

**POLOKWANE  
LOCAL MUNICIPALITY**



**CONSOLIDATED FINANCIAL  
STATEMENTS  
FOR THE YEAR ENDED  
30 JUNE 2017  
UNAUDITED**

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**POLOKWANE MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS ENDED 30 JUNE 2017**

**APPROVAL AND CERTIFICATION**

I am responsible for the preparation of these consolidated financial statements, which are set out on pages 2 to 56, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

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

**Mr DH Makobe**

**MUNICIPAL MANAGER**

**DATE**

**POLOKWANE MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS 30 JUNE 2017**

**Reporting entity's mandate**

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

The principal activities of the City are to:

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

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

**General information**

**Legal form of the entity**

Local Municipality

Polokwane Local Municipality demarcated area

**Members of the Council**

TP Nkadimeng	Executive Mayor
MJ Ralefatane	Speaker
MK Teffo	Chief Whip
RC Molepo	Member of the Mayoral Committee
NW Kganyago	Member of the Mayoral Committee
MF Kubjana	Member of the Mayoral Committee
H Shaikh	Member of the Mayoral Committee
LR Setati	Member of the Mayoral Committee
SM Mashabela	Member of the Mayoral Committee
T Nkwe	Member of the Mayoral Committee
EL Maraba	Member of the Mayoral Committee
MJ Maja	Member of the Mayoral Committee
SJ Malope	Member of the Mayoral Committee
AR Baloyi	Member of Council
AH Botha	Member of Council
TDR Chidi	Member of Council
C Coetzee	Member of Council
SJ Dikgale	Member of Council
FA Haas	Member of Council
PJ Hiine	Member of Council
TE Hopane	Member of Council
FJ Joubert	Member of Council
MJ Kaka	Member of Council
N Khan	Member of Council
MW Laka	Member of Council
MV Ledwaba	Member of Council
NJ Lekgodi	Member of Council
Z Lekgodi	Member of Council
LF Lephalala	Member of Council
RF Lourens	Member of Council
MG Mabote	Member of Council
NE Machaba	Member of Council
MF Maenetja	Member of Council
ME Makamela	Member of Council
TP Makgopja	Member of Council
JF Makwela	Member of Council
ME Malatji	Member of Council
MB Malebana	Member of Council

**POLOKWANE MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS 30 JUNE 2017**

ME Maleka	Member of Council
RR Malema	Member of Council
HS Manaka	Member of Council
PE Manamela	Member of Council
HM Mankga	Member of Council
HF Marx	Member of Council
AM Masekela	Member of Council
TS Mashau	Member of Council
MC Mashaine	Member of Council
MV Mathye	Member of Council
MT Matonzi	Member of Council
ML Mehlape	Member of Council
JL Meyer	Member of Council
MA Moakamedi	Member of Council
MT Modiba	Member of Council
MS Modiba	Member of Council
TF Moeti	Member of Council
TJ Mogale	Member of Council
DM Mohlabeng	Member of Council
MF Mohlasedi	Member of Council
RP Mohlaona	Member of Council
TSP Mojapelo	Member of Council
FJ Molepo	Member of Council
MB Molope	Member of Council
MD Monakedi	Member of Council
PE Moshoeu	Member of Council
MS Mothapo	Member of Council
ME Mothapo	Member of Council
JE Mothapo	Member of Council
ML Mothata	Member of Council
LS Mothata	Member of Council
MJ Mothiba	Member of Council
KJ Mphekgwana	Member of Council
TG Phaka	Member of Council
MR Phala	Member of Council
MS Phoshoko	Member of Council
KW Phoshoko	Member of Council
M Pretorius	Member of Council
MM Ramakgoakgoa	Member of Council
MF Ramaphakela	Member of Council
MO Ramaphoko	Member of Council
PA Rapetswa	Member of Council
TR Raphela	Member of Council
MW Sathekge	Member of Council
MD Sebati	Member of Council
MR Sekgobela	Member of Council
MP Seleka	Member of Council
MC Sesera	Member of Council
NA Shivhabu	Member of Council
KM Skosana	Member of Council
KG Tsheola	Member of Council
MM Tsiri	Member of Council
K Vallabh	Member of Council

