565)	<b>Planning &amp; Development</b>	<b>15 111 141</b>	<b>54 033 281</b>	<b>(38 922 140)</b>
-	513 718	(513 718)	Land use management	-	6 075 566	(2 880 894)
-	4 233 049	(4 233 049)	Spatial Planning	-	8 793 190	(8 068 025)
-	3 820 130	(3 820 130)	Building inspections	5 429 516.52	4 554 049	875 468
-	-	-	Local economic development	-	1 773 002	(1 773 002)
-	-	-	Community development	-	4 777 806	(4 777 806)
-	-	-	Investment promotion	-	2 006 666	(2 006 666)
-	-	-	Economic planning	-	20 331 439	(20 331 439)
-	-	-	IDP	-	5 721 564	(5 721 564)
-	<b>5 378 769</b>	<b>(5 378 769)</b>	<b>Health</b>	-	<b>4 136 391</b>	<b>(4 136 391)</b>
-	938 348	(938 348)	Clinics	-	399 811	(399 811)
-	4 440 420	(4 440 420)	Health inspection	-	3 736 580	(3 736 580)
<b>3 317 213</b>	<b>53 519 523</b>	<b>(50 202 310)</b>	<b>Community Services</b>	<b>3 834 765</b>	<b>46 468 735</b>	<b>(42 633 970)</b>
223 997	22 126 553	(21 902 557)	Libraries	543 715	18 500 015.49	(17 956 301)
-	1 922 331	(1 922 331)	<b>Museums</b>	-	-	-
101 769	6 317 392	(6 215 623)	Art Museum	-	2 501 533	(2 501 533)
520 481	2 727 565	(2 207 085)	Museum	76 384	5 967 459	(5 891 075)
659 675	5 633 418	(4 973 743)	Community centres	539 425	414 709	124 715
1 788 427	9 117 417	(7 328 990)	Cemeteries	707 534	6 025 228	(5 317 694)
22 865	2 478 404	(2 455 539)	<b>Other Community</b>	1 909 593	7 988 861	(6 079 269)
-	3 196 442	(3 196 442)	Game Reserve	58 115	2 435 978	(2 377 863)
<b>11 246</b>	<b>6 503 458</b>	<b>(6 492 212)</b>	Showgrounds	-	2 634 952	(2 634 952)
-	5 916 244	(5 916 244)	Cultural desk	11 382	7 580 711	(7 569 328)
9 535	-	9 535	<b>Housing</b>	-	-	-
1 710	587 214	(585 503)	Administration	-	6 923 399	(6 923 399)
<b>34 428 773</b>	<b>115 892 717</b>	<b>(81 463 943)</b>	Assisted schemes	9 671.86	9 672	9 672
13 286 715	73 319 861	(60 033 146)	Letting schemes	1 710	657 311	(655 601)
276 697	27 410 632	(27 133 935)	<b>Public Safety</b>	<b>25 950 710</b>	<b>88 206 149</b>	<b>(62 255 440)</b>
4 318 890	4 318 890	(4 318 890)	Traffic	9 963 017	38 096 210.19	(28 133 194)
20 865 361	6 852 109	14 013 253	Fire fighting	304 632	32 700 547	(32 395 915)
<b>1 261 302</b>	<b>157 520 041</b>	<b>(156 258 739)</b>	Disaster management	-	5 194 438	(5 194 438)
17 127	3 736 444	(3 719 317)	Licensing	15 683 061	7 621 654	8 061 407
93 974	36 751 106	(36 657 133)	Municipal control centre	-	4 593 300	(4 593 300)
947 381	111 497 157	(110 549 775)	<b>Parks &amp; Recreation</b>	<b>1 299 747</b>	<b>140 746 357</b>	<b>(139 446 610)</b>
