



JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY
Annual Financial Statements
for the year ended 30 June 2016
Published 30 November 2016

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

General Information

Legal form of entity	South African Category C Municipality (District Municipality) as defined by the Municipal Structures Act (Act No, 117 of 1998)
Nature of business and principal activities	John Taolo Gaetsewe Municipality is a district municipality performing the functions as set out in the Constitution (Act no 105 of 1996).
Jurisdiction	The John Taolo Gaetsewe Municipality includes the municipal areas of Gamagara Municipality, Ga-Segonyana Municipality and Joe Morolong Municipality Demarcation code - DC45 John Gaetsewe
Mayoral committee	
Executive Mayor	S. Mosikatsi
Executive Councillors	G. C. Assegai O. E. Hantise M. E. Mochwari O. C. Mogodi
Speaker	S. B. Gaobusiwe
Chairperson: Traditional Affairs	B. D. Phetlhu
Councillors	M. A. P. Brink H. Du Plessis (appointed: 15/02/2016) J. Freedman (deceased: 30/05/2016) V. Jordan J. C. Kaars (resigned: 09/02/2016) O. H. Kgopodithata E. V. Makoke K. R. Makwati B. P. Matlhoamantsho P. Q. Mogatle A. Mwembo M. J. Rakoi M. G. Sephekolo T. T. Tiholenyane A. Van Der Westhuizen
Grading of the municipality	2
Capacity of the municipality	Medium
Chief Finance Officer	G.P. Moroane (appointed 18 July 2016)
Accounting Officer	M. Eilerd
Registered office	P.O. Box 1480 Kuruman 8460
Business address	4 Federale Mynbou Street Kuruman 8460

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

General Information

Primary bankers

The Standard Bank of South Africa Limited

Auditors

Auditor-General of South Africa

Attorneys

Neville Cloete Attorneys Incorporated

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Index

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

Index	Page
Accounting Officer's Responsibilities and Approval	4
Accounting Officer's Report	5
Statement of Financial Position	6
Statement of Financial Performance	7
Statement of Changes in Net Assets	8
Cash Flow Statement	9
Statement of Comparison of Budget and Actual Amounts	10 - 13
Appropriation Statement	14 - 15
Accounting Policies	16 - 29
Notes to the Annual Financial Statements	40 - 82
Appendixes:	
Appendix A: Schedule of External loans	83
Appendix B: Analysis of Property, Plant and Equipment	84
Appendix C: Segmental analysis of Property, Plant and Equipment	86
Appendix D: Segmental Statement of Financial Performance	87
Appendix F: Disclosure of Grants and Subsidies in terms of the Municipal Finance Management Act	88

Abbreviations

COID	Compensation for Occupational Injuries and Diseases
DBSA	Development Bank of South Africa
DORA	Division of Revenue Act
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MPAC	Municipal public accounts committee

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Accounting Officer's Responsibilities and Approval

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

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

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

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

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

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2017 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

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

The external auditors are responsible for auditing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 5.

The annual financial statements set out on pages 5 to 82, which have been prepared on the going concern basis, were approved by the accounting officer on 30 November 2016 and were signed behalf by:

Accounting officer

30 November 2016

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Accounting Officer's Report

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

1. Review of activities

Main business and operations

The municipality is engaged as a district municipality performing the functions as set out in the Constitution (Act no 105 of 1996) and operates in South Africa.

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

Net deficit of the municipality was R 15 686 837 (2015: deficit R 11 009 007).

2. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business. A number of concerns have been raised in note 32.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality.

3. Subsequent events

Local government elections were conducted on 3 August 2016; which will result in new councillors being appointed. The accounting officer is not aware of any other significant matter or circumstance arising since the end of the financial year.

4. Accounting Officer's interest in contracts

The accounting officer does not have an interest in any of the contracts entered into during the current financial year.

5. Accounting policies

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

6. Non-current assets

No major changes in the nature or the policy relating to the use of the non-current assets of the municipality occurred during the year.

7. Accounting Officer

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

Name	Nationality
M.Eilerd	South African

8. Bankers

Accounts were held with The Standard Bank of South Africa Limited, First National Bank (a division of First Rand Bank Limited), Nedbank Limited, and ABSA (a division of the Barclays Africa Group Limited) during the year.

9. Auditors

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

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Statement of Financial Position as at 30 June 2016

	Note(s)	2016 R	2015 Restated* R
Assets			
Current Assets			
Cash and cash equivalents	3	922 893	17 887 779
Receivables from exchange transactions	4	17 413 532	12 748 697
VAT receivable	5	138 972	673 097
Grants receivable	15	-	141 668
Inventories	6	11 519 422	11 519 422
		29 994 819	42 970 663
Non-Current Assets			
Biological assets	7	1 774 500	5 095 140
Investment property	8	7 880 000	7 460 000
Property, plant and equipment	9	64 723 817	66 317 593
Intangible assets	10	489 489	365 714
Heritage assets	11	19 750	19 750
		74 887 556	79 258 197
Total Assets		104 882 375	122 228 860
Liabilities			
Current Liabilities			
Payables from exchange transactions	12	11 080 208	9 806 487
Finance lease obligation	13	252 966	230 698
Other financial liabilities	14	230 014	213 243
Unspent conditional grants and receipts	15	3 873 089	5 695 760
Employee benefit obligation	16	451 261	711 737
Provisions	17	1 756 535	1 423 000
		17 644 073	18 080 925
Non-Current Liabilities			
Finance lease obligation	13	22 152	275 118
Other financial liabilities	14	1 538 088	1 768 102
Employee benefit obligation	16	5 944 014	6 683 835
		7 504 254	8 727 055
Total Liabilities		25 148 327	26 807 980
Net Assets		79 734 048	95 420 880
Reserves			
Revaluation reserve	18	41 970 148	41 970 148
Accumulated surplus		37 763 900	53 450 732
Total Net Assets		79 734 048	95 420 880

* See Note 39

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Statement of Financial Performance

	Note(s)	2016 R	2015 Restated* R
Revenue			
Revenue from exchange transactions			
Administration and management fees received	19	6 524 596	5 735 300
Interest received	20	2 252 027	2 718 342
Rental of facilities and equipment	21	85 386	71 591
Sundry income		-	154 150
Total revenue from exchange transactions		8 862 009	8 679 383
Revenue from non-exchange transactions			
Transfer revenue			
Government grants and subsidies	22	77 660 671	71 072 861
Total revenue		86 522 680	79 752 244
Expenditure			
Employee related costs	23	(54 408 145)	(54 099 575)
Remuneration of councillors	24	(4 542 259)	(4 272 616)
Depreciation, amortisation and impairment	25	(3 439 619)	(2 357 393)
Finance costs	26	(786 775)	(798 998)
Debt Impairment	27	(168 593)	(249 862)
Repairs and maintenance		(628 599)	(566 722)
General expenses	28	(35 727 181)	(28 686 655)
Total expenditure		(99 701 171)	(91 031 821)
Operating deficit		(13 178 491)	(11 279 577)
Loss on disposal of assets and liabilities		(63 656)	(964 820)
Fair value adjustments	29	(1 543 240)	1 235 390
Loss on biological assets		(901 450)	-
		(2 508 346)	270 570
Deficit for the year		(15 686 837)	(11 009 007)

* See Note 39

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Statement of Changes in Net Assets

	Revaluation reserve R	Accumulated surplus R	Total net assets R
Opening balance as previously reported	41 970 148	35 493 644	77 463 792
Adjustments			
Prior year adjustments	-	28 966 095	28 966 095
Balance at 01 July 2014 as restated*	41 970 148	64 459 739	106 429 887
Changes in net assets			
Deficit for the year	-	(11 009 007)	(11 009 007)
Total changes	-	(11 009 007)	(11 009 007)
Opening balance as previously reported	41 970 148	25 020 609	66 990 757
Adjustments			
Prior year adjustments	-	28 430 128	28 430 128
Restated* Balance at 01 July 2015 as restated*	41 970 148	53 450 737	95 420 885
Changes in net assets			
Deficit for the year	-	(15 686 837)	(15 686 837)
Total changes	-	(15 686 837)	(15 686 837)
Balance at 30 June 2016	41 970 148	37 763 900	79 734 048
Note(s)	18		

* See Note 39

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Cash Flow Statement

	Note(s)	2016 R	2015 Restated* R
Cash flows from operating activities			
Receipts			
Sale of goods and services		2 445 347	2 267 412
Grants		75 838 000	70 373 689
Interest income		2 252 027	2 718 342
		<u>80 535 374</u>	<u>75 359 443</u>
Payments			
Employee costs		(60 189 509)	(58 068 828)
Suppliers		(35 075 059)	(26 468 619)
		<u>(95 264 568)</u>	<u>(84 537 447)</u>
Net cash flows from operating activities	30	<u>(14 729 194)</u>	<u>(9 178 004)</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	9	(1 775 861)	(7 412 318)
Purchase of intangible assets	10	(257 412)	(106 155)
Proceeds from sale of biological assets	7	455 950	-
Net cash flows from investing activities		<u>(1 577 323)</u>	<u>(7 518 473)</u>
Cash flows from financing activities			
Repayment of other financial liabilities		(213 243)	(186 230)
Finance lease payments		(230 698)	412 990
Finance costs		(214 428)	(260 850)
Net cash flows from financing activities		<u>(658 369)</u>	<u>(34 090)</u>
Net increase/(decrease) in cash and cash equivalents		<u>(16 964 886)</u>	<u>(16 730 567)</u>
Cash and cash equivalents at the beginning of the year		17 887 779	34 618 346
Cash and cash equivalents at the end of the year	3	<u>922 893</u>	<u>17 887 779</u>

* See Note 39

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Rental of facilities and equipment	85 000	-	85 000	85 386	386	
Interest received	2 917 000	-	2 917 000	2 252 027	(664 973)	41.1
Administration and management fees received	5 515 000	-	5 515 000	6 524 596	1 009 596	41.2
Sundry income	26 851 000	(26 611 000)	240 000	-	(240 000)	41.3
Total revenue from exchange transactions	35 368 000	(26 611 000)	8 757 000	8 862 009	105 009	
Revenue from non-exchange transactions						
Transfer revenue						
Government grants and subsidies	73 185 263	8 229 143	81 414 406	77 660 671	(3 753 735)	41.4
Total revenue	108 553 263	(18 381 857)	90 171 406	86 522 680	(3 648 726)	
Expenditure						
Employee related costs	(53 666 896)	3 053 150	(50 613 746)	(54 408 145)	(3 794 399)	41.5
Remuneration of councillors	(7 023 602)	2 310 186	(4 713 416)	(4 542 259)	171 157	
Depreciation and amortisation	(966 000)	(1 234 000)	(2 200 000)	(3 439 619)	(1 239 619)	41.6
Finance costs	(279 000)	-	(279 000)	(786 775)	(507 775)	41.7
Debt impairment	-	-	-	(168 593)	(168 593)	41.8
Repairs and maintenance	(87 388)	(863 219)	(950 607)	(628 599)	322 008	41.9
General expenses	(37 449 115)	(12 600 009)	(50 049 124)	(35 727 181)	14 321 943	41.10
Total expenditure	(99 472 001)	(9 333 892)	(108 805 893)	(99 701 171)	9 104 722	
Operating deficit	9 081 262	(27 715 749)	(18 634 487)	(13 178 491)	5 455 996	
Loss on disposal of assets and liabilities	-	-	-	(63 656)	(63 656)	41.11
Fair value adjustments	-	-	-	(1 543 240)	(1 543 240)	41.12
Loss on biological assets	-	-	-	(901 450)	(901 450)	41.13
	-	-	-	(2 508 346)	(2 508 346)	
Deficit for the year	9 081 262	(27 715 749)	(18 634 487)	(15 686 837)	2 947 650	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	9 081 262	(27 715 749)	(18 634 487)	(15 686 837)	2 947 650	

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	
Statement of Financial Position						
Assets						
Current Assets						
Inventories	-	-	-	11 519 422	11 519 422	41.14
Receivables from exchange transactions	1 284 558	9 641 680	10 926 238	17 413 532	6 487 294	41.15
VAT receivable	-	-	-	138 972	138 972	41.16
Cash and cash equivalents	7 419 145	(4 954 897)	2 464 248	922 893	(1 541 355)	41.17
	8 703 703	4 686 783	13 390 486	29 994 819	16 604 333	
Non-Current Assets						
Biological assets	-	4 495 140	4 495 140	1 774 500	(2 720 640)	41.18
Investment property	-	7 460 000	7 460 000	7 880 000	420 000	41.19
Property, plant and equipment	74 689 000	(9 089 095)	65 599 905	64 723 816	(876 089)	41.20
Intangible assets	-	313 000	313 000	489 490	176 490	41.21
Heritage assets	-	19 750	19 750	19 750	-	
	74 689 000	3 198 795	77 887 795	74 887 556	(3 000 239)	
Total Assets	83 392 703	7 885 578	91 278 281	104 882 375	13 604 094	
Liabilities						
Current Liabilities						
Other financial liabilities	-	230 014	230 014	230 014	-	
Finance lease obligation	-	275 118	275 118	252 966	(22 152)	41.22
Payables from exchange transactions	-	10 361 459	10 361 459	11 080 208	718 749	41.23
VAT payable	-	(868 422)	(868 422)	-	868 422	41.16
Employee benefit obligation	-	1 373 344	1 373 344	451 261	(922 083)	41.24
Unspent conditional grants and receipts	-	4 284 789	4 284 789	3 873 089	(411 700)	41.25
Provisions	-	1 647 292	1 647 292	1 756 535	109 243	
	-	17 303 594	17 303 594	17 644 073	340 479	
Non-Current Liabilities						
Other financial liabilities	-	1 538 088	1 538 088	1 538 088	-	
Finance lease obligation	-	-	-	22 152	22 152	41.26
Employee benefit obligation	-	24 080 330	24 080 330	5 944 014	(18 136 316)	41.27
	-	25 618 418	25 618 418	7 504 254	(18 114 164)	
Total Liabilities	-	42 922 012	42 922 012	25 148 327	(17 773 685)	
Net Assets	83 392 703	(35 036 434)	48 356 269	79 734 048	31 377 779	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Revaluation reserve	-	41 970 148	41 970 148	41 970 148	-	
Accumulated surplus	83 392 703	(77 006 582)	6 386 121	37 763 900	31 377 779	41.28

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	
Total Net Assets	83 392 703	(35 036 434)	48 356 269	79 734 048	31 377 779	