See Annexure J for members of the previous Council

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

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

**Municipal Manager**

DH Makobe

**Seconded Acting Chief Financial Officer**

N Essa

**Auditors**

**POLOKWANE MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS 30 JUNE 2017**

Auditor General South Africa

**Grading of Local Authority**  
Grade 10

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

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

**Bankers**  
Standard Bank

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

**POLOKWANE MUNICIPALITY**  
**STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 30 JUNE 2017**

	Note	GROUP 2017 R Restated	2 016 R	MUNICIPALITY 2017 R
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents	15	99 770 751	88 257 390	98 037 995
Trade and other receivables from exchange transactions unless specified otherwise	12	451 657 057	298 376 397	449 468 163
Other receivables from non-exchange transactions	13	71 142 074	72 638 435	71 093 998
Inventories	11	165 385 222	62 995 698	165 385 222
Investments	9	143 177 996	-	143 177 996
Current portion of receivables	10	3 553	3 317	3 553
VAT receivable	14	29 147 590		29 147 590
<b>Total Current Assets</b>		<b>960 284 243</b>	<b>522 271 237</b>	<b>956 314 518</b>
<b>Non-current assets</b>				
Non-current receivables	10	148 185	160 512	148 185
Investments	9	105 399 873	58 999 800	105 400 873
Property, plant and equipment	8.1	13 360 354 162	8 821 669 470	13 256 602 150
Intangible assets	8.2	3 217 781	3 512 680	3 102 448
Investment property	8.3	656 976 469	634 540 916	656 976 469
Heritage assets	8.4	15 595 443	15 609 153	15 595 443
Biological assets	8.5	15 570 834	8 999 025	15 570 834
<b>Total Non-current assets</b>		<b>14 157 262 747.50</b>	<b>9 543 491 556.91</b>	<b>14 053 396 403</b>
<b>Total Assets</b>		<b>15 117 546 990.90</b>	<b>10 065 762 793.62</b>	<b>15 009 710 920</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Trade and other payables from exchange transactions	6	490 633 495	371 980 045	487 060 627
Consumer deposits	5	70 952 968	68 863 503	70 952 968
Unspent conditional grants and receipts	7	80 616 010	11 827 752	80 616 010
Current portion of borrowings	4	59 829 253	75 616 025	59 829 253
Current portion of finance lease liability	38	33 971 316	39 642 218	33 971 316
VAT payable	14	0	30 911 357	0
<b>Total Current Liabilities</b>		<b>736 003 043</b>	<b>598 840 900</b>	<b>732 430 175</b>
<b>Non-current liabilities</b>				
Non-current borrowings	4	346 547 557	165 622 038	346 547 557
Non-current finance lease liability	38	4 143 570	31 055 432	4 130 921
Non-current Provisions	36	270 946 890	264 084 655	270 946 890
<b>Total Non-current Liabilities</b>		<b>621 638 016</b>	<b>460 762 125</b>	<b>621 625 367</b>
<b>Total liabilities</b>		<b>1 357 641 059</b>	<b>1 059 603 025</b>	<b>1 354 055 542</b>
<b>Net assets</b>		<b>13 759 905 933</b>	<b>9 006 159 768</b>	<b>13 655 655 378</b>
<b>NET ASSETS</b>				
Share Capital- PHA		-	-	
Revaluation Reserves	3	7 275 566 946	3 484 172 484	7 199 913 663
Accumulated surplus		6 484 338 544	5 521 987 284	6 455 741 715
<b>Total net assets</b>		<b>13 759 905 491</b>	<b>9 006 159 768</b>	<b>13 655 655 378</b>

**POLOKWANE MUNICIPALITY**  
**STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 30 JUNE 2017**

<b>2016</b>
<b>R</b>
<b>Restated</b>
86 225 049
294 245 487
72 564 367
62 995 698
0
3 317
0
<b>516 033 918</b>
160 512
59 000 800
8 713 197 464
3 378 736
634 540 916
15 609 153
8 999 025
<b>9 434 886 607</b>
<b>9 950 920 524</b>
368 609 419
68 863 503
11 827 752
65 065 521
39 642 218
30 911 357
<b>584 919 769</b>
165 622 038
30 995 518
264 084 655
460 702 211
<b>1 045 621 980</b>
<b>8 905 298 544</b>
3 408 519 201
5 496 779 343
<b>8 905 298 544</b>