202 819	5 535 334	(5 332 514)	Nursery	12 929	1 274 221	(1 261 292)
-	<b>538 476</b>	<b>(538 476)</b>	Parks	103 057	40 001 063	(39 898 006)
-	538 476	(538 476)	Sport & recreation	976 813	95 011 835	(94 035 022)
<b>55 694 285</b>	<b>59 609 172</b>	<b>(3 914 887)</b>	Swimming pools	206 948	4 459 298	(4 252 290)
55 694 285	45 127 222	10 567 064	<b>Environmental Protection</b>	802	187 744	(186 942)
-	14 481 951	(14 481 951)	Air pollution	802	187 744	(186 942)
<b>48 587 653</b>	<b>94 950 716</b>	<b>(46 363 063)</b>	<b>Waste Management</b>	<b>58 687 189</b>	<b>66 007 342</b>	<b>(7 320 153)</b>
64 635	38 036 728	(37 972 093)	Refuse Removal	58 687 189	52 296 540	6 390 649
48 523 018	43 024 398	5 498 620	Street & side walking cleaning	-	13 710 802	(13 710 802)
-	12 113 537	(12 113 537)	<b>Waste water management</b>	<b>49 064 812</b>	<b>133 399 050</b>	<b>(84 334 238)</b>
-	1 776 053	(1 776 053)	Sewer purification	47 104	31 978 576	(31 931 472)
<b>3 687 248</b>	<b>169 993 595</b>	<b>(166 306 347)</b>	Sewer reticulation	49 017 708.50	58 535 382	(9 517 673)
80 194	167 638 149	(167 557 954)	Storm water	-	39 970 939	(39 970 939)
3 607 054	2 355 447	1 251 607	Public toilets	-	2 914 153	(2 914 153)
<b>211 680 242</b>	<b>248 029 689</b>	<b>(36 349 447)</b>	<b>Road Transport</b>	<b>8 841 333</b>	<b>288 108 639</b>	<b>(279 267 306)</b>
211 680 242	73 669 681	138 010 562	Roads & streets	156 596	282 672 846	(282 516 251)
-	160 794 986	(160 794 986)	Vehicle licensing & testing	8 684 737	5 435 792	3 248 945
-	13 565 022	(13 565 022)	<b>Water distribution</b>	<b>223 249 429</b>	<b>315 982 856</b>	<b>(92 733 427)</b>
<b>617 284 532</b>	<b>619 914 319</b>	<b>(2 629 787)</b>	Water Distribution	223 249 429	114 351 840.97	108 897 588
617 284 532	619 914 319	(2 629 787)	Water provision	-	186 443 511	(186 443 511)
-	-	-	Water Purification	-	15 187 504	(15 187 504)
<b>50 000</b>	<b>1 012 251</b>	<b>(962 251)</b>	<b>Electricity</b>	<b>658 285 402</b>	<b>687 535 951</b>	<b>(29 250 549)</b>
50 000	1 012 251	(962 251)	Workshop	-	-	-
-	-	-	Distribution	658 285 402	682 887 491	(24 602 089)
-	-	-	Street Lighting	-	4 648 459	(4 648 459)
<b>2 258 817 842</b>	<b>2 299 217 027</b>	<b>-40 399 185</b>	<b>Other</b>	<b>24 000</b>	<b>2 278 914</b>	<b>(2 254 914)</b>
-	-	-	Airport	24 000	2 278 914	(2 254 914)
<b>2 258 817 842</b>	<b>2 299 217 027</b>	<b>-40 399 185</b>	<b>Total</b>	<b>2 518 171 668</b>	<b>2 598 462 862</b>	<b>-80 291 195</b>