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Administration and management	6 692 199	(852 199)	5 840 000	2 438 347	(3 401 653)	41.29
Grants	72 318 000	9 096 406	81 414 406	75 838 000	(5 576 406)	41.30
Interest income	2 916 578	422	2 917 000	2 252 027	(664 973)	41.31
	81 926 777	8 244 629	90 171 406	80 528 374	(9 643 032)	
Payments						
Suppliers and employees	(90 965 369)	(6 961 059)	(97 926 428)	(95 264 568)	2 661 860	41.32
Transfers and grants	(8 285 000)	1 976 432	(6 308 568)	-	6 308 568	41.33
	(99 250 369)	(4 984 627)	(104 234 996)	(95 264 568)	8 970 428	
Net cash flows from operating activities	(17 323 592)	3 260 002	(14 063 590)	(14 736 194)	(672 604)	
Cash flows from investing activities						
Purchase of property, plant and equipment and intangible assets	(1 204 000)	(33 000)	(1 237 000)	(2 033 273)	(796 273)	41.34
Proceeds from sale of biological assets	-	600 000	600 000	455 950	(144 050)	41.35
Net cash flows from investing activities	(1 204 000)	567 000	(637 000)	(1 577 323)	(940 323)	
Cash flows from financing activities						
Repayment of other financial liabilities	(400 000)	(43 941)	(443 941)	(443 941)	-	
Finance costs	(278 783)	(217)	(279 000)	(214 428)	64 572	41.36
Net cash flows from financing activities	(678 783)	(44 158)	(722 941)	(658 369)	64 572	
Net increase/(decrease) in cash and cash equivalents	(19 206 375)	3 782 844	(15 423 531)	(16 971 886)	(1 548 355)	
Cash and cash equivalents at the beginning of the year	26 625 520	(8 737 741)	17 887 779	17 887 779	-	
Cash and cash equivalents at the end of the year	7 419 145	(4 954 897)	2 464 248	915 893	(1 548 355)	

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Appropriation Statement

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
	R	R	R	R	R	R	R	R	R	R	R
2016											
Financial Performance											
Rental of facilities	85 000	-	85 000	-	-	85 000	85 386	-	386	100 %	100 %
Investment revenue	2 917 000	-	2 917 000	-	-	2 917 000	2 252 027	-	(664 973)	77 %	77 %
Administration and management fees received	5 515 000	-	5 515 000	-	-	5 515 000	6 524 596	-	1 009 596	118 %	118 %
Transfers recognised - operational	73 185 263	5 293 613	78 478 876	-	-	78 478 876	76 840 671	-	(1 638 205)	98 %	105 %
Other own revenue	26 851 000	(26 611 000)	240 000	-	-	240 000	420 000	-	180 000	175 %	2 %
Total revenue (excluding capital transfers and contributions)	108 553 263	(21 317 387)	87 235 876	-	-	87 235 876	86 122 680	-	(1 113 196)	99 %	79 %
Employee costs	(53 666 896)	3 053 150	(50 613 746)	-	-	(50 613 746)	(54 408 145)	-	(3 794 399)	107 %	101 %
Remuneration of councillors	(7 023 602)	2 310 186	(4 713 416)	-	-	(4 713 416)	(4 542 259)	-	171 157	96 %	65 %
Debt impairment	-	-	-	-	-	-	(168 593)	-	(168 593)	DIV/0 %	DIV/0 %
Depreciation and asset impairment	(966 000)	(1 234 000)	(2 200 000)	-	-	(2 200 000)	(3 439 619)	-	(1 239 619)	156 %	356 %
Finance charges	(279 000)	-	(279 000)	-	-	(279 000)	(786 775)	-	(507 775)	282 %	282 %
Other expenditure	(37 536 503)	(13 463 228)	(50 999 731)	-	-	(50 999 731)	(39 284 126)	-	11 715 605	77 %	105 %
Total expenditure	(99 472 001)	(9 333 892)	(108 805 893)	-	-	(108 805 893)	(102 629 517)	-	6 176 376	94 %	103 %
Surplus/(Deficit)	9 081 262	(30 651 279)	(21 570 017)	-	-	(21 570 017)	(16 506 837)	-	5 063 180	77 %	(182)%

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Appropriation Statement

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
	R	R	R	R	R	R	R	R	R	R	R
Transfers recognised - capital	-	2 935 530	2 935 530	-		2 935 530	820 000		(2 115 530)	28 %	DIV/0 %
Surplus (Deficit) after capital transfers and contributions	9 081 262	(27 715 749)	(18 634 487)	-		(18 634 487)	(15 686 837)		2 947 650	84 %	(173)%
Surplus/(Deficit) for the year	9 081 262	(27 715 749)	(18 634 487)	-		(18 634 487)	(15 686 837)		2 947 650	84 %	(173)%
Capital expenditure and funds sources											
Total capital expenditure	1 204 000	33 000	1 237 000	-		1 237 000	2 033 273		796 273	164 %	169 %
Cash flows											
Net cash from (used) operating	(17 602 375)	3 259 785	(14 342 590)	-		(14 342 590)	(14 729 194)		(386 604)	103 %	84 %
Net cash from (used) investing	(1 204 000)	567 000	(637 000)	-		(637 000)	(1 577 323)		(940 323)	248 %	131 %
Net cash from (used) financing	(400 000)	(43 941)	(443 941)	-		(443 941)	(658 369)		(214 428)	148 %	165 %
Net increase/(decrease) in cash and cash equivalents	(19 206 375)	3 782 844	(15 423 531)	-		(15 423 531)	(16 964 886)		(1 541 355)	110 %	88 %
Cash and cash equivalents at the beginning of the year	26 625 520	(8 737 741)	17 887 779	-		17 887 779	17 887 779		-	100 %	67 %
Cash and cash equivalents at year end	7 419 145	(4 954 897)	2 464 248	-		2 464 248	922 893		1 541 355	37 %	12 %

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1. Presentation of Annual Financial Statements

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

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

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

A summary of the significant accounting policies are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Going concern assumption

These annual financial statements were not prepared based on the expectation that the municipality will be able to continue to operate as a going concern for at least the next 12 months. The basis of accounting has not changed, as the municipality cannot be liquidated through normal application by creditors. The going concern difficulties faced by the municipality are further explained in note 32.

1.2 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement 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 judgements include:

Receivables

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

The impairment for receivables is calculated on a portfolio basis. For amounts due to the municipality, significant financial difficulties of the receivable, probability that the receivable will enter bankruptcy and default of payments are all considered indicators of impairment.

Fair value estimation

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

The fair value of financial instruments that are not traded in an active market (for example, over-the counter derivatives) is determined by using valuation techniques. The municipality uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the end of the reporting period.

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1.2 Significant judgements and sources of estimation uncertainty (continued)

Impairment testing

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

Value in use of cash generating assets:

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

Value in use of non-cash generating assets:

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. If there are indications that impairment may have occurred, the remaining service potential of the asset is determined. The most appropriate approach selected to determine the remaining service potential is dependent on the availability of data and the nature of the impairment.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 17 - Provisions.

Useful lives of property, plant and equipment and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for property, plant and equipment and other assets. This estimate is based on industry norms and on the pattern in which an asset's future economic benefits or service potential is expected to be consumed by the municipality.

Post-retirement benefits and other long-term benefits

The present value of the post-retirement obligation and other long-term employee obligations 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 obligations. In determining the appropriate discount rate, the municipality considers market yields at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, the municipality uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve.

Other key assumptions for post-retirement and other long-term employee obligations are based on current market conditions. Additional information is disclosed in note 16.

Effective interest rate

The municipality used the incremental borrowing rate to discount future cash flows.

Allowance for impairment

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

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1.3 Biological assets

The municipality recognises biological assets or agricultural produce when, and only when:

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

Biological assets are measured at their fair value less costs to sell.

A gain or loss arising on initial recognition of biological assets or agricultural produce at fair value less costs to sell and from a change in fair value less costs to sell of a biological assets, is included in surplus or deficit 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 where applicable, is used to determine fair value.

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

1.4 Investment property

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

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

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

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

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

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

Fair value

Subsequent to initial measurement investment property is measured at fair value; depreciation is not provided for.

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

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

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

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

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1.4 Investment property (continued)

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

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

1.5 Property, plant and equipment

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

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

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

Property, plant and equipment are initially measured at cost.

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

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at the 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, its deemed cost is the carrying amount of the asset(s) given up.

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

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

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

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

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

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

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses, except for land, buildings and community assets which are carried at revalued amounts, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

It is the policy of the municipality to revalue the land, buildings and community assets once every five years. Management is of the opinion that this is sufficiently regular to ensure that the carrying value does not differ materially from that which would be determined using fair value at the end of the reporting period.

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1.5 Property, plant and equipment (continued)

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

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

Item	Depreciation method	Average useful life
Buildings	Straight line	20 - 30 years
Community assets - buildings	Straight line	20 - 30 years
Community assets - land		Indefinite
Furniture and fixtures	Straight line	5 - 30 years
IT equipment	Straight line	5 - 30 years
Land		Indefinite
Leased assets	Straight line	3 - 8 years
Motor vehicles	Straight line	5 - 15 years
Office equipment	Straight line	5 - 30 years
Other property, plant and equipment	Straight line	2 - 25 years

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

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

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

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

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

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

Compensation from third parties for an item of property, plant and equipment that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

1.6 Intangible assets

An asset is identifiable if it either:

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

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

An intangible asset is recognised when:

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

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1.6 Intangible assets (continued)

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

Intangible assets are initially recognised at cost.

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

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

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

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

Subsequent to initial measurement intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

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

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

Item	Useful life
Computer software	5 - 10 years

Intangible assets are derecognised:

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

The gain or loss arising from the derecognition of an intangible asset is the difference between the net disposal proceeds and the carrying amount and is included in surplus or deficit when the asset is derecognised.

1.7 Heritage 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.

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1.7 Heritage assets (continued)

Recognition

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

Where the municipality holds a heritage asset, but on initial recognition it does not meet the recognition criteria because it cannot be reliably measured, information on such a heritage asset is disclosed in note 11 Heritage assets.

Initial measurement

Heritage assets are measured at cost.

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

Subsequent measurement

Subsequent to initial measurement classes of heritage assets are carried at cost less any accumulated impairment losses.

Impairment

The municipality assesses at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

Transfers

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset.

Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

Derecognition

The municipality derecognises heritage assets on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is the difference between the net disposal proceeds and the carrying amount and is included in surplus or deficit when the item is derecognised.

1.8 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.

Financial instruments includes cash and cash equivalents.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the municipality, cash and cash equivalents comprise cash held, and short-term deposits.

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1.8 Financial instruments (continued)

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
Cash and cash equivalents	Financial asset measured at amortised cost
Receivables from exchange transactions	Financial asset measured at amortised cost

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

Class	Category
Finance lease obligations	Financial liability measured at amortised cost
Other financial liabilities	Financial liability measured at amortised cost
Payables from exchange transactions	Financial liability measured at amortised cost

Initial recognition

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

The municipality recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The municipality measures a financial asset and financial liability initially at its fair value plus, in the case of a financial asset or a liability not subsequently measured at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

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

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1.8 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The municipality 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 municipality 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 municipality 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, the municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

Short-term receivables and payables are not discounted where the initial credit period granted or received is consistent with terms used in the public sector, either through established practices or legislation.

Gains and losses

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

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

Impairment and uncollectibility of financial assets

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

For amounts due to the municipality, significant financial difficulties of the receivable, probability that the receivable will enter bankruptcy and default of payments are all considered indicators of impairment.

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 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 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.

Where financial assets are impaired through the use of an allowance account, the amount of the loss is recognised in surplus or deficit within operating expenses. When such financial assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1.8 Financial instruments (continued)

Financial assets measured at cost:

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

Derecognition

Financial assets

The municipality derecognises financial assets using trade date accounting.

The municipality derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the municipality, 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 municipality:
 - derecognises the asset; and
 - recognises 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.

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

Financial liabilities

The municipality 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, expired 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).

1.9 Statutory receivables

Identification

Statutory receivables are receivables that arise from legislation, supporting regulations, or similar means, and require settlement by another entity in cash or another financial asset.

The cost method is the method used to account for statutory receivables that requires such receivables to be measured at their transaction amount, plus any accrued interest or other charges (where applicable) and, less any accumulated impairment losses and any amounts derecognised.

Nominal interest rate is the interest rate and/or basis specified in legislation, supporting regulations or similar means.

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1.9 Statutory receivables (continued)

The transaction amount (for purposes of the Standard of GRAP on Statutory Receivables) means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

Recognition

The municipality recognises statutory receivables as follows:

- if the transaction is an exchange transaction, using the accounting policy on Revenue from exchange transactions;
- if the transaction is a non-exchange transaction, using the accounting policy on Revenue from non-exchange transactions (Taxes and transfers); or
- if the transaction is not within the scope of the accounting policies listed in the above or another Standard of GRAP, the receivable is recognised when the definition of an asset is met and, when it is probable that the future economic benefits or service potential associated with the asset will flow to the municipality and the transaction amount can be measured reliably.

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

The municipality measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:

- interest or other charges that may have accrued on the receivable (where applicable);
- impairment losses; and
- amounts derecognised.

Accrued interest

Where the municipality levies interest on the outstanding balance of statutory receivables, it adjusts the transaction amount after initial recognition to reflect any accrued interest. Accrued interest is calculated using the nominal interest rate.

Interest on statutory receivables is recognised as revenue in accordance with the accounting policy on Revenue from exchange transactions or the accounting policy on Revenue from non-exchange transactions (Taxes and transfers), whichever is applicable.

Other charges

Where the municipality is required or entitled to levy additional charges in terms of legislation, supporting regulations, by-laws or similar means on overdue or unpaid amounts, these charges are accounted for in terms of the municipality's accounting policy on Revenue from exchange transactions or the policy on Revenue from non-exchange transactions (taxes and transfers).

Impairment losses

The municipality assesses at each reporting date whether there is any indication that a statutory receivable, or a group of statutory receivables, may be impaired.

In assessing whether there is any indication that a statutory receivable, or group of statutory receivables, may be impaired, the municipality considers, as a minimum, the following indicators:

- significant financial difficulty of the receivable, which may be evidenced by an application for debt counselling, business rescue or an equivalent.
- it is probable that the receivable will enter sequestration, liquidation or other financial re-organisation.
- a breach of the terms of the transaction, such as default or delinquency in principal or interest payments (where levied).
- adverse changes in international, national or local economic conditions, such as a decline in growth, an increase in debt levels and unemployment, or changes in migration rates and patterns.

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1.9 Statutory receivables (continued)

If there is an indication that a statutory receivable, or a group of statutory receivables, may be impaired, the municipality measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable, or group of statutory receivables, is reduced through the use of an allowance account. The amount of the losses are recognised in surplus or deficit.

An impairment loss recognised in prior periods for a statutory receivable is revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows.

Any previously recognised impairment loss is adjusted by adjusting the allowance account. The adjustment does not result in the carrying amount of the statutory receivable, or group of statutory receivables exceeding what the carrying amount of the receivable(s) would have been had the impairment loss not been recognised at the date the impairment is revised. The amount of any adjustment is recognised in surplus or deficit.