**POLOKWANE MUNICIPALITY**  
**STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2017**

		GROUP		MUNICIPALITY	
	Note	2017 R	2016 R Restated	2017 R	2016 R Restated
<b>REVENUE</b>					
<b>Revenue from Exchange Transactions</b>					
Service charges	17	1 183 014 133	1 059 770 212	1 183 014 133	1 059 770 212
Rental of facilities	18	29 053 202	22 758 008	18 759 971	12 342 192
Investment Revenue – external investments	21	34 088 471	27 592 762	34 088 471	27 592 762
Interest earned – outstanding debtors		67 805 948	54 307 169	67 805 948	54 307 169
Licenses and permits		9 705 007	8 100 962	9 705 007	8 100 962
Income for agency services		15 898 769	15 931 818	15 898 769	15 931 818
Other revenue	22	107 204 267	108 388 944	105 458 595	108 388 944
<b>Total Revenue from exchange transactions</b>		<b>1 446 769 796</b>	<b>1 296 849 875</b>	<b>1 434 730 893</b>	<b>1 286 434 059</b>
<b>Revenue from Non Exchange Transactions</b>					
<b>Taxation revenue</b>					
Property rates	16	310 476 433	281 023 721	310 476 433	281 023 721
<b>Transfer revenue</b>					
Government grants recognised - operating	19	793 516 083	655 974 538	793 516 083	655 974 538
Government grants recognised - capital	19	548 523 447	473 584 799	548 523 447	473 584 799
Public contributions, donated and contributed property, plant and equipment	19	0	3 355 674	0	3 355 674
Fines		13 555 829	33 049 072	13 555 829	33 049 072
Other revenue	22	1 256 395	15 331 615	91 252	13 528 006
<b>Total revenue from non exchange transactions</b>		<b>1 667 328 186</b>	<b>1 462 319 418</b>	<b>1 666 163 043</b>	<b>1 460 515 809</b>
<b>Total revenue</b>		<b>3 114 097 982</b>	<b>2 759 169 293</b>	<b>3 100 893 936</b>	<b>2 746 949 868</b>
<b>EXPENDITURE</b>					
Employee related costs	23	658 611 972	605 098 880	651 251 445	598 398 759
Remuneration of councillors	24	31 845 968	27 019 623	31 845 968	27 019 623
Bad debts	12	18 532 871	197 502 183	9 451 382	192 987 885
Depreciation/Amortisation		754 377 168	489 822 188	749 627 747	484 491 347
Repairs and maintenance	25	258 470 751	199 312 144	258 317 540	198 971 424
Finance cost	26	37 512 292	36 359 277	37 501 259	34 578 938
Bulk purchases	27	790 119 503	748 278 150	790 119 503	748 278 150
Grants and subsidies paid	28	480 000	480 000	15 500 000	17 180 000
Contracted services	29	153 199 485	68 927 685	153 199 485	68 927 685
General expenses	29	434 276 520	465 192 270	430 796 812	461 846 831
<b>Total Expenditure</b>		<b>3 137 426 531</b>	<b>2 837 992 400</b>	<b>3 127 611 142</b>	<b>2 832 680 642</b>
Gain on water inventory		186 844	0	186 844	0
Gain on fair value of investment		200 073		200 073	
Loss on disposal of assets		-222 688	-50 476 472	-222 688	-50 351 216
Derecognition of assets		-6 498 021		-6 498 021	
Gain on the transfer of functions	46	961 396 946		961 396 946	
Gain on fair value adjustment		30 616 242	36 351 677	30 616 242	36 189 741
<b>NET SURPLUS / (DEFICIT) FOR THE YEAR</b>		<b>962 350 849</b>	<b>(92 947 902)</b>	<b>958 962 192</b>	<b>-99 892 249</b>