**APPENDIX E (1)**  
**ACTUAL OPERATING VERSUS BUDGET FOR THE YEAR ENDED 30 JUNE 2015(Unaudited)**

	2015 Actual R	2015 Budget R	2015 Variance R	2015 Variance %	Explanations of significant variances greater than 10% versus budget
<b>REVENUE</b>					
Property rates	256 187 487	302 252 040	(46 064 553)	(15.24)	This came as a result of the implementation of the new valuation which undervalued some properties as compared to the previous valuation roll.
Service charges	927 228 857	976 780 233	(49 551 376)	(5.07)	
Rental of facilities and equipment	12 973 612	20 482 257	(7 508 645)	(36.66)	Rental of the Peter Mokaba Stadium to the amount of R9 million did not materialize
Interest earned – external investments	35 720 658	23 000 000	12 720 658	55.31	Under budgeted due to underspending of grant expenditure
Interest earned – outstanding debtors	45 797 676	30 000 000	15 797 676	52.66	Under budgeted due to non payment of consumer debtors
Fines	9 846 497	10 752 559	( 906 062)	(8.43)	Under budgeted due to new implementation of doubt full fines provision.
Licensing & permits	9 195 509	9 027 438	168 071	1.86	
Revenue for agency services	15 608 127	15 656 200	( 48 073)	(0.31)	
Government grants & subsidies – operating	547 555 480	558 631 000	(11 075 520)	(1.98)	
Government grants & subsidies – capital	555 234 831	694 316 900	(139 082 069)	(20.03)	All grants were not spent in full. Applied for roll over projects
Public contributions, donated and contributed	2 797 470	6 153 000	(3 355 530)	(54.53)	National lottery funds not spent in full. Roll over to next year
Other revenue	87 019 945	253 745 273	(166 725 328)	(65.71)	Contribution from accumulated surplus during the adjustment budget (R136.7 million) was not necessary and R22 million for the selling of land did not materialize.
<b>Total Revenue</b>	<b>2 505 166 149</b>	<b>2 900 796 900</b>	<b>(395 630 751)</b>	<b>(13.64)</b>	
<b>EXPENDITURE</b>					
Employee related costs	520 315 822	520 693 538	( 377 716)	(0.07)	
Remuneration of councillors	25 405 636	25 410 000	( 4 364)	(0.02)	
Bad debt provision	130 414 056	50 000 000	80 414 056	160.83	Provision for bad debt insufficient due to new impairment policy.
Depreciation	542 900 222	204 999 966	337 900 256	164.83	Under budgeted. New service provider applied revaluation model
Repairs & maintenance	163 392 950	166 770 216	(3 377 266)	(2.03)	
Finance costs	38 371 116	38 372 000	( 884)	(0.00)	
Bulk purchases	674 894 906	677 625 000	(2 730 094)	(0.40)	
Grants & subsidies paid	6 740 000	6 740 000	0	-	
General expenses	395 005 751	418 606 280	(23 600 529)	(5.64)	The overspending is due the transfer of road assets to RAL which were budgeted under Capital expenditure
Gain / (loss) on fair value adjustment	126 650 126	3 710 000	122 940 126	-	Not budget for
<b>Total Expenditure</b>	<b>2 624 090 584</b>	<b>2 112 927 000</b>	<b>511 163 584</b>	<b>24.19</b>	
<b>NET SURPLUS/(DEFICIT) FOR THE YEAR</b>	<b>(118 924 435)</b>	<b>787 869 900</b>	<b>(906 794 335)</b>	<b>(115.09)</b>	

**APPENDIX E (2)**  
**ACTUAL CAPITAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT)**  
**FOR THE YEAR ENDED 30 JUNE 2015(Unaudited)**