Derecognition

The municipality derecognises a statutory receivable, or a part thereof, when:

- the rights to the cash flows from the receivable are settled, expire or are waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable; or
- the municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable to another party and the other party has the practical ability to sell the receivable 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 municipality:
 - derecognises the receivable; and
 - recognises separately any rights and obligations created or retained in the transfer.

The carrying amounts of any statutory receivables transferred are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. The municipality considers whether any newly created rights and obligations are within the scope of the Standard of GRAP on Financial Instruments or another Standard of GRAP. Any difference between the consideration received and the amounts derecognised and, those amounts recognised, are recognised in surplus or deficit in the period of the transfer.

1.10 Inventories

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

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

Inventories are measured at the lower of cost and current replacement cost where they are held for:

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

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

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

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

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

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

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1.11 Impairment of non-cash-generating assets

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

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

Identification

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

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

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

Value in use

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

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

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.

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.

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.

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1.11 Impairment of non-cash-generating assets (continued)

Reversal of an impairment loss

The municipality assesses 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.

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

1.12 Value-added Tax (VAT)

The municipality is registered with the South African Revenue Services (SARS) for VAT on the invoice basis, in accordance with Section 15(1) of the VAT Act (Act No. 89 of 1991).

1.13 Accumulated surplus

The accumulated surplus represents the net difference between the total assets and the total liabilities of the municipality. Any surpluses and deficits realised during a specific financial year are credited/debited against accumulated surplus/deficit. Prior year adjustments, relating to income and expenditure, are debited/credited against accumulated surplus when retrospective adjustments are made.

1.14 Share capital / contributed capital

An equity instrument is any contract that evidences a residual interest in the assets of the municipality after deducting all of its liabilities.

1.15 Leases

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

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

Finance leases - lessee

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

The discount rate used in calculating the present value of the minimum lease payments is the municipality's incremental borrowing rate.

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

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

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1.15 Leases (continued)

Operating leases - lessor

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

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

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

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

1.16 Employee benefits

Short-term employee benefits

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

Short-term employee benefits include items such as:

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

When an employee has rendered a service to the municipality during a reporting period, the municipality recognises 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 municipality recognises 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 municipality measures the expected cost of accumulating compensated absences as the additional amount that the municipality expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The municipality recognises the expected cost of bonus, incentive and performance related payments when the municipality 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 municipality 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 the municipality provides post-employment benefits for one or more employees.

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1.16 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

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

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

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

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

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

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

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

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

The 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 measures 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 determines 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).

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1.16 Employee benefits (continued)

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, the municipality attributes 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, the municipality attributes 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 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) 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 post-employment benefit obligations.

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

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

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

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1.16 Employee benefits (continued)

Other long-term employee benefits

The municipality has an obligation to provide long-term service allowance benefits to all of its employees.

The municipality's liability is based on an actuarial valuation. The Projected Unit Credit Method is used to value the liabilities. Actuarial gains and losses on the long-term service awards are recognised in the statement of financial performance.

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

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

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

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

Termination benefits

The municipality recognises termination benefits as a liability and an expense when the municipality is demonstrably committed to either:

- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

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

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

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

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

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

1.17 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.

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1.17 Provisions and contingencies (continued)

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

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

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

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

Provisions are not recognised for future operating deficits.

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

A constructive obligation to restructure arises only when the municipality:

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

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

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

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality.

A contingent liability is a:

- possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality; or
- present obligation that arises from past events but is not recognised because:
 - it is not probable than an outflow of resources embodying economic benefits or service potential will be required to settle the obligation;
 - the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 42.

1.18 Revenue from exchange transactions

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.

Measurement

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

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1.18 Revenue from exchange transactions (continued)

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 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 surveys of work performed.

Interest, royalties and dividends

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

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

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

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

1.19 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by the 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.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, the 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.

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1.19 Revenue from non-exchange transactions (continued)

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

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

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

Recognition

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

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

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.

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

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.

Debt forgiveness and assumption of liabilities

The municipality recognises revenue in respect of debt forgiveness when the former debt no longer meets the definition of a liability or satisfies the criteria for recognition as a liability, provided that the debt forgiveness does not satisfy the definition of a contribution from owners.

Revenue arising from debt forgiveness is measured at the carrying amount of debt forgiven.

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.

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1.19 Revenue from non-exchange transactions (continued)

Services in-kind

Services in-kind that are significant to the municipality's operations and/or service delivery objectives are recognised as assets and the related revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

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

Concessionary loans received

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

The portion of the loan that is repayable, along with any interest payments, is an exchange transaction and is accounted for in accordance with the Standard of GRAP on Financial Instruments. The off-market portion of the loan is a non-exchange transaction. The off-market portion of the loan that is recognised as non-exchange revenue is calculated as the difference between the proceeds received from the loan, and the present value of the contractual cash flows of the loan, discounted using a market related rate of interest.

The recognition of revenue is determined by the nature of any conditions that exist in the loan agreement that may give rise to a liability. Where a liability exists the municipality recognises revenue as and when it satisfies the conditions of the loan agreement.

1.20 Expenditure

Expenses are decreases in economic benefits or service potential during the reporting period in the form of outflows or consumption of assets or incurrence of liabilities that result in a decrease in net assets, other than those relating to distributions to owners, and are only recognised when the value of these outflows or consumption of assets or incurrence of liabilities can be reliably measured. Under the accrual basis, expenses are recognised when they occur, and not necessarily when cash or its equivalent is paid.

Items included in this category consist of employee related costs, remuneration of councillors, depreciation and amortisation, finance costs, debt impairment, repairs and maintenance, and general expenditure.

1.21 Borrowing costs

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

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

1.22 Grants in aid

The municipality transfers money to individuals, organisations and other sectors of government from time to time. 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 statement of financial performance as expenses in the period that the events given rise to the transfer occurred.

1.23 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1.23 Commitments (continued)

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

1.24 Comparative figures

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

1.25 Unauthorised expenditure

Unauthorised expenditure means:

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

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

1.26 Fruitless and wasteful expenditure

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

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

1.27 Irregular expenditure

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

All expenditure relating to irregular 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.

1.28 Revaluation reserve

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

1.29 Budget information

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

The approved budget covers the fiscal period from 01/07/2015 to 30/06/2016.

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

1.30 Related parties

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

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1.30 Related parties (continued)

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

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

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

1.31 Events after reporting date

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

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

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

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

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

2016	2015
R	R

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

GRAP 21 (as amended 2015): Impairment of Non-cash-generating Assets

The following amendments were made to the standard:

- editorial and other changes to the original text have been made to ensure consistency with other Standards of GRAP;
- general definitions have been deleted as these definitions are not essential to the understanding of the Standard. A paragraph has been included to explain that terms defined in other Standards of GRAP are used with the same meaning as in those other Standards of GRAP;
- additional commentary has been added to clarify the objective of cash-generating assets and non-cash generating assets, and consequential amendments made to the definition of cash-generating assets;
- the indicators of internal sources of information were amended to include obsolescence as an indication that an asset may be impaired. In line with the amendments made to IPSAS 21 on Impairment of Non-cash-generating Assets (IPSAS 21) in 2011, an amendment has been made to include another indicator of impairment i.e., where an asset's useful life has been reassessed as finite rather than indefinite;
- where the recoverable service amount is value in use, disclosure requirements have been added about whether an independent valuer is used to determine value in use together with the methods and significant assumptions applied in determining the value in use have been added to the disclosure requirements; and
- appendices with illustrative examples of indications of impairment and measurement of impairment losses have been deleted from the Standard as the National Treasury has issued complete examples as part of its implementation guidance.

The effective date of the standard is for years beginning on or after 01 April 2015.

The municipality has adopted the standard for the first time in the 2016 annual financial statements.

The impact of the standard is not material.

GRAP 26 (as amended 2015): Impairment of Cash-generating Assets

The following amendments were made to the standard:

- editorial and other changes to the original text have been made to ensure consistency with other Standards of GRAP;
- general definitions have been deleted as these definitions are not essential to the understanding of the Standard. A paragraph has been included to explain that terms defined in other Standards of GRAP are used with the same meaning as in those other Standards of GRAP;
- additional commentary has been added to clarify the objective of cash-generating assets and non-cash generating assets, and consequential amendments made to the definition of cash-generating assets and cash generating unit;
- in line with the amendments made to IPSAS 26 on Impairment of Cash-generating Assets (IPSAS 26) in 2010, an amendment has been made to include another indicator of impairment in relation to the internal sources of information;
- where the recoverable amount is value in use, disclosure requirements have been added about whether an independent valuer is used to determine value in use together with the methods and significant assumptions applied in determining the value in use have been added to the disclosure requirements; and
- appendices with illustrative examples on using present value techniques to measure value in use and illustrative guidance have been deleted from the Standard as the National Treasury has issued complete examples as part of its implementation guidance.

The effective date of the standard is for years beginning on or after 01 April 2015.

The municipality has adopted the standard for the first time in the 2016 annual financial statements.

The impact of the standard is not material.

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

2016	2015
R	R

2. New standards and interpretations (continued)

Improvements to the Standards of GRAP (2013)

Amendments were made to the following standards of GRAP:

- GRAP 1 - Presentation of Financial Statements;
- GRAP 2 - Cash Flow Statements;
- GRAP 3 - Accounting Policies, Changes in Accounting Estimates and Errors;
- GRAP 7 - Investments in Associates;
- GRAP 10 - Financial Reporting in Hyperinflationary Economies;
- GRAP 11 - Construction Contracts;
- GRAP 13 - Leases;
- GRAP 17 - Property, Plant and Equipment;
- GRAP 19 - Provisions, Contingent Liabilities and Contingent Assets;
- GRAP 21 - Impairment of Non-cash-generating Assets (refer to separate note);
- GRAP 24 - Presentation of Budget Information in Financial Statements;
- GRAP 25 - Employee Benefits;
- GRAP 26 - Impairment of Cash-generating Assets (refer to separate note);
- GRAP 31 - Intangible Assets;
- GRAP 103 - Heritage Assets; and
- GRAP 104 - Financial Instruments.

The amendments relate mainly to editorial and other changes to the original text to ensure consistency with other Standards of GRAP and deletion of the appendices with illustrative guidance and examples from the standards, as the National Treasury has issued complete examples as part of its implementation guidance.

The effective date of the improvements is for years beginning on or after 01 April 2015.

The municipality has adopted the improvements for the first time in the 2016 annual financial statements.

The impact of the improvements is not material.

GRAP 23 (as amended 2015): Revenue From Non-exchange Transactions

The following amendments were made to the standard:

- editorial and other changes to the original text have been made to ensure consistency with other Standards of GRAP;
- the scope paragraph has been amended to exclude non-exchange revenue from construction contracts from this Standard;
- commentary has been added to clarify that discounts, volume rebates or other reductions in the quoted price of assets are exchange transactions that should be treated in accordance with the Standard of GRAP on Revenue from Exchange Transactions;
- the Standard was amended to make it mandatory for entities to recognise services in-kind to the extent that the services in-kind are significant to an entity's operations and/or service delivery objectives and to the extent that the recognition criteria have been met;
- commentary has been added to clarify that services in-kind are not limited to the provision of services by individuals but also include the right to use assets. Examples have been added to illustrate this amendment; and
- the appendix with illustrative examples has been deleted from the Standard as the National Treasury has issued complete examples as part of its implementation guidance.

The effective date of the standard is for years beginning on or after 01 April 2015.

The municipality has adopted the standard for the first time in the 2016 annual financial statements.

The impact of the standard is not material.

2.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2016 or later periods:

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

2016	2015
R	R

2. New standards and interpretations (continued)

GRAP 18: Segment Reporting

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 municipality. The major classifications of activities identified in budget documentation will usually reflect the segments for which the municipality reports information to management.

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

This Standard has been approved by the Accounting Standards Board, but its effective date has not yet been determined by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

The adoption of this standard is not expected to impact on the results of the municipality, but may result in more presentation and disclosure than is currently provided in the annual financial statements.

GRAP 20: Related Parties

The objective of this standard is to ensure that a reporting municipality's annual financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

A municipality that prepares and presents financial statements under the accrual basis of accounting (in this standard referred to as the reporting municipality) shall apply this standard in:

- identifying related party relationships and transactions;
- identifying outstanding balances, including commitments, between the municipality and its related parties;
- identifying the circumstances in which disclosure of the items in (a) and (b) is required; and
- determining the disclosures to be made about those items.

This standard requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of the reporting entity in accordance with the Standard of GRAP on Consolidated and Separate Financial Statements. This standard also applies to individual annual financial statements.

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 municipality. This disclosure also ensures that the reporting entity is transparent about its dealings with related parties.

The standard states that a related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. As a minimum, the following are regarded as related parties of the reporting entity:

- A person or a close member of that person's family is related to the reporting entity if that person:
 - has control or joint control over the reporting entity;
 - has significant influence over the reporting entity;
 - is a member of the management of the entity or its controlling entity.

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

2016	2015
R	R

2. New standards and interpretations (continued)

- An entity is related to the reporting entity if any of the following conditions apply:
 - the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others);
 - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member);
 - both entities are joint ventures of the same third party;
 - one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - the entity is a post-employment benefit plan for the benefit of employees of either the entity or an entity related to the entity. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity;
 - the entity is controlled or jointly controlled by a person identified in (a); and
 - a person identified in (a)(i) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

The standard furthermore states that related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

The standard elaborates on the definitions and identification of:

- Close member of the family of a person;
- Management;
- Related parties;
- Remuneration; and
- Significant influence

The standard sets out the requirements, inter alia, for the disclosure of:

- Control;
- Related party transactions; and
- Remuneration of management

Only transactions with related parties where the transactions are not concluded within normal operating procedures or on terms that are not no more or no less favourable than the terms it would use to conclude transactions with another entity or person are disclosed.

The standard requires that remuneration of management must be disclosed per person and in aggregate.

The standard has been approved by the Accounting Standards Board, but the effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard, but has already formulated an accounting policy for this reporting period based on the Standard.

The adoption of this standard is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the annual financial statements.

GRAP 32: Service Concession Arrangements: Grantor

The standard applies to a contractual arrangement between a grantor and an operator in which the operator uses the service concession asset to provide a mandated function on behalf of the grantor for a specified period of time. The operator providing the mandated function on behalf of the grantor can either be a private party or another public sector entity. The standard applies to the grantor only.

Public Private Partnership agreements that are governed and regulated in terms of the MFMA, are some of the arrangements that fall within the scope of GRAP 32. For any other arrangements that meet the control criteria as set out in paragraph .07 of GRAP 32 the principles in the standard on accounting for such arrangements will apply.

An asset provided by the operator, or an upgrade to an existing asset, is recognised as a service concession asset with a corresponding liability, being the performance obligation, if certain criteria and conditions are met.

The standard has been approved by the Accounting Standards Board, but the effective date of the standard is not yet set by the Minister of Finance.