POLOKWANE MUNICIPALITY STATEMENT OF CHANGES IN NET ASSETS 30 JUNE 2017

	Notes	Housing Fund	Revaluation Reserve	Total	Accumulated Surplus/ (Deficit)	Total
			R		R	R
<b>Balance at 30 June 2015</b>		<b>6 955 961</b>	<b>3 433 074 767</b>	<b>3 440 030 728</b>	<b>5 580 539 469</b>	<b>9 020 570 197</b>
Adjustments on amounts receivable					-18 687 656	-18 687 656
Adjustments on amounts payable					0	0
Trade and other payables					834	834
Correction Leased assets- Photocopiers					-50 724	-50 724
Correction Leased assets- Cell phones					-4 661 552	-4 661 552
Contribution bad debt provision					14 975 655	14 975 655
Net gains and (losses) not recognised in the statement of financial performance (Housing Development Fund)	2	19 675	0	19 675		19 675
Realisation of Revaluation Reserve - Derecognition	3		-24 555 566	-24 555 566	24 555 566	0
Transfers to/ from accumulated surplus (reserves)	2	-6 975 636		-6 975 636		-6 975 636
Surplus (deficit) for the period		0	0	0	-99 892 249	-99 892 249
<b>Balance at 30 June 2016</b>		<b>0</b>	<b>3 408 519 201</b>	<b>3 408 519 201</b>	<b>5 496 779 343</b>	<b>8 905 298 545</b>
Realisation of Revaluation Reserve			3 791 394 462	3 791 394 462		3 791 394 462
Surplus (deficit) for the period					958 962 372	958 962 372
<b>Balance at 30 June 2017</b>		<b>0</b>	<b>7 199 913 663</b>	<b>7 199 913 663</b>	<b>6 455 741 715</b>	<b>13 655 655 379</b>

**POLOKWANE MUNICIPALITY**  
**CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2017**

	Note	GROUP		MUNICIPALITY	
		2017 R	2016 R Restated	2017 R	2016 R Restated
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>					
Cash received from ratepayers, government and others		3 938 178 754	2 409 619 001	3 933 252 890	2 402 617 892
Cash paid to suppliers and employees		-3 163 799 877	-2 168 575 938	-3 168 017 640	-2 173 618 161
<b>Cash generated from operations</b>	<b>31</b>	<b>774 378 255</b>	<b>241 043 062</b>	<b>765 235 070</b>	<b>228 999 731</b>
Interest received		34 088 471	27 592 762	34 088 471	27 592 762
Finance cost paid		-22 139 291	-34 559 262	-22 139 291	-34 578 938
Tax -VAT (receivable) payable		56 831 916	39 621 603	56 831 916	39 621 603
<b>Net cash from operating activities</b>		<b>843 159 351</b>	<b>273 698 166</b>	<b>834 016 166</b>	<b>261 635 159</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>					
Acquisitions Property Plant & Equipment		-777 535 796	-486 330 195	-777 524 797	-486 150 140
Acquisitions Intangible assets		0	-827 406	0	-750 000
Acquisitions Investment property		-343 750		-343 750	
(Increase)/decrease in current investments		-189 578 069	0	-189 578 069	0
Increase/(decrease) in receivables		0	5 878 029	0	5 878 029
<b>Net cash from investment activities</b>		<b>-967 457 615</b>	<b>-481 279 572</b>	<b>-967 446 616</b>	<b>-481 022 110</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>					
Received (payment) of borrowings		166 303 889	(5 747 778)	175 689 251	5 399 184
Received (payment) of consumer deposits		2 089 465	1 251 244	2 089 465	1 251 244
Received (payment) of finance lease liability		-32 582 349	(23 958 216)	-32 535 499	-23 922 345
<b>Net cash from financing activities</b>		<b>135 811 005</b>	<b>(28 454 750)</b>	<b>145 243 217</b>	<b>-17 271 917</b>
<b>Increase/(decrease) in cash and cash equivalents</b>		<b>11 512 741</b>	<b>(236 036 156)</b>	<b>11 812 767</b>	<b>-236 658 869</b>

**POLOKWANE MUNICIPALITY**  
**CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2017**

Cash and cash equivalents at beginning of the year	15	88 257 390	324 293 546	86 225 049	322 864 242
Cash and cash equivalents at end of the year	15	99 770 751	88 257 390	98 037 995	86 225 049