	2015 Budget R	2015 Actual R	2015 Variance R	2015 Variance %	Explanations of significant variances greater than 10% versus budget
<b>BUDGET &amp; TREASURY OFFICE</b>	<b>1 000 000</b>	<b>895 884</b>	<b>104 116</b>	10.41	
Finance	1 000 000	895 884	104 116	10.41	Underspending/ contract less than budget amount
<b>CORPRATE SERVICES</b>	<b>28 505 600</b>	<b>19 771 268</b>	<b>(8 734 332)</b>	(30.64)	
Information Technology	5 100 000	4 976 360	(123 640)	(2.42)	On target-Under 10%- No explanation required
Property Services	23 005 600	14 794 908	(8 210 692)	(35.69)	Under spending/ contract less than budget amount
Other & Admin	400 000	-	(400 000)	(100.00)	Project abandoned
<b>PLANNING &amp; DEVELOPMENT</b>	<b>1 358 770</b>	<b>108 767</b>	<b>(1 250 003)</b>	(92.00)	
Economic Development & Planning	108 770	108 767	(3)	(0.00)	On target-Under 10%- No explanation required
Town Planning/Building Inspections	1 250 000	-	(1 250 000)	(100.00)	Project abandoned
<b>ROAD TRANSPORT</b>	<b>450 551 812</b>	<b>397 956 245</b>	<b>(52 595 567)</b>	(11.67)	
Roads & Storm water	144 859 122	120 299 847	(24 559 275)	(16.95)	Under spending/ contract less than budget amount
Transportation	305 692 690	277 656 398	(28 036 292)	(9.17)	On target-Under 10%- No explanation required
<b>COMMUNITY &amp; SOCIAL</b>	<b>1 300 000</b>	<b>493 126</b>	<b>(806 874)</b>	(62.07)	
Libraries & Archives	500 000	493 126	(6 874)	(1.37)	On target-Under 10%- No explanation required
Museums	800 000	-	(800 000)	(100.00)	Under spending/ contract less than budget amount
<b>PUBLIC SAFETY</b>	<b>998 290</b>	<b>221 000</b>	<b>(777 290)</b>	(77.86)	
Fire	998 290	221 000	(777 290)	(77.86)	Under spending/ contract less than budget amount
<b>SPORT &amp; RECREATION</b>	<b>58 634 690</b>	<b>39 054 331</b>	<b>(19 580 359)</b>	(33.39)	
Sport & Recreation	58 634 690	39 054 331	(19 580 359)	(33.39)	Under spending/ contract less than budget amount
<b>WASTE WATER MANAGEMENT</b>	<b>5 079 818</b>	<b>2 523 873</b>	<b>(2 555 945)</b>	(50.32)	
Sewerage	5 079 818	2 523 873	(2 555 945)	(50.32)	Under spending/ contract less than budget amount
<b>WASTE MANAGEMENT</b>	<b>9 612 960</b>	<b>4 092 536</b>	<b>(5 520 424)</b>	(57.43)	
Solid Waste	9 612 960	4 092 536	(5 520 424)	(57.43)	Under spending/ contract less than budget amount
<b>WATER</b>	<b>211 777 670</b>	<b>130 295 057</b>	<b>(81 482 613)</b>	(38.48)	
Water Distribution	211 777 670	130 295 057	(81 482 613)	(38.48)	Under spending/ contract less than budget amount
<b>ELECTRICITY</b>	<b>18 857 390</b>	<b>13 158 703</b>	<b>(5 698 687)</b>	(30.22)	
Electricity Distribution	18 857 390	13 158 703	(5 698 687)	(30.22)	Under spending/ contract less than budget amount
<b>TOTAL</b>	<b>787 677 000</b>	<b>608 570 790</b>	<b>(178 897 978)</b>	(22.71)	