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

2016	2015
R	R

2. New standards and interpretations (continued)

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 108: Statutory Receivables

GRAP 108 only deals with those receivables that arise from legislation or an equivalent means, such as regulations, bylaws or other documents issued in terms of legislation, such as ministerial orders and cabinet or municipal council decisions. Therefore in order to be statutory in nature specific legislation should require the municipality to undertake the transactions, such as outlining who should be taxed and at what rates and amounts

Statutory receivables are not contractual receivables, the latter of which would normally meet the definition of a financial asset and will be within the scope of the Standard of GRAP on Financial Instruments. Statutory receivables are not voluntarily entered into as with contractual receivables, because they arise as a result of specific legislative requirements.

Statutory receivables are initially measured at their transaction amount and subsequently using the cost method.

Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:

- interest or other charges that may have accrued on the receivable (where applicable);
- impairment losses; and
- amounts derecognised.

The standard has been approved by the Accounting Standards Board, but the effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard, but has already formulated an accounting policy for this reporting period based on the Standard.

The adoption of this standard is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the annual financial statements.

IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset

This Interpretation of the Standards of GRAP provides guidance to the grantor where it has entered into a service concession arrangement, but only controls, through ownership, beneficial entitlement or otherwise, a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease.

A service concession arrangement is a contractual arrangement between a grantor and an operator in which the operator uses the service concession asset to provide a mandated function on behalf of the grantor for a specified period of time. The operator is compensated for its services over the period of the service concession arrangement, either through payments, or through receiving a right to earn revenue from third party users of the service concession asset, or the operator is given access to another revenue-generating asset of the grantor for its use.

Before the grantor can recognise a service concession asset in accordance with the Standard of GRAP on Service Concession Arrangements: Grantor, both the criteria as noted in paragraph .01 of this Interpretation of the Standards of GRAP need to be met. In some service concession arrangements, the grantor only controls the residual interest in the service concession asset at the end of the arrangement, and can therefore not recognise the service concession asset in terms of the Standard of GRAP on Service Concession Arrangements: Grantor.

This interpretation concludes on the recognition of the performance obligation and the right to receive a significant interest in a service concession asset.

The interpretation has been approved by the Accounting Standards Board, but the effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

2016	2015
R	R

2. New standards and interpretations (continued)

GRAP 16 (as amended 2015): Investment Property

Amendments made to the standard are:

- the principles and explanations related to the distinction between investment property and property, plant and equipment were reviewed;
- an indicator-based assessment of useful lives of assets was introduced;
- clarify the wording related to the use of external valuers;
- introduce more specific presentation and disclosure requirements for capital work-in-progress;
- the encouraged disclosures were deleted; and
- separate presentation of expenditure incurred on repairs and maintenance in the financial statements is now required.

The effective date of the standard is for years beginning on or after 01 April 2016.

The municipality expects to adopt the standard for the first time in the 2017 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 17 (as amended 2015): Property, Plant and Equipment

Amendments made to the standard are:

- the principles and explanations related to the distinction between investment property and property, plant and equipment were reviewed;
- an indicator-based assessment of useful lives of assets was introduced;
- clarify the wording related to the use of external valuers;
- introduce more specific presentation and disclosure requirements for capital work-in-progress;
- encouraged disclosures were deleted; and
- separate presentation of expenditure incurred on repairs and maintenance in the financial statements are now required.

The effective date of the standard is for years beginning on or after 01 April 2016.

The municipality expects to adopt the standard for the first time in the 2017 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 109: Accounting by Principals and Agents

The objective of this Standard is to outline principles to be used by the municipality to assess whether it is party to a principal-agent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement.

The Standard does not introduce new recognition or measurement requirements for revenue, expenses, assets and/or liabilities that result from principal-agent arrangements. The Standard does however provide guidance on whether revenue, expenses, assets and/or liabilities should be recognised by an agent or a principal, as well as prescribe what information should be disclosed when the municipality is a principal or an agent.

The standard has been approved by the Accounting Standards Board, but the effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

The impact of this standard is currently being assessed.

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

	2016 R	2015 R
3. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	1 229	1 750
Bank balances	601 849	2 895 688
Short-term deposits	319 815	14 990 341
	922 893	17 887 779

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2016	30 June 2015	30 June 2014	30 June 2016	30 June 2015	30 June 2014
Standard Bank Limited - current account - 024-0923-804	613 005	2 986 795	3 576 584	601 849	2 895 688	3 571 798
First National Bank - call account - 62016341208	285 492	272 044	2 057 086	285 492	272 044	2 057 760
First National Bank - call account - 62047254272	2 187	1 736	3 671	2 187	1 736	3 671
ABSA Bank Limited - call account - 92-3663-0418	-	-	1 581 951	-	-	1 581 951
ABSA Bank Limited - call account - 92-6474-7807	-	-	1 878 704	-	-	1 878 704
ABSA Bank Limited - call account - 92-8619-9110	-	-	5 290 709	-	-	5 290 709
ABSA Bank Limited - call account - 92-9707-2891	-	281 978	-	-	281 978	-
ABSA Bank Limited - call account - 93-1699-1956	1 001	-	-	1 001	-	-
ABSA Bank Limited - call account - 20-7429-3047	-	-	5 112 734	-	-	5 112 734
Standard Bank Limited - call account - 048596582-003	-	-	458 163	-	-	458 163
Standard Bank Limited - call account - 048596582-004	-	-	398 963	-	-	398 963
Standard Bank Limited - call account - 508871603-002	2 086	2 017	444 176	2 086	2 017	444 176
Standard Bank Limited - call account - 508871603-001	-	-	238	-	-	238
Standard Bank Limited - call account - 508871603-007	23 280	-	-	23 280	-	-
Nedbank Limited - medium term deposit - 03-7881102918-31	-	-	2 133 886	-	-	2 133 886
Nedbank Limited - call deposit - 03-7881102918-32	-	-	414 480	-	-	414 480
Nedbank Limited - call deposit - 03-7881102918-33	-	-	447 425	-	-	447 425
Nedbank Limited - medium term deposit - 03-7881102918-34	-	-	1 067 097	-	-	1 067 097
Nedbank Limited - call deposit - 03-7881102918-35	-	-	1 333 872	-	-	1 333 872
Nedbank Limited - 32 day deposit	-	6 168 529	-	-	6 168 529	-
First National Bank - medium term deposit - 7100-2746-116	5 769	5 552	5 388	5 769	5 552	5 388
First National Bank - 7444-6880-227	-	-	8 415 580	-	-	8 415 580

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

	2016		2015	
	R		R	
3. Cash and cash equivalents (continued)				
First National Bank - 7454-0924-096	-	8 258 485	-	-
Cash on hand	1 229	1 750	1 750	1 229
Total	934 049	17 978 886	34 622 457	922 893
				17 887 779
				34 618 345

4. Receivables from exchange transactions

Deposits		348		348
Irregular expenditure to be recovered		826 850		494 491
Trade receivables		16 397 181		10 925 890
Balance of housing projects activities		158 132		760 278
Payments made in advance		31 021		567 690
		17 413 532		12 748 697

Trade and other receivables pledged as security

Trade and other receivables were not pledged as security.

Trade receivables: Ageing

	2016	2015
Current (0 - 30 days)	5 291 134	4 890 610
31 - 60 Days	135 002	198 261
61 - 90 Days	307 169	46 495
+ 90 Days	10 767 512	5 867 235
Allowance for impairment	(103 636)	(76 711)
	16 397 181	10 925 890

Summary of receivables by customer classification

	Other	Organs of state	Total
30 June 2016			
Current (0 - 30 days)	8 229	5 282 905	5 291 134
31 - 60 Days	4 522	130 480	135 002
61 - 90 Days	851	306 318	307 169
+ 90 Days	103 345	10 664 167	10 767 512
Allowance for impairment	(103 636)	-	(103 636)
	13 311	16 383 870	16 397 181

Summary of receivables by customer classification

	Other	Organs of state	Total
30 June 2015			
Current (0 - 30 days)	7 652	4 882 958	4 890 610
31 - 60 Days	5 598	192 663	198 261
61 - 90 Days	692	45 803	46 495
+ 90 Days	76 265	5 790 970	5 867 235
Allowance for impairment	(76 711)	-	(76 711)
	13 496	10 912 394	10 925 890

Credit quality of trade and other receivables

Other refers to ex-employees, as well as the John Taolo Gaetsewe Development Trust.

The credit quality of trade and other receivables that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

	2016 R	2015 R
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4. Receivables from exchange transactions (continued)

Trade and other receivables past due but not impaired

Impairment is provided for on all residential accounts which are more than 1 month past due; if these are identified as being high risk current amounts may be impaired. National and provincial government accounts are not impaired. At 30 June 2016, R 11 100 966 (2015: R6 029 436) were past due but not impaired.

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

1 month past due	130 480	192 663
2 months past due	306 319	45 803
3 months or more past due	10 664 167	5 790 970

Receivables from exchange transactions impaired

The amount of the allowance for impairment was R 103 636 as of 30 June 2016 (2015: R 76 711).

The ageing of the receivables impaired (gross) is as follows:

Current (0 - 30 days)	847	597
31 - 60 Days	1 030	5 598
61 - 90 Days	847	692
+ 90 Days	103 198	76 265

Reconciliation of allowance for impairment of receivables from exchange transactions

Opening balance	76 711	57 224
Allowance for impairment	26 925	19 487
	103 636	76 711

5. VAT receivable

VAT	138 972	673 097
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The municipality is registered for VAT on the invoice basis.

6. Inventories

Properties to be transferred	11 519 422	11 519 422
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The inventory is made up of properties which are to be transferred to local municipalities.

7. Biological assets

	2016			2015		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Biological assets - game	1 774 500	-	1 774 500	5 095 140	-	5 095 140

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

	2016 R	2015 R
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7. Biological assets (continued)

Reconciliation of biological assets - 2016

	Opening balance	Disposals	Gains or losses arising from changes in fair value	Total
Biological assets - game	5 095 140	(1 357 400)	(1 963 240)	1 774 500

Reconciliation of biological assets - 2015

	Opening balance	Gains or losses arising from changes in fair value	Total
Biological assets - game	4 524 750	570 390	5 095 140

Non - Financial information

Quantities of each biological asset

Blesbuck	17	93
Blue wildebeest	239	612
Eland	26	115
Gemsbok	123	400
Ostrich	17	67
Red hartebeest	47	179
Springbuck	84	88
Warthog	6	12
Waterbuck	1	1
Zebra	27	72
	<u>587</u>	<u>1 639</u>

Information on the amount of births and deaths is not available, counts are only performed at year end. The significant decline in numbers is attributable to sales during the year, difficult drought conditions, as well as damage to the fences.

The biological assets were valued on 8 August 2016 by Zitshunele Trading and Contracting..

A register containing the information required by section 63 of the MFMA is available for inspection at the registered office of the municipality.

Pledged as security

The biological assets are not pledged as security.

Methods and assumptions used in determining fair value

The fair value represents the market values for biological assets that are traded on active markets in the Northern Cape.

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

	2016 R			2015 R		
8. Investment property						
	2016			2015		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land and buildings	7 880 000	-	7 880 000	7 460 000	-	7 460 000

Reconciliation of investment property - 2016

	Opening balance	Fair value adjustments	Total
Investment property	7 460 000	420 000	7 880 000

Reconciliation of investment property - 2015

	Opening balance	Fair value adjustments	Total
Investment property	6 795 000	665 000	7 460 000

Pledged as security

The investment property is not pledged as security.

Details of property

Erf 2617 - Kuruman Campus

Freehold ownership property in the Kuruman registration division. Site area is 1190m². Title deed No. T610/1978. Registration date is 15 June 1978 with conditions and servitudes in accordance with Erf 2617 which is a consolidation of erven 1105 and 1106.

- Valuation since purchase	2 600 000	2 480 000
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Erf 938 and 940 Kuruman

Property in the Northern Cape province with title deed number T416/1996. Site area is 2023m².

- Purchase price: 1 December 2008	310 000	310 000
- Additions since purchase or valuation	4 290 000	4 070 000
	4 600 000	4 380 000

Erf 4439 Kuruman

Property in the Northern Cape province with title deed number T25/2011. Site area is 17052m².

- Valuation since purchase	680 000	600 000
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JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

	2016 R	2015 R
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8. Investment property (continued)

Details of valuation

Revaluations were performed by an independent valuer, Panprop CC (trading as Valudata) on 23 August 2016. Panprop CC is not connected to the municipality and has recent experience in location and category of the investment property being valued.

The market value of erven 2617, 938, was determined using the capitalisation method of valuation to discount market related rentals using a capitalisation rate of 12.5 - 12.75%.

The market value of erf 4439 was determined with reference to recent sales of similar properties in the area.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

9. Property, plant and equipment

	2016			2015		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Buildings	19 960 367	(1 928 965)	18 031 402	19 495 120	(1 268 221)	18 226 899
Community assets - buildings	560 000	(56 000)	504 000	560 000	(37 333)	522 667
Community assets - land	33 840 000	-	33 840 000	33 840 000	-	33 840 000
Furniture and fixtures	4 787 891	(1 555 079)	3 232 812	4 483 783	(1 186 485)	3 297 298
IT equipment	5 669 363	(3 047 954)	2 621 409	4 981 746	(2 480 460)	2 501 286
Land	1 494 000	-	1 494 000	1 494 000	-	1 494 000
Motor vehicles	8 112 002	(3 753 115)	4 358 887	8 112 002	(2 463 026)	5 648 976
Leased assets	699 406	(446 517)	252 889	699 406	(213 707)	485 699
Office equipment	578 474	(281 249)	297 225	458 359	(193 218)	265 141
Other property, plant and equipment	111 893	(20 700)	91 193	47 387	(11 760)	35 627
Total	75 813 396	(11 089 579)	64 723 817	74 171 803	(7 854 210)	66 317 593

Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	Assets no longer in use	Transfers	Depreciation	Impairment loss	Total
Buildings	18 226 899	465 247	-	-	(660 744)	-	18 031 400
Community assets - buildings	522 667	-	-	-	(18 667)	-	504 000
Community assets - land	33 840 000	-	-	-	-	-	33 840 000
Furniture and fixtures	3 297 298	333 183	(12 157)	(871)	(340 711)	(43 930)	3 232 812
IT equipment	2 501 286	767 674	(50 370)	22 447	(574 493)	(45 136)	2 621 409
Land	1 494 000	-	-	-	-	-	1 494 000
Leased assets	485 699	-	-	-	(232 811)	-	252 888
Motor vehicles	5 648 976	-	-	-	(1 290 089)	-	4 358 887
Office equipment	265 141	114 757	(126)	4 628	(50 697)	(36 478)	297 225
Other property, plant and equipment	35 627	95 000	(1 003)	(26 204)	(12 228)	-	91 193
Total	66 317 593	1 775 861	(63 656)	-	(3 180 440)	(125 544)	64 723 817

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

	2016	2015
	R	R

9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2015

	Opening balance	Additions	Assets no longer in use	Depreciation	Total
Buildings	18 234 826	631 507	-	(639 434)	18 226 899
Community assets - buildings	541 333	-	-	(18 666)	522 667
Community assets - land	33 840 000	-	-	-	33 840 000
Furniture and fixtures	1 260 346	2 324 577	(129 372)	(158 253)	3 297 298
IT equipment	2 638 102	823 855	(412 449)	(548 222)	2 501 286
Land	1 494 000	-	-	-	1 494 000
Leased assets	10 969	699 406	(10 969)	(213 707)	485 699
Motor vehicles	3 750 126	2 855 561	(318 456)	(638 255)	5 648 976
Office equipment	256 708	73 202	(26 031)	(38 738)	265 141
Other property, plant and equipment	52 049	4 210	(17 418)	(3 214)	35 627
	62 078 459	7 412 318	(914 695)	(2 258 489)	66 317 593

Pledged as security

None of the above property, plant and equipment have been pledged as security.