**POLOKWANE MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL FOR THE YEAR ENDED 30 JUNE 2017**

Description	2016/2017							
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of MFMA)	Virement (i.t.o Council approved policy)	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R		
	1	2	3	4	5	7	8	9
<b>Financial Performance</b>								
Property Rates	306 900 000	306 900 000	306 900 000	357 780 000	310 476 433	(47 303 567)	86.78	101.17
Service Charges-electricity revenue	917 263 000	917 263 000	917 263 000	917 263 000	829 722 837	(87 540 163)	90.46	90.46
Service Charges-water revenue	200 767 637	200 767 637	200 767 637	284 895 000	219 406 650	(65 488 350)	77.01	109.28
Service Charges-sanitation revenue	60 857 999	60 857 999	60 857 999	60 857 999	59 375 701	(1 482 298)	97.56	97.56
Service Charges-refuse revenue	70 352 309	70 352 309	70 352 309	69 588 000	74 508 944	4 920 944	107.07	105.91
Rental of facilities	26 538 429	14 019 949	14 019 949	23 808 000	29 052 876	5 244 876	122.03	109.47
Investment Revenue – external investments	40 000 000	40 000 000	40 000 000	40 000 000	34 088 471	(5 911 529)	85.22	85.22
Interest earned – outstanding debtors	59 400 000	59 400 000	59 400 000	59 400 000	67 805 948	8 405 948	114.15	114.15
Fines	12 000 000	12 000 000	12 000 000	12 000 000	13 555 829	1 555 829	112.97	112.97
Licenses and permits	12 501 000	12 501 000	12 501 000	12 501 000	9 705 007	(2 795 993)	77.63	77.63
Agency services	18 800 000	18 800 000	18 800 000	18 800 000	15 898 769	(2 901 231)	84.57	84.57
Transfers recognised - operational	864 900 000	854 258 300	854 258 300	854 258 300	793 516 083	(60 742 217)	92.89	91.75
Other revenue	191 708 106	284 965 106	284 965 106	202 431 402	107 295 319	(95 136 083)	53.00	55.97
<b>Total Revenue (Excluding capital transfers and contributions)</b>	<b>2 781 988 480</b>	<b>2 852 085 300</b>	<b>2 852 085 300</b>	<b>2 913 582 701</b>	<b>2 564 408 867</b>	<b>(349 173 834)</b>	<b>88.02</b>	<b>92.18</b>
Employee Costs	658 443 495	649 250 900	652 258 106	645 892 000	643 890 918	(2 001 082)	99.69	97.79
Remuneration of Councillors	34 951 170	34 951 170	35 326 000	35 326 000	31 845 968	(3 480 032)	90.15	91.12
Debt Impairment	52 000 000	50 000 000	50 000 000	54 500 000	18 532 870	(35 967 130)	34.01	35.64
Depreciation and asset impairment	185 000 000	180 000 000	180 000 000	570 108 246	754 377 168	184 268 922	132.32	407.77
Finance Charges	40 000 000	40 000 000	40 000 000	40 000 000	37 501 259	(2 498 741)	93.75	93.75
Bulk purchases	839 635 000	839 635 000	839 635 000	839 635 000	790 119 503	(49 515 497)	94.10	94.10
Other materials	202 754 646	246 083 852	248 395 261	246 103 000	258 317 540	12 214 540	104.96	127.40
Donations	11 500 000	15 500 000	15 500 000	15 500 000	15 500 000	-	100.00	134.78
Lease rentals operating lease	100 000	(25 000)	75 000	75 000	-	(75 000)	0.00	0.00
Repairs and maintenance	750 000	100 000	850 000	850 000	153 211	(696 789)	18.02	20.43
Contracted services	150 985 000	162 792 128	215 574 290	274 538 806	153 199 485	(121 339 321)	55.80	101.47
General Expenditure	382 254 284	392 080 293	401 651 237	406 895 243	434 276 520	27 381 277	106.73	113.61
Gain / (loss) on fair value adjustment/disposal of assets	-	-	-	-	(978 548 463)	(978 548 463)	0.00	0.00
<b>Total Expenditure</b>	<b>2 558 373 595</b>	<b>2 610 368 343</b>	<b>2 679 264 894</b>	<b>3 129 423 295</b>	<b>2 159 165 980</b>	<b>(970 257 316)</b>	<b>69.00</b>	<b>84.40</b>
<b>Surplus/(Deficit)</b>	<b>223 614 885</b>	<b>241 716 957</b>	<b>172 820 406</b>	<b>(215 840 594)</b>	<b>405 242 887</b>	<b>621 083 481</b>	<b>-187.75</b>	<b>181.22</b>
Transfer Recognised - capital	622 026 000	612 667 700	612 667 700	612 667 700	548 523 447	(64 144 253)	89.53	88.18
<b>Surplus/(Deficit) after capital transfer and contributions</b>	<b>845 640 885</b>	<b>854 384 657</b>	<b>785 488 106</b>	<b>785 488 106</b>	<b>953 766 334</b>	<b>168 278 228</b>	<b>121.42</b>	<b>112.79</b>
Share of Surplus/Deficit of associate	-	-	-	-	-	-	-	-
<b>Surplus for the year</b>	<b>845 640 885</b>	<b>854 384 657</b>	<b>785 488 106</b>	<b>785 488 106</b>	<b>953 766 334</b>	<b>168 278 228</b>	<b>121.42</b>	<b>112.79</b>
<b>Capital expenditure and funds resources</b>								
<b>Capital Expenditure</b>								
Transfers recognised - Capital	622 026 000	612 667 700	612 667 700	612 667 700	548 523 447	(64 144 253)	89.53	88.18
Borrowing	235 000 000	235 000 000	235 000 000	235 000 000	166 903 470	(68 096 530)	71.02	71.02
Internally generated funds	239 441 000	215 831 660	215 831 660	215 831 660	103 530 826	(112 300 834)	47.97	43.24
<b>Total sources of capital</b>	<b>1 096 467 000</b>	<b>1 063 499 360</b>	<b>1 063 499 360</b>	<b>1 063 499 360</b>	<b>818 957 743</b>	<b>(244 541 617)</b>	<b>77.01</b>	<b>74.69</b>
<b>Cash Flows</b>								
<b>Cash/cash equivalents at the beginning of</b>	<b>50 000 000</b>	<b>86 225 049</b>	<b>86 225 049</b>	<b>86 225 049</b>	<b>86 225 049</b>	<b>(0)</b>	<b>100.00</b>	<b>172.45</b>
Net Cash from (Used) operating	823 944 000	749 934 000	749 934 000	749 934 000	834 016 166	84 082 166	111.21	101.22
Net Cash from (Used) Investing	(1 003 244 000)	(939 367 000)	(939 367 000)	(939 367 000)	(967 446 616)	(28 079 616)	102.99	96.43
Net Cash from (Used) Financing	164 000 000	164 000 000	164 000 000	164 000 000	145 243 217	(18 756 783)	88.56	88.56
<b>Cash/cash equivalents at the year end</b>	<b>34 700 000</b>	<b>60 792 049</b>	<b>60 792 049</b>	<b>60 792 049</b>	<b>98 037 995</b>	<b>37 245 946</b>	<b>161.27</b>	<b>282.53</b>