**APPENDIX F  
DISCLOSURE OF GRANTS AND SUBSIDIES FOR THE YEAR ENDED 30 JUNE 2015(Unaudited)**

**DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003**

Name of Grants		Quarterly receipts					Quarterly Expenditure for the Year					Delay \ withheld	Gazette amount Municipal year	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for non-compliance
		Sep	Dec	March	June	Total	Sep	Dec	March	June	Total				
Equitable Share	DPLG	180 420 000	151 933 000	123 446 000		455 799 000	113 949 750	88 174 964	95 975 643	157 698 643	455 799 000	No	455 799 000	Yes	Not Applicable
Extended public works Programme		1 584 000	0	2 376 000		3 960 000	365 789	991 751	604 622	1 997 838	3 960 000	No	3 960 000	Yes	Not Applicable
Public transport infrastructure and systems grant	NDT	50 000 000	0	150 000 000		200 000 000	13 467 381	51 965 378	49 193 735	169 123 279	283 749 773	No	200 000 000	Yes	Not Applicable
Integrated national electrification programme grant	DME	25 000 000	0	6 000 000		31 000 000	993 795	14 960 999	5 649 126	9 396 080	31 000 000	No	31 000 000	Yes	Not Applicable
Electricity demand side management grant	National Treasury	0	0	0		0	2 175 856	317 360	921 348	642 526	4 057 090	No	0	Yes	Not Applicable
Municipal infrastructure grant	DPLG	87 950 000	149 659 000	67 305 000		304 914 000	46 450 597	74 277 960	46 964 428	137 604 287	305 297 272	No	304 914 000	Yes	Not Applicable
Neighbourhood development partnership grant	DSR	5 000 000	0	5 000 000		10 000 000	0	0	1 510 946	2 783 362	4 294 308	No	10 000 000	Yes	Slow spending
Local government financial management grant	National Treasury	1 800 000	0	0		1 800 000	39 227	1 179 107	495 289	86 377	1 800 000	No	1 800 000	Yes	Not Applicable
Infrastructure Skills development fund		2 000 000	0	1 000 000		3 000 000	2 000 000	0	0	1 000 000	3 000 000	No	3 000 000	Yes	Not Applicable
Water services refurbishment grant		0	0	20 000 000		20 000 000	0	3 821 935	650 836	1 530 933	6 003 704	No	20 000 000	Yes	Not Applicable
Municipal systems improvement grant	DPLG	890 000	0	0		930 000	930 000	0	0	0	930 000	No	930 000	Yes	Not Applicable
		354 644 000	301 592 000	375 127 000		1 031 403 000	180 372 395	235 689 454	201 965 973	481 863 323	1 099 891 147	-	1 031 403 000		