Assets subject to finance lease (net carrying amount)

Office equipment	252 888	485 699
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JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

	2016 R	2015 R
9. Property, plant and equipment (continued)		
Details of properties		
Farm Surprise No. 33		
Surprise 33/0 in extent 3102.0849 hectares, Kuruman Rd, Northern Cape Province. Title Deed T2848/2007		
The farm is situated in the John Taolo Municipal District, adjacent to the town Van Zyls Rus.		
The value of the land is estimated at R 8 590 000.		
- Opening balance	8 972 667	8 986 334
- Depreciation	(13 667)	(13 667)
	8 959 000	8 972 667
Farm Ptn 70 of Kalahari-Oos No. 410		
Farm Ptn 70 of Kalahari-Oos no. 410 in extent 6808.2158 hectares, Kuruman RD, Northern Cape Province. Title Deed T4150/2005		
The farm is situated in the John Taolo Municipal District, about 40km from Van Zyls Rus towards Hotazel and Kuruman.		
The value of the land is estimated at R 21 050 000.		
- Purchase price	21 190 000	21 195 000
- Depreciation	(5 000)	(5 000)
	21 185 000	21 190 000
Farm of Chakwana No. 200		
Farm of Chakwana no. 200 in extent 959.5054 hectares, Kuruman Rd, Northern Cape Province. Title Deed T3507/2002		
The farm is situated in Kuruman Rural District about 80km from Kuruman towards Vryburg.		
The value of the land is estimated at R4 200 000.		
- Opening balance	4 200 000	4 200 000
Erf 1973 - District Municipal Workshop		
Freehold ownership property in the Kuruman registration division. Site area is 8565sqm. Title deed No. T504/1947. Registration date was 4 June 1947 with conditions and servitudes in accordance with I454/1956.		
The value of the land is estimated at R 428 000.		
- Opening balance	3 995 200	4 122 600
- Depreciation	(127 400)	(127 400)
	3 867 800	3 995 200
Erf 4471 - District Municipal offices		
Freehold ownership property in the Kuruman registration division. Site area is 4760sqm. Title deed No. T4295/2005. Registration date was September 2005 with condition and servitudes in accordance with Erf 4471 which is a consolidation of erven 943 and 2595.		
The value of the land is estimated at R1 066 000.		
- Opening balance:	15 725 699	15 606 226
- Additions	465 247	631 507

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

	2016 R	2015 R
9. Property, plant and equipment (continued)		
- Depreciation	(533 344)	(512 034)
	15 657 602	15 725 699

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

10. Intangible assets

	2016			2015		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	1 450 777	(961 288)	489 489	1 193 366	(827 652)	365 714

Reconciliation of intangible assets - 2016

	Opening balance	Additions	Amortisation	Total
Computer software	365 714	257 412	(133 637)	489 489

Reconciliation of intangible assets - 2015

	Opening balance	Additions	Amortisation	Total
Computer software	358 436	106 155	(98 877)	365 714

Pledged as security

The intangible assets are not pledged as security.

Other information

A register containing the information required by section 63 of the MFMA is available for inspection at the registered office of the municipality.

11. Heritage assets

	2016			2015		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Council regalia	19 750	-	19 750	19 750	-	19 750

Reconciliation of heritage assets 2016

	Opening balance	Total
Council regalia	19 750	19 750

Reconciliation of heritage assets 2015

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

	2016 R	2015 R
11. Heritage assets (continued)		
	Opening balance	Total
Council regalia	19 750	19 750
Pledged as security		
The heritage assets are not pledged as security.		
Other information		
A register containing the information required by section 63 of the MFMA is available for inspection at the registered office of the municipality.		
12. Payables from exchange transactions		
Accrued bonus	1 205 483	1 324 696
Accrued expenses	74 200	27 267
Accrued leave pay	3 727 401	2 211 316
Debtors with credit balances	886	12 799
Deposits received in advance	583 053	-
Fleet card	68 410	68 410
Payments received in advanced - contract in process	714 537	938 991
Payroll related liabilities at year end	59 304	-
Retention creditors	14 027	243 211
Trade payables	4 513 103	4 859 992
Water monitoring	119 804	119 805
	11 080 208	9 806 487
Payables are recognised net of any discounts.		
Payables are being paid within 30 days as prescribed by the MFMA. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other payables on initial recognition is not deemed necessary.		
13. Finance lease obligation		
Minimum lease payments due		
- within one year	267 869	267 869
- in second to fifth year inclusive	22 322	290 191
	290 191	558 060
less: future finance charges	(15 073)	(52 244)
Present value of minimum lease payments	275 118	505 816
Present value of minimum lease payments due		
- within one year	252 966	230 698
- in second to fifth year inclusive	22 152	275 118
	275 118	505 816
Non-current liabilities	22 152	275 118
Current liabilities	252 966	230 698
	275 118	505 816
It is municipality policy to lease certain office equipment under finance leases.		
The average period of the leases is 3 years.		

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

	2016 R	2015 R
14. Other financial liabilities		
At amortised cost		
DBSA loan	1 768 102	1 981 345
The loan accrues interest at a fixed rate of 9.64% (2015: 9.64%), and is repayable in 30 bi-annual instalments of R197 561 over 15 years.		
Non-current liabilities		
At amortised cost	1 538 088	1 768 102
Current liabilities		
At amortised cost	230 014	213 243
15. Unspent conditional grants and receipts		
Unspent conditional grants and receipts comprises of:		
Unspent conditional grants	3 873 088	5 695 760
Grants receivable	-	(141 668)
	3 873 088	5 554 092
Unspent conditional grants and receipts comprises of:		
Unspent conditional grants and receipts		
Expanded public works programme - brick making	254 670	1 223 568
Expanded public works programme incentive grant	-	6 337
Financial management grant	-	101 099
Fire grant	584 177	494 172
HIV and AIDS council	243 950	591 830
Infrastructure skill development grant	2 564 545	2 788 119
Khotso Pula Nala	31 619	-
Near grant	98 193	-
Rural road asset management grant	10 673	10 673
Vanzylsrus sportfield grant	85 262	479 962
	3 873 089	5 695 760
Grants receivable comprises of:		
Housing accreditation grant	-	(141 668)

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

	2016 R	2015 R
16. Employee benefit obligations		
The employee benefit obligations relate to post-retirement medical aid benefits provided and long service awards.		
Post-retirement medical aid benefit:		
The municipality provides post-employment medical aid benefits upon retirement to some retirees. The entitlement to post-employment medical aid benefits is based on special resolution by the council, or the terms of employment prevailing at the time the employees retired. The municipality operates an unfunded defined benefit plan for these qualifying individuals. No other post-retirement benefit are provided to these individuals.		
The actuarial valuation of the present value of the obligation at 30 June 2016 was carried out by Arch Actuarial Consulting in October 2016. The present value of the obligation, the related current service cost and past service cost, were measured using the projected unit credit method.		
Present value of unfunded obligation at the beginning of the year	5 077 446	4 899 789
Net actuarial gains or losses	(936 487)	237 455
Difference between expected and actual current service costs	(483 193)	(441 042)
Interest cost	395 244	381 244
	4 053 010	5 077 446
Non-current liabilities	3 791 690	4 594 253
Current liabilities	261 320	483 193
	4 053 010	5 077 446

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	8.52 %	8.17 %
Health care cost inflation rate	7.71 %	7.47 %
Net effective discount rate	0.75 %	0.65 %

The discount rate is calculated by using a weighted average of yields for the three components of the liability (In-service members' retirement liability, death-in-service liability, continuation members' liability). Each component's fixed-interest and index-linked yield was taken from the JSE (Best Decency) Zero Coupon bond yield curve at that component's liability-weighted average duration, using an iterative process (because the yield depends on the liability, which in turn depends on the yield).

Mortality rates are determined by the PA 90 ultimate table, rated down by 1 year of age used by actuaries.

The normal retirement age for employees of the municipality is 63 years.

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

	2016 R	2015 R
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16. Employee benefit obligations (continued)

Other assumptions

Assumed healthcare cost trends rates and the discount rate have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed healthcare cost trends rates or the discount rate would have the following effects on the obligation:

	One percentage point increase	One percentage point decrease
Health care inflation	4 364 000	3 776 000
Discount rate	3 780 000	4 364 000

The liability in respect of the current and previous four years are as follows:

	2016 R	2015 R	2014 R	2013 R	2012 R
Continuation members	4 053 010	5 077 446	4 899 789	-	-

The basis of the valuation of the liability was reperformed in 2015/16 after it was found to be based on incorrect assumptions. The valuation was revalued at June 2015 and June 2014 as well for comparative information - it was no considered practical to extend the valuation back further than this. The 2013 and 2012 figures previously reported reflect the old assumptions and, therefore, were materially misstated; it was not considered appropriate to reflect these in the table above.

Long service awards

The municipality has an obligation to provide long service awards benefits to all its permanent employees. In terms of the municipalities policies and practice, permanent employees other than section 57 managers are entitled to a cash allowance, calculated in terms of the rules of the scheme, after 5, 10, 15, 20, 25, 30, 40 and 45 years of continued service. The municipality operates an unfunded defined benefit plan for these qualifying employees.

The actuarial valuation of the present value of the obligation at 30 June 2015 was carried out by Arch Actuarial Consulting CC on 31 August 2016. The present value of the obligation, the related current service cost and past service cost, were measured using the projected unit credit method.

Present value of unfunded obligation at the beginning of the year	2 318 126	2 003 272
Net actuarial gains or losses	(265 624)	107 922
Difference between expected and actual current service costs	112 660	50 028
Interest cost	177 103	156 904
	2 342 265	2 318 126
Non-current liabilities	2 152 324	2 089 582
Current liabilities	189 941	228 544
	2 342 265	2 318 126

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

	2016 R	2015 R
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16. Employee benefit obligations (continued)

Net expense recognised in the statement of financial performance

Actuarial (gains) losses	(265 624)	107 922
Current service cost	341 204	275 691
Interest cost	177 103	156 904

Key assumptions used

Discount rates used	8.52%	8.03%
General salary inflation (long term)	7.18%	7.10%
Net effective discount rate	1.25%	0.86%

The discount rate is derived by using a liability-weighted average of the yields corresponding to the average term until payment of long service awards, for each employee. The corresponding liability-weighted index-linked yield is 1.73%. These rates do not reflect any adjustment for taxation. These rates were deduced from the Johannesburg Stock Exchange (JSE) Zero Coupon bond yield after the market close on 30 June 2016.

The liability-weighted average term of the total liability is 6.95 years.

Other assumptions

Assumed general salary inflation and the discount rate have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed general salary inflation or the discount rate would have the following effects:

	Increase	Decrease
General salary inflation	2 492 000	2 207 000
Discount rate	2 201 000	2 502 000

The liability was not recognised prior to the restated figures in the previous years financial statements; it was not considered practical to revalue the liability for 2012.

	2016	2015	2014	2013
Eligible employees	<u>2 342 265</u>	<u>2 318 126</u>	<u>2 003 272</u>	<u>1 834 488</u>

17. Provisions

Reconciliation of provisions - 2016

	Opening Balance	Additions	Total
Compensation for occupational injuries and disease	1 423 000	333 535	<u>1 756 535</u>

Reconciliation of provisions - 2015

	Opening Balance	Additions	Total
Compensation for occupational injuries and disease	1 074 000	349 000	<u>1 423 000</u>

The provision for the compensation for occupational injuries and diseases tariff reflects managements best estimate of the potential liability. The provision is calculated based on actual employee costs per employee, limited to the threshold stipulated, divided by 100 and multiplied by the applicable tariff for municipalities.

18. Revaluation reserve

Opening balance	<u>41 970 148</u>	<u>41 970 148</u>
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JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

	2016 R	2015 R
18. Revaluation reserve (continued)		
The revaluation reserve is created by surplus arising from the revaluation of property, plant and equipment.		
19. Administration and management fees received		
Product related services	6 095 596	4 796 124
Refunds	281 558	729 602
Telephone	67 247	130 577
Training	80 195	78 999
	6 524 596	5 735 302
20. Interest received		
Interest revenue		
Bank	1 252 914	1 990 841
Receivables from exchange transactions	999 113	727 501
	2 252 027	2 718 342
21. Rental of facilities and equipment		
Premises	85 386	71 591

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

	2016 R	2015 R
22. Government grants and subsidies		
Operating grants		
Equitable share	64 383 000	61 384 935
Expanded public works programme - brick making	968 898	1 717 457
Expanded public works programme incentive grant	1 006 337	993 663
Financial management grant	1 351 099	1 148 901
Fire grant	259 995	510 828
HIV and AIDS council	347 880	93 665
Housing accreditation grant	820 000	817 553
Infrastructure skill development grant	3 223 574	987 900
Khotso Pula Nala	1 968 381	-
Municipal systems improvement grant	930 000	934 000
Near grant	251 807	758 959
Rural road asset management grant	1 755 000	1 725 000
Vanzylsrus Sportfield	394 700	-
	77 660 671	71 072 861
Reconciliation of grants from National / Provincial Government		
Operating grants		
National government	73 160 812	68 444 186
Provincial government	3 679 859	1 811 122
	76 840 671	70 255 308
Capital grants		
Provincial government	820 000	817 553
Reconciliation of conditional and unconditional grants		
Conditional grants received	13 277 671	9 687 926
Unconditional grants received	64 383 000	61 384 935
	77 660 671	71 072 861
Revenue recognised per vote as required by Section 123 (c) of the MFMA:		
Equitable share	64 383 000	61 384 935
Executive and council	1 277 880	1 027 665
Budget and treasury	1 351 099	1 148 901
Community and social services	511 802	1 269 787
Housing	820 000	817 553
Basic services and infrastructure	9 316 890	5 424 020
	77 660 671	71 072 861

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

	2016 R	2015 R
22. Government grants and subsidies (continued)		
Equitable share		
Current-year receipts	64 383 000	61 201 000
Prior year unspent amounts forfeited	-	183 935
Transferred to revenue	(64 383 000)	(61 384 935)
Net of unspent grants	-	-

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury.

Expanded public works programme - brick making

Balance unspent at beginning of year	1 223 568	2 941 024
Conditions met - transferred to revenue	(968 898)	(1 717 456)
Net of unspent grants	254 670	1 223 568

The grant is used to procure materials and labour for use in the making of bricks.

Expanded public works programme - incentive grant

Balance unspent at beginning of year	6 337	-
Current-year receipts	1 000 000	1 000 000
Conditions met - transferred to revenue	(1 006 337)	(993 663)
Net of unspent/(unpaid) grants	-	6 337

The grant was used for debushing, fencing of graveyards as well as to address issues of unemployment as it is labour intensive.]

Financial management grant

Balance unspent at beginning of year	101 099	183 935
Prior year unspent amounts forfeited	-	(183 935)
Current-year receipts	1 250 000	1 250 000
Conditions met - transferred to revenue	(1 351 099)	(1 148 901)
Net of unspent grants	-	101 099

The financial management grant is paid by National Treasury to municipalities to help implement the financial reforms required by the MFMA. The financial management grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the financial management interns).

Fire grant

Balance unspent at beginning of year	494 172	690 000
Current-year receipts	350 000	315 000
Conditions met - transferred to revenue	(259 995)	(510 828)
Net of unspent grants	584 177	494 172

Kuruman is prone to natural disasters, mainly fires. This grant is to assist local municipalities to upgrade and render a fire service.

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

	2016 R	2015 R
22. Government grants and subsidies (continued)		
Housing accreditation grant		
Balance unspent at beginning of year	(141 668)	42 193
Current-year receipts	820 000	633 692
Conditions met - transferred to revenue	(820 000)	(817 553)
Impairment of prior year receivable.	141 668	-
Net of unspent/(receivable) grants	-	(141 668)

The housing grant was utilised for the development of erven and the erection of top structures.

During the course of the financial year, through correspondence with the department, it became apparent that the grant amount shown as receivable would not be forthcoming. This amount was impaired, and is to be presented to council in the new financial year for write-off.

HIV and AIDS council

Balance unspent at beginning of year	591 830	185 495
Current-year receipts	-	500 000
Conditions met - transferred to revenue	(347 880)	(93 665)
Net of unspent grants	243 950	591 830

The grant was used for HIV and AIDS awareness programmes.

Infrastructure skill development grant

Balance unspent at beginning of year	2 788 119	1 276 019
Current-year receipts	3 000 000	2 500 000
Conditions met - transferred to revenue	(3 223 574)	(987 900)
Net of unspent grants	2 564 545	2 788 119

The grant will be used to employ interns for training in civil engineering, building inspections and town planning.

Khotso Pula Nala

Current-year receipts	2 000 000	-
Conditions met - transferred to revenue	(1 968 381)	-
Net of unpaid grants	31 619	-

Municipal systems improvement grant

Current-year receipts	930 000	934 000
Conditions met - transferred to revenue	(930 000)	(934 000)
Net of unspent grants	-	-

The municipal systems improvement grant was used for building in-house capacity to perform municipal functions and stabilise institutional and governance systems.

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

	2016 R	2015 R
22. Government grants and subsidies (continued)		
Near grant		
Balance unspent at beginning of year	-	443 959
Current-year receipts	350 000	315 000
Conditions met - transferred to revenue	(251 807)	(758 959)
Net of unspent grants	98 193	-
The grant is used to maintain the disaster management centre.		
Rural road asset management grant		
Balance unspent at beginning of year	10 673	10 673
Current-year receipts	1 755 000	1 725 000
Conditions met - transferred to revenue	(1 755 000)	(1 725 000)
	10 673	10 673
This grant is gazetted in the DORA to establish a road asset management system.]		
Vanzylsrus sportfield grant		
Balance unspent at beginning of year	479 962	479 962
Conditions met - transferred to revenue	(394 700)	-
Net of unspent grants	85 262	479 962
The grant was used to build a sportfield at Vanzylsrus.		
Total Grants		
Balance unspent at beginning of year	5 554 091	6 253 260
Current-year receipts	75 838 000	70 373 692
Conditions met - transferred to revenue	(77 660 671)	(71 072 861)
Net of unspent grants	3 731 420	5 554 091

Changes in level of government grants

Based on the allocations set out in the Division of Revenue Act, no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

	2016 R	2015 R
23. Employee related costs		
Acting allowance	1 572 144	-
Basic	36 227 620	36 133 624
Bonus	1 839 665	2 034 710
Cellular phone allowance	263 454	-
Change in valuation of employee benefit obligations	(1 572 644)	(45 637)
COIDA contribution	333 535	-
Contribution industrial council	7 482	7 438
Contribution pension fund	4 491 510	4 506 905
Contribution provident fund	272 792	275 707
Housing benefits and allowances	1 744 660	1 852 913
Inconvenience allowance	70 549	-
Leave pay provision charge	3 191 015	1 847 633
Medical aid - company contributions	2 862 260	2 813 837
Nightshift allowance	41 042	35 920
Skills development levy	496 438	485 220
Travel allowance	2 367 524	2 787 753
Unemployment insurance fund	199 099	205 801
Wages - projects	-	1 157 751
	54 408 145	54 099 575
Remuneration of municipal manager: M.P.Bokgwathile		
Annual remuneration	1 063 865	1 010 551
Car allowance	84 000	84 000
Cellular phone allowance	19 200	14 400
Contributions to unemployment insurance fund, medical and pension funds	1 785	1 785
Back pay	18 049	22 953
Leave paid out	-	59 938
	1 186 899	1 193 627
Remuneration of acting chief finance officer: S.S. French-Sulliman		
Annual Remuneration	444 482	-
Car Allowance	59 970	-
Cellular phone allowance	8 800	-
Housing allowance	16 742	-
Contributions to UIF, Medical and Pension Funds	116 801	-
Back pay	13 108	-
Acting allowance	441 198	-
	1 101 101	-

Mrs French-Sulliman was appointed as acting CFO from 1 August 2015. The remuneration above is for the period 1 August 2015 to 30 June 2016.

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

	2016 R	2015 R
23. Employee related costs (continued)		
Remuneration of acting chief financial officer: T. Motlhanke		
Annual Remuneration	36 571	73 141
Car Allowance	5 126	10 251
Cellular phone allowance	800	1 600
Housing allowance	1 522	3 044
Contributions to unemployment insurance fund, medical and pension funds	8 835	17 671
Acting allowance	107 875	6 228
	160 729	111 935

Mr Motlhanke was acting as CFO from 1 May 2015 to 31 July 2015; the remuneration reflected above is for this period only.

Mrs French-Sulliman was subsequently appointed to act in the position of chief financial officer.

Remuneration of chief finance officer: L.F. Molale

Annual remuneration	-	610 934
Car allowance	-	84 000
Cellular phone allowance	-	19 200
Housing allowance	-	74 400
Contributions to unemployment insurance fund, medical and pension funds	-	1 785
Back pay	-	20 153
	-	810 472

Mr Molale was in the position of CFO from 1 July 2014 - 30 April 2015.

Mr Motlhanke was subsequently appointed to act in the position of chief financial officer.

Remuneration of director of infrastructure: M.W. Molusi

Annual remuneration	744 368	704 560
Car allowance	120 000	120 000
Cellular phone allowance	19 200	19 200
Contributions to unemployment insurance fund, medical and pension funds	1 785	1 785
Back pay	13 477	17 138
Leave paid out	63 352	-
	962 182	862 683

Remuneration of head of internal audit: S.D. Sethibe

Annual remuneration	616 512	916 660
Car allowance	66 160	100 800
Cellular phone allowance	10 400	8 000
Housing allowance	13 698	-
Contributions to unemployment insurance fund, medical and pension funds	446	-
Back pay	8 372	22 892
Leave paid out	169 920	-
	885 508	1 048 352

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

	2016 R	2015 R
23. Employee related costs (continued)		
Remuneration of director of corporate and human resources (corporate services): M. Eilerd		
Annual remuneration	734 502	692 306
Car allowance	180 000	180 000
Cellular phone allowance	19 200	-
Contributions to unemployment insurance fund, medical and pension funds	1 871	1 866
Back pay	15 886	18 166
Leave paid out	64 799	43 336
Acting allowance	26 119	-
	1 042 377	935 674
Remuneration of director of community services: T.H. Matlhare		
Annual remuneration	740 708	810 726
Car allowance	100 800	100 800
Cellular phone allowance	19 200	19 200
Back pay	14 950	19 011
Leave paid out	159 237	25 478
	1 034 895	975 215
24. Remuneration of councillors		
Mayoral committee members	2 122 106	2 006 177
Councillors	1 202 201	1 186 190
Executive mayor	856 453	879 085
Speaker	693 858	695 655
Irregular expenditure	(332 359)	(494 491)
	4 542 259	4 272 616

During the year, councillors received R332 359 (2015: R494 491) in excess of the prescribed limits for the remuneration of councillors; this has been recorded as irregular expenditure, which is to be recovered from the affected councillors.

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

	2016 R	2015 R
24. Remuneration of councillors (continued)		
In-kind benefits		
The executive mayor, speaker and mayoral committee members are full-time. Each is provided with an office and secretarial support at the cost of the council.		
The executive mayor has use of a council owned vehicle for official duties.		
Executive mayor: S. Mosikatsi		
Councillor allowance	565 199	588 777
Transport allowance	186 507	177 710
Municipal contribution	80 279	70 070
Cellphone allowance	20 868	38 328
Mobile data allowance	3 600	4 200
	856 453	879 085
Speaker: S.B. Gaobusiwe		
Councillor allowance	455 962	472 163
Transport allowance	149 205	142 368
Municipal contribution - pension fund	64 223	56 056
Cellphone allowance	20 868	20 868
Mobile data allowance	3 600	4 200
	693 858	695 655
Member of the mayoral committee: G.C. Assegai		
Councillor allowance	372 819	282 299
Mobile data allowance	-	3 900
	372 819	286 199
Member of the mayoral committee: O.E. Hantise		
Councillor allowance	340 974	299 612
Transport allowance	86 861	86 861
Mobile data allowance	-	3 900
	427 835	390 373
Member of the mayoral committee: M.E. Mochwari		
Councillor allowance	427 528	458 686
Transport allowance	139 881	133 281
Municipal contribution - pension fund	60 209	52 554
Cellphone allowance	20 868	20 868
Mobile data allowance	3 600	4 200
	652 086	669 589
Member of the mayoral committee: O.C. Mogodi		
Councillor allowance	427 528	433 668
Transport allowance	139 881	133 282
Municipal contribution - medical and pension funds	77 489	67 998
Cellphone allowance	20 868	20 868

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

	2016 R	2015 R
24. Remuneration of councillors (continued)		
Mobile data allowance	3 600	4 200
	669 366	660 016
Chairperson of MPAC: V. Makoke (part-time)		
Councillor allowance	227 425	226 927
Transport allowance	71 805	68 418
Municipal contribution - pension fund	30 908	26 928
Cellphone allowance	20 868	20 868
Mobile data allowance	3 600	4 200
	354 606	347 341
Councillor - A. Mwembo		
Councillor allowance	203 168	202 274
Transport allowance	55 952	53 313
Cellphone allowance	20 868	20 868
Mobile data allowance	3 600	4 200
	283 588	280 655
Councillor: J. Rakoi		
Councillor allowance	203 168	199 635
Transport allowance	52 785	52 785
Cellphone allowance	20 868	20 868
Mobile data allowance	3 600	4 200
	280 421	277 488
Councillor: A. Van Der Westhuizen		
Councillor allowance	203 168	202 274
Transport allowance	55 952	53 313
Cellphone allowance	20 868	20 868
Mobile data allowance	3 600	4 200
	283 588	280 655
25. Depreciation, amortisation and impairment		
Property, plant and equipment - depreciation	3 180 439	2 258 516
Property, plant and equipment - impairment	125 544	-
Intangible assets - amortisation	133 636	98 877
	3 439 619	2 357 393
26. Finance costs		
Non-current borrowings	214 428	260 850
Interest on employee benefit obligations	572 347	538 148
	786 775	798 998

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

	2016 R	2015 R
27. Debt impairment		
Contributions to debt impairment provision	168 593	19 487
Staff debtors impaired	-	230 375
	168 593	249 862
28. General expenses		
Advertising	1 091 319	117 011
Assessment rates and municipal charges	197 582	244 152
Auditors remuneration	2 465 525	2 445 822
Bad debt written off	7 000	-
Bank charges	126 553	78 745
Capacity building	210 189	1 187 998
Catering	327 671	412 203
Communications	330 004	291 031
Community development and training	759 457	1 349 327
Conferences and seminars	176 248	144 239
Consulting and professional fees	6 842 856	3 847 050
Contribution to SMME development	35 531	211 579
Disaster assistance	-	355 016
Electricity	820 799	704 004
Exhibitions	-	117 818
Fines and penalties	-	90 001
Fleet	1 147 812	856 413
Fuel and oil	70 683	10 863
HIV and AIDS council	8 832	93 645
Health and occupational awareness	80 072	211 263
Imbizo events	1 111 015	620 092
Insurance	378 565	370 770
Magazines, books and periodicals	55 659	9 561
Membership fees	576 059	604 426
Pest control	-	45 445
Postage and courier	5 432	1 558
Printing and stationery	363 698	322 358
Project maintenance costs	8 827 530	6 856 656
Records management	7 917	847
Security services	924 964	644 508
Software expenses	563 132	-
Staff welfare	683 688	301 031
Study assistance	50 624	-
Tea and cleaning	131 863	177 346
Telephone and fax	716 829	789 788
Tourism events	187 841	129 461
Training	2 354 140	855 349
Travel, subsistence and accommodation	3 987 343	4 172 043
Uniforms	40 804	1 696
Water	61 945	15 540
	35 727 181	28 686 655
29. Fair value adjustments		
Investment property (fair value model)	420 000	665 000
Biological assets (fair value model)	(1 963 240)	570 390
	(1 543 240)	1 235 390

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

	2016 R	2015 R
30. Cash used in operations		
Deficit	(15 686 837)	(11 009 007)
Adjustments for:		
Depreciation and amortisation	3 439 619	2 357 393
Gain on sale of assets and liabilities	965 106	964 820
Fair value adjustments	1 543 240	(1 235 390)
Finance costs	214 428	260 850
Debt impairment	168 593	249 862
Movements in retirement benefit assets and liabilities	(1 000 297)	492 511
Movements in provisions	333 535	349 000
Changes in working capital:		
Receivables from exchange transactions	(4 691 764)	(5 769 308)
Payables from exchange transactions	1 273 729	2 784 975
VAT	534 125	2 075 458
Unspent conditional grants and receipts	(1 822 671)	(699 168)
	(14 729 194)	(9 178 004)

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

	2016 R	2015 R
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31. Related parties

Members of key management	Refer to note 23
Councillors	Refer to note 24
Subject to significant degree of control by a member of key management	John Taolo Gaetsewe Development Trust

Related party balances

Amounts included in Receivables from exchange transactions regarding related parties

John Taolo Gaetsewe Development Trust	3 672	6 762
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The municipality leases one of its buildings to the John Taolo Gaetsewe Development Trust; interest is charged on overdue amounts, however this is negligible. The total value of amounts charged for the period was R37 774 (2015: R39 508).