**ANNEXURE G**  
**POLOKWANE MUNICIPALITY**  
**CONTINGENT LIABILITIES FOR THE YEAR ENDED 30 JUNE 2015(Unaudited)**

Date	Type of case	Summary of case	Name of parties	Authority that dealt with the case e.g. High Court	Amount involved	Outcome	Costs to the Municipality	Law firm used	Date finalized
04-Dec-12	Civil	Damages suffered as a result of exposure to inhalation of gases, chemicals and dust	Mmanyaka Patrick Machaba/ Polokwane Municipality	North Gauteng High Court	4 000 000	Matter still pending in court	R76 237.80	Mohale Incorporated	In progress
16-Jan-13	Civil	Termination of agreement	Phuthinare Traders cc/ Polokwane Municipality	North Gauteng High Court	1 399 003	Matter still pending, no further step taken after filing of plea	R133 042.58	N Mohale Incorporated	In progress
12-Jun-12	Civil	Personal damages as a result of accident	Godknows Tshuma/ Polokwane municipality	North Gauteng High Court	35 939	Awaiting trial date	R47 532.30	A. M. Carrim Attorneys	In progress
20-Jun-13	Civil	Damage as a result of storm water	J.H.S Bester & another/ Polokwane Municipality	Plk Mag Court	61 599	Matter still pending in court, expert witnesses to hold pre trial	No invoice submitted	N Mohale Incorporated	In progress
06-Sep-13	Civil	Damages as a result of motor collision	Mogoma Samuel Seabi/ Plk Municipality	Plk Mag Court	75 000	Claimant rejected offer from the Insurance and issued summons	None- Internal	Matter handled internally	In progress
22/02/2012	Civil	Damages	Dr. O.R Tshikosi v Polokwane & Others	Plk Mag Court	300 000	Matter still pending	R 5 399.00	De Bruin Oberholzer Att	In progress
21/02/2012	Civil	Damages (Pothole)	K.J Ngoasheng v Polokwane	Plk Mag Court	8 982	Matter still pending	R14 990.80	Matter handled internally	In progress
4/4/2011	Civil	Non-payment for services rendered	E.C Deacon t/a P&L Services v Polokwane	Plk Mag Court	41 317	Judgment for rescission of judgment reserved	No invoice submitted	Mohale Inc. Att.	In progress
4/4/2011	Civil	Non-payment for services rendered	E.C Deacon t/a K T Services	Plk Mag Court	82 527	Judgment for rescission of judgment reserved	No invoice submitted	Mohale Inc. Att.	In progress
15/07/2010	Civil	Motor vehicle collision	E Phooko v Polokwane	Plk Mag court	45 360	Matter still pending in court	R15 760.00	Jeff Mathabatha Attorneys.	In progress
22/09/2011	Civil	Damages (pain & suffering)	A D Friedendal v Polokwane	Plk Mag Court	113 289	Matter still pending in court	Matter referred to the Insurance.	Referral to the Insurance.	In progress
7/11/2013	Civil	Pothole collision	Ramadimetja Melda Chabangu/ Polokwane Municipality	Internal intervention	1 938	Awaiting Departmental report from Roads & Storm Water	None- Internal	Referral to the Insurance.	In progress
03.12.2013	Civil	Storm water damage	Tess Jerkins. Polokwane Municipality	Internal intervention	62 646	Awaiting report from the Insurance	None- Internal	Referral to the Insurance.	In progress
21.11.2013	Civil	Open hole injury	Soufo Mampshe Jacob/ Polokwane Municipality	Internal intervention	10 000	Awaiting report from the Insurance	None- Internal	Referral to the Insurance.	In progress
11.11.2013	Civil	Motor collision	No names mentioned in the claim	Internal intervention	67 580	Awaiting report from the Insurance	None- Internal	Referral to the Insurance.	In progress
22.01.2014	Civil	Motor collision	Joel Makgata/ Polokwane Municipality	Polokwane Magistrate Court	53 799	Awaiting report from the Insurance	None- Internal	Referral to the Insurance.	In progress
05.03.2014	Civil	Pothole collision	Charles Errol Hlupekha/ Polokwane Municipality	Magistrate Court Mankweng	19 495	Matter still pending in court	No invoice submitted	Maboku Mangena Attorneys	In progress
05.03.2014	Civil	Defamation of character	Mers Lerake Motshega/ Polokwane Municipality	Polokwane Regional Court	300 000	matter postponed <i>sine die</i>	No invoice submitted	Pule Incorporated	In progress
19.02.2014	Civil	Damages for falling into a ditch	J.P Neethling/ Polokwane Municipality	High Court	2 000 000	Awaiting report from the Insurance	None- Internal	Internal intervention	In progress