All councillors and senior managers are required to declare their business interests annually. Such business interests are listed below:

Councillors:

B. Gaobusiwe	Seweditse General Dealer; Market Demand Trading
O.E Hantise	Gamagara Close Corporation; Olifantshoek Cooperative
J. Kaars	Majakathata Transport; Kgatelopele Construction
V. Makoke	Far West Diamond Mining; Boikakatlalo General Trading
B.P Matlhomantshu	BOL Building and Construction
O.C Mogodi	Charofor; Manyeding Cash Store; Ntsimbintle Mining; Market Demand Trading; Sasol Ltd shares; Northern Cape Mining and Logistics Services; International Mining Logistics and Services; Tshipi E Entle Manganese Mining
S. Mosikatsi	Gamagara Close Corporation
A.K Mwembo	Retlafitlhelela Primary Cooperative; Evening Star Trading 594
M.J. Rakoi	Phatsimo Traders; Bothshelo Rakoi Trading; Gamotinye Investment Holdings; Gamagara Ontwikkelingsforum; Gamagara Intergrated Cleaning Enterprise; Kuassaffi Mining Business; Leretlhabetse Mining; Temba Organic
A.B. van der Westhuizen	ACSB Reaction and PI Services; Kuruman Fotolab; Taylor and Nager Attorneys.

Senior management (including acting senior managers):

M.P Bokgwathile	Omphile Tumelo Transport and Protection services
L.F. Molale	Khoref Dynamic Enterprise
M.W. Molusi	Bom Transportation Services
T. Motlhanke	Maitsa General Trading
K. Teise	Strong Team Construction; Kuduman Development Corporation

No transactions were entered in to with these entities during the 2016 year.

Those councillors and senior managers not listed above declared that they had no other business interests.

32. Going concern

The municipality is experience some financial difficulties, indicators are as follows:

- suppliers are not paid within the legislative 30 days;
- unspend conditional grants are not backed by available cash balances;
- employee benefit obligations are unfunded;
- a recent history of deficits in the statement of financial performance;
- slow collection and low recoverability of outstanding accounts receivable; and
- the budget for the 2016/17 financial year indicates a material unfunded deficit.

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

	2016 R	2015 R
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32. Going concern (continued)

The municipality is exploring alternative options to improve its financial position, develop new revenue streams in terms of its mandated functions, and better utilise existing assets.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality.

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

33. Events after the reporting date

Local government elections were held on 3 August 2016; this will result in significant changes to the members of the council. Management is not aware of any other significant events after the reporting date.

34. Unauthorised expenditure

Opening balance	6 958 097	5 443 534
Incurred during the current year	9 273 290	1 514 563
	<u>16 231 387</u>	<u>6 958 097</u>

Unauthorised expenditure is a result from over expenditure of the approved budget and no disciplinary steps or criminal proceedings have been undertaken as yet.

These amounts are referred to MPAC after year end to recommend a course of action.

35. Fruitless and wasteful expenditure

Opening balance	1 656 844	1 158 485
Incurred in the current year	251 625	498 359
Written off	(1 415 507)	-
	<u>492 962</u>	<u>1 656 844</u>

The fruitless and wasteful expenditure arose from sources such as penalties and interest on late payments, accommodation where the official failed to cancel bookings, etc.

Of the balance at year end, R126 762 is considered to be recoverable from the staff members involved, the remainder has been referred to MPAC after year end.

36. Irregular expenditure

Opening balance	9 817 095	39 513
Add: Irregular Expenditure - current year (councillors remuneration)	332 359	-
Add: Irregular expenditure identified in the current year relating to the prior year (incl. councillors remuneration)	454 978	-
Add: Irregular expenditure - current year	1 471 233	9 777 582
Add: Irregular expenditure identified in the current year relating to the prior year	235 240	-
	<u>12 310 905</u>	<u>9 817 095</u>

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

	2016 R	2015 R
36. Irregular expenditure (continued)		
Analysis of expenditure awaiting condonation per age classification		
2016	2 493 810	-
2015	9 777 582	9 777 582
2014	39 513	39 513
	12 310 905	9 817 095

The irregular expenditure includes excess remuneration paid to councillors of R332 359 (2015: R494 491). In terms of the MFMA, this is recoverable from the councillors concerned.

Irregular expenditure relating to the prior year of R454 978 is made up of the R494 491 excess remuneration to councillors less an amount which was found to be duplicated, as disclosed in note 39.

The instances of irregular expenditure noted above will be investigated in the following financial year.

37. Deviation from supply chain management regulations

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

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

The reasons for these deviations were documented and reported to the accounting officer who considered them and subsequently approved the deviation from the normal supply chain management regulations. The expenses incurred as listed hereunder have been approved:

Reason for deviation		
Emergency	30 291	33 245
Sole supplier	608 852	1 226 433
Impractical or impossible to follow procurement process	1 644 677	982 458
	2 283 820	2 242 136

38. Section 45 of the supply chain management regulations

In terms of section 45 of the supply chain management regulations, the notes to the financial statements of a municipality must disclose particulars of any award of more than R2 000 to a person who is a spouse, child, or parent of a person in the service of the state, or has been in the service of the state in the previous twelve months.

During the year, one such award of R52 642 (2015: nil) was made to Trizona IT Systems, which is subject to a significant degree of control by the spouse of LP Chabedi, who is an employee of John Taolo Gaetsewe District Municipality (not a s57 manager).

39. Prior period errors

The prior year has been amended to account for prior period errors.

Below is a summary of the total effect that the prior period errors, changes in accounting policies and reclassifications of comparatives had on the amounts previously disclosed in the annual financial statements, followed by a description of each individual prior period error with the amounts involved.

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

	2016 R	2015 R
39. Prior period errors (continued)		
<p>It was found that members of the council had been remunerated R494 491 in excess of the gazette limits; this was reversed against the councillors remuneration expense, and a receivable from exchange transactions was raised. The R494 491 was added to the note on irregular expenditure.</p>		
<p>The prior year irregular expenditure identified was overstated as the opening balance for the year of R39 513 had been included in the movement for the year as well. This is a disclosure error, and no journals were processed. Together with the irregular expenditure relating to the payment to councillors, this resulted in a net increase in irregular expenditure of R 454 978 (note 36).</p>		
<p>In the remuneration of councillors note, the amount disclosed in 2015 for members of the mayoral committee was understated by R20 000. This was a disclosure error only, and no journal entries were processed.</p>		
<p>An asset verification exercise was performed, and it was found that assets derecognised in the prior year to the value of R202 764 were still on-hand; as a result, loss on disposals was overstated, and assets were overstated by this value. Further depreciation of R87 083 was provided for on these assets.</p>		
<p>Various errors were identified in the processing of creditors, including a material accrual of a pro-forma invoice which was ultimately cancelled. As a result of these, payables from exchange transactions were overstated by R1 493 971, the VAT receivable was overstated by R195 325, and the related expenditure was overstated by R1 347 702, and loss on disposal of assets was understated by R49 055.</p>		
<p>It was determined that the post-retirement medical aid benefit had been calculated on the incorrect basis (i.e. the number of members used in the calculation was invalid). As a result, accumulated surplus was understated by R21 176 712, non-current employee benefits obligations were overstated by R 17 396 495; current employee benefits were overstated by R661 607; employee related costs were understated by R5 002 513; finance costs were overstated by R1 883 903.</p>		
<p>It was found that no receivable had been raised for costs incurred on behalf of another organ of state and, therefore, general expenditure was overstated and receivables from exchange transactions were understated by R760 278</p>		
<p>The basis for the split between the valuation of land and building under property plant and equipment was investigated (based on the previous valuation), and it was found that this was misstated. As a result, depreciation was understated by R154,140, accumulated surplus was overstated by R154.140 and property, plant and equipment was overstated by R308 280.</p>		
<p>In the prior year, properties held for disposal were recognised to the value of R4 075 900; the basis of this was reconsidered, and it was concluded that additional properties should have been recognised. As such, inventory was understated and accumulated surplus understated by R 7 443 522.</p>		
<p>It was found that expenditure relating to 2014/15 had been incorrectly recorded in the 2013/14; as a result, accumulated surplus was understated, and general expenditure understated by R500,000.</p>		
<p>It was found that expenditure related to 2015/16 had been incorrectly recorded in 2014/15; as a result, general expenditure was overstated and receivables from exchange transactions (payments made in advance) understated by R567 690.</p>		
Statement of financial position		
Receivables from exchange transactions		1 822 459
VAT receivable		(195 324)
Inventory		7 443 522
Property, plant and equipment		(192 598)
Payables from exchange transactions		1 493 971
Current employee benefit obligations		661 607
Non-current employee benefit obligations		17 396 495
Accumulated surplus		(28 966 095)
		(535 963)

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

	2016 R	2015 R
39. Prior period errors (continued)		
Statement of Financial Performance		
Employee related costs		5 002 513
Remuneration of councillors		(494 491)
Depreciation and amortisation		241 223
Finance costs		(1 883 903)
General expenditure		(2 175 670)
Loss on disposal of assets		(153 709)
		535 963

40. Change in estimate

Property, plant and equipment

Where assets were found to be in use, but approaching the end of their estimated useful lives, the estimate useful lives were extended, and the residual values were adjusted based on the expected usage. The effect of this revision has increased the depreciation charges for the current period by R292 502; depreciation in future periods will decrease by R 292 502.

41. Budget differences

Material differences between budget and actual amounts

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

2016	2015
R	R

41. Budget differences (continued)

Statement of financial performance:

41.1 - Interest received - the interest received was less than budgetted for due to the depletion of the cash reserves to fund operating activities.

41.2 - Administration and management fees received - additional capacity was added to the shared services in the prior year, and this resulted in increased charges to the local municipalities.

41.3 - Sundry income - the related income for the district planning tribunal and appeals authority was processed under administration and management fees received.

41.4 - Government grants and subsidies - the municipality utilised more of its unspent grants (unconditional) than anticipated.

41.5 - Employee related costs - there was significant increase in the leave accrual, and posts were filled for more of the year than anticipated.

41.6 - Depreciation and amortisation - a number of assets were impaired based on an assessment of their condition; many of the assets were purchased in the prior year were now depreciated for a full 12 months, and in addition, the depreciation increased significantly due to a decrease in the estimated residual values.

41.7 - Finance costs - the difference relates primarily to the employee related benefits, which are difficult to predict and budget for.

41.8 - Debt impairment - the municipality impaired a grant receivable, based on correspondence from the related department.

41.9 - Repairs and maintenance - some of the items initially contemplated as repairs and maintenance were later classified as improvements to the building (i.e. property, plant and equipment).

41.10 - General expenditure - management embarked on a significant cost-cutting exercise following the adjustments budget.

41.11 - Loss on disposal of assets and liabilities - this relates to fixed assets which could not be found during the year-end asset verification exercise.

41.12 - Fair value adjustments - the decrease relates to the biological assets; when the animals were counted at year end, it was found the numbers had decreased significantly due to the drought conditions, as well as damage to the perimeter fence.

41.13 - Loss on biological assets - the animals which were sold were sold below their carrying value due to the difficult drought conditions at the time.

Statement of financial position:

41.14 - Inventories - the properties held for disposal had not been disposed by year end.

41.15 - Receivables from exchange transactions - the collections rate was far lower than anticipated.

41.16 - VAT receivable - the budget for this is shown under VAT payable due to the structure of the budget template. However, due to operational activities, the input VAT receivable at year end was lower than anticipated.

41.17 - Biological assets - a number of animals were sold, but many more were lost due to the drought conditions and damage to the perimeter fencing.

41.18 - Cash and cash equivalents - the municipality depleted its cash reserves faster than anticipated, partly due to low receipts from debtors.

41.19 - Investment property - the increase relates to the valuation; this is difficult to predict, and, therefore, was not considered in the budget.

41.20 - Property, plant and equipment - this was lower than anticipated largely due to a significantly higher depreciation

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

2016	2015
R	R

41. Budget differences (continued)

expense; see 41.6 above.

41.21 - Intangible assets - the budget did not account for an intranet system which is being developed for the municipality.

41.22 - Finance lease obligations - the difference is under non-current assets as the leases had a little over one year to run at year-end.

41.23 - Payables from exchange transactions - these are inherently difficult to predict, and unusual payables arose such as deposits received on the sale of biological assets, which must now be partially refunded.

41.24 - Employee benefit obligation - the basis of the obligation was reviewed, and it was found that, in prior years, the municipality had been providing for far too many individuals (i.e. people who were not specifically entitled to the benefit). This was corrected in the current year.

41.25 - Unspent conditional grants and receipts - the municipality was able to utilise more of the rolled-over grants than anticipated.

41.26 - Finance lease obligation - as noted above, this was budgetted for as a current liability only, but the leases have more than a year to go.

41.27 - Employee benefit obligation - as noted above, the basis of valuing the liability was changed, and this resulted in a significant decrease in the liability.

41.28 - Accumulated surplus - this increased due to the correction of the employee benefits obligation, as well as additional properties held as inventory which were identified during the year.

Cash Flow Statement:

41.29 - Administration and management fees - although the fees raised exceeded the budget, at year end, receivables from exchange increased significantly.

41.30 - Grants - the budget for grants includes provincial allocations for housing; in the ledger, however, these are offset against the related expenditure as the municipality acts as an agent for the provincial authority.

41.31 - Interest income - the municipality utilised its cash reserves, resulting in lower interest income.

41.32 - Suppliers and employees - the municipality embarked on an extensive cost-containment exercise, resulting in savings on general expenditure.

41.33 - Transfers and grants - the municipality does not pay transfers and grants; this was a budgetting error.

41.34 - Purchase of property, plant and equipment and intangible assets - the budget did not provide for the development of an intranet system for the municipality; in addition, a number of improvements had been budgetted for as repairs and maintenance.

41.35 - Proceeds from sale of biological assets - the sales during the year were lower than anticipated due to difficult drought and economic conditions.

41.36 - Finance costs - as the liabilities are being repaid, the portion of each installment relating to interest decreases; this had not been considered in the budget.

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

	2016 R	2015 R
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42. Contingencies

Contingent liabilities:

The following matters were disclosed in 2015 and are on-going:

The municipality is in a dispute with Buhle Buzile Investments over services provided and payment thereof; the amount in question is R2 398 000 (2015: R 2 398 000); the outcome of this matter is uncertain.

The municipality is involved in a dispute with DTMH Properties over a breach of contract; the possible financial impact of this for the municipality is R1 136 544 (2015: R 1 136 544) the outcome of this matter is uncertain.

There were no other contingent liabilities in 2015.

The following matters have arisen in 2016:

The municipality is involved in a labour related dispute the following employees (possible financial impact indicated):

- OV Kaketso - R 210 169;
- TS Mathabathe - R1 500 000;
- DE Mosekiemang - R1 500 000;
- LC Modise - R2 000 000; and
- TJ Ikaneng - R1 500 000.

Contingent assets

The municipality considers an amount of R156 060 (2015: R230 375) to be a contingent asset at year end. This relates to an error in the processing of salaries, and is considered to be owed by the affected employees. Management is in the process of determining the recovery process, and whether this will be possible in practice - some amounts have been recovered from employees who have ceased to be employed by the municipality.

43. Commitments

Authorised commitments made before year end consist of:

- | | | |
|-----------|---|------------------|
| • Capital | - | <u>1 793 286</u> |
|-----------|---|------------------|

44. Risk management

Financial risk management

The municipality's activities expose it to a variety of financial risks: liquidity risk, credit risk and market risk (i.e. fair value interest rate risk).

The municipality's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

2016	2015
R	R

44. Risk management (continued)

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, municipality treasury maintains flexibility in funding by maintaining availability under committed credit lines.

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.

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

At 30 June 2016	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
• Financial liabilities	395 122	395 122	1 185 367	395 122
• Finance lease obligations	267 869	22 322	-	-
• Unspent conditional grants and receipts	3 873 089	-	-	-
• Payables from exchange transactions	11 080 208	-	-	-
At 30 June 2015	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
• Long-term liabilities	399 470	395 122	1 185 368	790 246
• Finance lease obligations	267 869	267 869	22 322	-
• Unspent conditional grants and receipts	5 695 760	-	-	-
• Payables from exchange transactions	9 806 487	-	-	-

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

	2016	2015
	R	R

44. Risk management (continued)

Market risk

Interest rate risk

The municipality's interest rate risk arises from long-term borrowings at fixed rates, which exposes the municipality to fair value interest rate risk. During 2016 and 2015, the municipality's borrowings at fixed rates were denominated in the Rand.

45. Financial instruments disclosure

Categories of financial instruments

2016

Financial assets

	At amortised cost	Total
Cash and cash equivalents	922 893	922 893
Receivables from exchange transactions	17 413 532	17 413 532
	<u>18 336 425</u>	<u>18 336 425</u>

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

	2016 R	2015 R
Financial instruments disclosure (continued)		
Financial liabilities		
	At amortised cost	Total
Finance lease obligation	275 118	275 118
Other financial liabilities	1 768 102	1 768 102
Payables from exchange transactions	11 080 208	11 080 208
Unspent conditional grants and receipts	3 873 089	3 873 089
	16 996 517	16 996 517
2015		
Financial assets		
	At amortised cost	Total
Cash and cash equivalents	17 887 779	17 887 779
Receivables from exchange transactions	12 748 697	12 748 697
	30 636 476	30 636 476
Financial liabilities		
	At amortised cost	Total
Finance lease obligation	505 816	505 816
Other financial liabilities	1 981 345	1 981 345
Payables from exchange transactions	9 806 487	9 806 487
Unspent conditional grants and receipts	5 695 760	5 695 760
	17 989 408	17 989 408

Appendix A

June 2016

Schedule of external loans as at 30 June 2016

Loan Number	Redeemable	Balance at 30 June 2015	Received during the period	Redeemed written off during the period	Balance at 30 June 2016	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand	
		Rand	Rand	Rand	Rand	Rand	Rand	
Development Bank of South Africa								
Fixed interested 9.64%pa Note: the loan was used to convert and rennovate the current municipal offices. As these are carried on the revaluation model, the carrying value of the improvements are no longer separately determinable and the value of property shown is the carrying value for the building as a whole.	NC102567	July 2022	1 976 998	-	208 896	1 768 102	10 006 294	-
			-	-	-	-	-	-
		1 976 998	-	208 896	1 768 102	10 006 294	-	-
Lease liability								
Office equipment	3500306Y	July 2017	267 712	-	122 101	145 611	133 673	-
Office equipment	35026404	July 2017	79 368	-	36 199	43 169	39 630	-
Office equipment	35029325	July 2017	79 368	-	36 199	43 169	39 630	-
Office equipment	35029255	July 2017	79 368	-	36 199	43 169	39 630	-
			505 816	-	230 698	275 118	252 563	-
Total external loans			2 482 814	-	439 594	2 043 220	10 258 857	-

Appendix B

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

	Opening Balance Rand	Additions Rand	No longer in use Rand	Transfers Rand	Revaluations Rand	Impairment loss Rand	Closing Balance Rand	Opening Balance Rand	No longer in use Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Land and buildings														
Land	1 494 000	-	-	-	-	-	1 494 000	-	-	-	-	-	-	1 494 000
Buildings	19 495 120	465 247	-	-	-	-	19 960 367	(1 268 221)	-	-	(660 744)	-	(1 928 965)	18 031 402
	20 989 120	465 247	-	-	-	-	21 454 367	(1 268 221)	-	-	(660 744)	-	(1 928 965)	19 525 402
Community Assets														
Farms - Land	33 840 000	-	-	-	-	-	33 840 000	-	-	-	-	-	-	33 840 000
Farms - Buildings	560 000	-	-	-	-	-	560 000	(37 333)	-	-	(18 667)	-	(56 000)	504 000
	34 400 000	-	-	-	-	-	34 400 000	(37 333)	-	-	(18 667)	-	(56 000)	34 344 000
Other assets														
General vehicles	8 112 002	-	-	-	-	-	8 112 002	(2 463 027)	-	-	(1 290 088)	-	(3 753 115)	4 358 887
Computer Equipment	4 981 746	767 674	(106 224)	26 167	-	-	5 669 363	(2 480 459)	55 755	(3 621)	(574 493)	(45 136)	(3 047 954)	2 621 409
Furniture & Fittings	4 483 783	333 183	(25 558)	(3 517)	-	-	4 787 891	(1 186 485)	13 336	2 711	(340 711)	(43 930)	(1 555 079)	3 232 812
Office Equipment	458 359	114 757	(647)	6 005	-	-	578 474	(193 217)	520	(1 377)	(50 697)	(36 478)	(281 249)	297 225
Other Equipment - Leased	699 406	-	-	-	-	-	699 406	(213 706)	-	-	(232 811)	-	(446 517)	252 889
Other	47 387	95 000	(1 839)	(28 655)	-	-	111 893	(11 762)	1 003	2 287	(12 228)	-	(20 700)	91 193
	18 782 683	1 310 614	(134 268)	-	-	-	19 959 029	(6 548 656)	70 614	-	(2 501 028)	(125 544)	(9 104 614)	10 854 415
Total property plant and equipment														
Land and buildings	20 989 120	465 247	-	-	-	-	21 454 367	(1 268 221)	-	-	(660 744)	-	(1 928 965)	19 525 402
Community Assets	34 400 000	-	-	-	-	-	34 400 000	(37 333)	-	-	(18 667)	-	(56 000)	34 344 000
Other assets	18 782 683	1 310 614	(134 268)	-	-	-	19 959 029	(6 548 656)	70 614	-	(2 501 028)	(125 544)	(9 104 614)	10 854 415
	74 171 803	1 775 861	(134 268)	-	-	-	75 813 396	(7 854 210)	70 614	-	(3 180 439)	(125 544)	(11 089 579)	64 723 817

Appendix B

Analysis of property, plant and equipment as at 30 June 2015

Cost/Revaluation	Accumulated depreciation
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	Opening Balance Rand	Additions Rand	No longer in use Rand	Transfers Rand	Revaluations Rand	Impairment loss Rand	Closing Balance Rand	Opening Balance Rand	No longer in use Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Land and buildings														
Land	1 494 000	-	-	-	-	-	1 494 000	-	-	-	-	-	-	1 494 000
Buildings	18 863 613	631 507	-	-	-	-	19 495 120	(628 787)	-	-	(639 434)	-	(1 268 221)	18 226 899
	20 357 613	631 507	-	-	-	-	20 989 120	(628 787)	-	-	(639 434)	-	(1 268 221)	19 720 899
Community Assets														
Farms - Land	33 840 000	-	-	-	-	-	33 840 000	-	-	-	-	-	-	33 840 000
Farms - Buildings	560 000	-	-	-	-	-	560 000	(18 667)	-	-	(18 666)	-	(37 333)	522 667
	34 400 000	-	-	-	-	-	34 400 000	(18 667)	-	-	(18 666)	-	(37 333)	34 362 667
Other assets														
General vehicles	5 655 991	2 855 561	(399 550)	-	-	-	8 112 002	(1 905 865)	81 094	-	(638 256)	-	(2 463 027)	5 648 975
Computer Equipment	4 903 426	823 855	(745 535)	-	-	-	4 981 746	(2 265 324)	333 086	-	(548 222)	-	(2 480 460)	2 501 286
Furniture & Fittings	2 426 811	2 324 577	(267 605)	-	-	-	4 483 783	(1 166 465)	138 233	-	(158 253)	-	(1 186 485)	3 297 298
Office Equipment	487 015	73 202	(101 858)	-	-	-	458 359	(230 307)	75 827	-	(38 737)	-	(193 217)	265 142
Other Equipment - Leased	87 421	699 406	(87 421)	-	-	-	699 406	(76 452)	76 452	-	(213 706)	-	(213 706)	485 700
Other	79 088	4 210	(35 911)	-	-	-	47 387	(27 039)	18 493	-	(3 215)	-	(11 761)	35 626
	13 639 752	6 780 811	(1 637 880)	-	-	-	18 782 683	(5 671 452)	723 185	-	(1 600 389)	-	(6 548 656)	12 234 027
Total property plant and equipment														
Land and buildings	20 357 613	631 507	-	-	-	-	20 989 120	(628 787)	-	-	(639 434)	-	(1 268 221)	19 720 899
Community Assets	34 400 000	-	-	-	-	-	34 400 000	(18 667)	-	-	(18 666)	-	(37 333)	34 362 667
Other assets	13 639 752	6 780 811	(1 637 880)	-	-	-	18 782 683	(5 671 452)	723 185	-	(1 600 389)	-	(6 548 656)	12 234 027
	68 397 365	7 412 318	(1 637 880)	-	-	-	74 171 803	(6 318 906)	723 185	-	(2 258 489)	-	(7 854 210)	66 317 593

Appendix D

June 2016

Segmental Statement of Financial Performance for the year ended Prior Year Current Year

Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand		Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand
Municipality						
137 450	5 344 604	(5 207 154)	Executive & Council/Municipal Manager	-	5 742 458	(5 742 458)
3 822	2 213 007	(2 209 185)	Planning & Development	225 000	3 171 575	(2 946 575)
934 000	1 430 269	(496 269)	Municipal Systems Improvement Grant	930 000	176 565	753 435
4 806 932	5 149 284	(342 352)	Internal Audit	6 412 596	5 562 826	849 770
599	1 253 029	(1 252 430)	Risk Management	-	1 101 411	(1 101 411)
11 004 771	20 037 660	(9 032 889)	Executive & Council/Mayor and Council	1 422 218	13 264 941	(11 842 723)
61 808 413	11 178 708	50 629 705	Budget & Treasury Office	66 675 266	16 364 250	50 311 016
-	1 148 321	(1 148 321)	Financial management grant	1 034 099	911 221	122 878
453 938	16 875 926	(16 421 988)	Corporate Services/Human Resources	165 581	19 257 079	(19 091 498)
-	7 999 069	(7 999 069)	CDS - Environmental Health	-	9 722 691	(9 722 691)
-	3 248 053	(3 248 053)	Disaster Management	-	3 170 256	(3 170 256)
510 828	-	510 828	Fire	259 995	255 010	4 985
763 574	115 469	648 105	NEAR System	251 807	229 655	22 152
31 823	5 315 685	(5 283 862)	Basic Services - PMU	-	4 618 189	(4 618 189)
1 726 052	1 794 665	(68 613)	Rural Roads Asset Management	1 755 000	1 539 474	215 526
987 900	2 256 081	(1 268 181)	Integrated Skills Development Grant	3 223 574	3 211 909	11 665
32 220	-	32 220	JTGDM Projects	2 363 081	2 127 050	236 031
2 711 119	2 336 338	374 781	EPWP Incentive Grant	1 975 235	1 922 085	53 150
819 112	3 153 353	(2 334 241)	Housing Unit	820 000	3 104 941	(2 284 941)
36 503	6 928 539	(6 892 036)	Local Economic Development	-	7 746 704	(7 746 704)
86 769 056	97 778 060	(11 009 004)		87 513 452	103 200 290	(15 686 838)

Appendix E
Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003
June 2016

Name of Grants	Quarterly Receipts				Quarterly Expenditure				Grants and Subsidies delayed / withheld				Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act
	Jun	Sep	Dec	Mar	Jun	Sep	Dec	Mar	Jun	Sep	Dec	Mar	Yes/ No
Equitable share	26 826 000	21 461 000	16 096 000	-	26 826 000	21 461 000	16 096 000	-	-	-	-	-	Yes
EPWP - Brick making	-	-	-	-	286 199	121 476	253 320	307 903	-	-	-	-	Yes
EPWP - Incentive	400 000	300 000	300 000	-	-	389 445	161 858	455 035	-	-	-	-	Yes
Fire grant	-	-	350 000	-	-	45 575	161 500	52 920	-	-	-	-	Yes
FMG	1 250 000	-	-	-	484 947	351 225	183 555	331 372	-	-	-	-	Yes
HIV and AIDS council	-	-	-	-	31 190	138 844	47 761	130 085	-	-	-	-	Yes
Housing accreditation grant	820 000	-	-	-	652 498	167 502	-	-	-	-	-	-	Yes
ISDG	1 010 000	-	1 990 000	-	347 097	1 053 450	405 989	1 417 038	-	-	-	-	Yes
Kgotso Pula Nala	-	-	2 000 000	-	-	-	-	1 968 381	-	-	-	-	-
MSIG	930 000	-	-	-	158 097	185 118	229 182	357 603	-	-	-	-	Yes
Near grant	-	350 000	-	-	625	64 716	167 637	18 830	-	-	-	-	Yes
Rural road asset management grant	1 755 000	-	-	-	592 647	174 117	988 236	-	-	-	-	-	Yes
Van Zyls Rus Sportsfield	-	-	-	-	-	-	-	394 700	-	-	-	-	Yes
	32 991 000	22 111 000	20 736 000	-	29 379 300	24 152 468	18 695 038	5 433 867	-	-	-	-	-