**ANNEXURE G**  
**POLOKWANE MUNICIPALITY**  
**CONTINGENT LIABILITIES FOR THE YEAR ENDED 30 JUNE 2015(Unaudited)**

01.08.2014	Civil	Rental agreement	Pietersburg Police Social Club/ Polokwane Municipality	Polokwane Magistrate Court	57 000	Matter still pending in court	None- Internal	Internal intervention	In progress
08.11.2013	Civil	Motor collision	W. De Jongh/Polokwane Municipality	Polokwane Magistrate Court	13 152	Awaiting trial date	Invoice to be submitted	Carrim Attorneys	In progress
29.04.2014	Civil	Pothole collision	DP Service centre/ Polokwane Municipality	Polokwane Magistrate Court	96 164	Awaiting report from Roads and Storm Water	None- Internal	Referral to the Insurance.	In progress
08.09.2014	Civil	Pothole collision	Kgadimotso Chemical Suppliers/ Polokwane Municipality	Polokwane Magistrate Court	74 109	Awaiting report from the Insurance	None- Internal	Referral to the Insurance.	In progress
08.09.2014	Civil	Motor collision	Mathabathe Magdalene Mokoale/ Polokwane Municipality	Polokwane Magistrate Court	24 257	Awaiting report from the Insurance	None- Internal	Referral to the Insurance	In progress
05.12.2014	Civil	Motor collision	Jeff Mathabatha/ Polokwane Municipality	Polokwane Magistrate Court	100 000	Matter still pending in court	None- Internal	Handled internally	In progress
30.01.2015	Civil	Pothole collision	Makonde Bethuel Phaswane/ Polokwane Municipality	Polokwane Magistrate Court	20 033	Matter still pending in court	None- Internal	Referral to the Insurance.	In progress
18.02.2015	Civil	Damages suffered for death as a result of electrocution	Johannes Skele Mogashoa/ Polokwane Municipality	Polokwane Regional Court	400 000	Matter still pending in court	None- Internal	Referral to the Insurance.	In progress
23.04.2015	Civil	Motor collision	James Mohale Maake/ Polokwane Municipality	Polokwane Regional Court	173 166	Matter still pending in court	None- Internal	Referral to the Insurance.	In progress
25.05.2015	Civil	Damages suffered	Andries Tefu/ Polokwane Municipality	Seshego Magistrate Court	315 000	Matter still pending in court	None- Internal	Matter handled internally	In progress
10.06.2015	Civil	Service rendered	Segabeng Trading Enterprise/ Polokwane Municipality	Polokwane Magistrate Court	94 000	Matter still pending in court	None- Internal	Matter handled internally	In progress
30.05.2012	Civil	Motor collision	Ezekiel Lediga/ Polokwane Municipality	Polokwane Magistrate Court	11 907	Awaiting trial date	Invoice to be submitted	Carrim Attorneys	In progress
22.04.2015	Civil	Motor vehicle collision	Bb Hatlief/ Thabo Witness Mojela & Polokwane Municipality	Letter of demand	18 582	Matter referred to the Insurance		Handled internally	In progress
23.06.2015	Civil	Damages as a result of storm water	Bamby Francinah Manamela/ Polokwane Municipality	Letter of demand	128 568	Matter referred to the Insurance		Handled internally	In progress
	Civil	Illegal landuse matters	Court applications X 6/Polokwane Municipality		300 000			Kgatla Incorporated	In progress
	Civil		Born to Protect Security/Polokwane Municipality		450 000			Mogaswa Attorneys	In progress
	Civil		Julia Nare/Polokwane Municipality		250 000			Mogaswa Attorneys	In progress
	Civil		HJ Retief/Polokwane Municipality		120 000			Mogaswa Attorneys	In progress
	Civil		R Malema (Arbitration)/Polokwane Municipality		250 000			Mogaswa Attorneys	In progress
			R Malema (Urgent Application)/Polokwane Municipality		150 000			Mogaswa Attorneys	In progress
	Civil	Contractual dispute	Tshireletso Corporate Safety Ware CC		173 937			Mohale Incorporated	In progress
	Civil		SALGA and others /Polokwane Municipality		400 000			Popela Maake Attorneys	In progress



**ANNEXURE G**  
**POLOKWANE MUNICIPALITY**  
**CONTINGENT LIABILITIES FOR THE YEAR ENDED 30 JUNE 2015(Unaudited)**

	Civil		SALBG and Jacques Verhoef and others/Polokwane Municipality		400 000		Popela Maake Attorneys	In progress
	Civil		Blue Sands Trading/Polokwane Municipality		2 000 000		Coetzer & Partners	In progress
	Civil		Polokwane Municipality		500 000		Makwela & Mabotja	In progress
17.08 2015	Civil	Interest and penalties on SDL	SARS	Statement of account	75 806	Dispute lodged by the municipality	Handled internally	In progress
Total					15 274 154			