For the purpose of calculating unauthorised expenditure on depreciation, the depreciation portion on the revalued component of assets are deducted from the real overspending.

The amount for 2016/17 is R383 608 246 (2015/16 is R286 964 008) This was done in accordance with MFMA Circular 58

Explanations for material variances of the Municipality's actual financial performance with the budgeted is set out in Appendix E.1

## **ACCOUNTING POLICIES**

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

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

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

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

These accounting policies are consistent with the previous period.

#### **1.1 Consolidation**

##### **Basis of consolidation**

The consolidated annual financial statements incorporate the annual financial statements of the municipality and the municipal entity.

The annual financial statements of the municipality and its municipal entity are used in the preparation of the consolidated annual financial statements and are prepared as of the same reporting period.

On acquisition the economic entity recognises the municipal entity's identifiable assets, liabilities and contingent liabilities at fair value, except for assets classified as held-for-sale which are recognised at fair value less costs to sell.

The results of the municipal entity are included from the effective date of acquisition. Where necessary, adjustments are made to the consolidated annual financial statements of the municipal entity to bring their accounting policies used in line with those of the municipality.

All intra-entity transactions, balances, revenues and expenses are eliminated in full on consolidation.

#### **1.2 Presentation currency**

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality and amounts have been rounded off to the nearest rand.

#### **1.3 Going concern assumption**

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

#### **1.4 Transfer of functions between entities not under common control**

##### **Definitions**

An acquiree is the entity and/or the functions that the acquirer obtains control of in a transfer of functions.

An acquirer is the entity that obtains control of the acquiree or transferor.

Acquisition date is the date on which the acquirer obtains control of the acquiree.

Contingent consideration is usually, an obligation of the acquirer to transfer additional assets or a residual interest to the former owners of an acquiree as part of the exchange for control of the acquiree if specified future events occur or conditions are met. However, contingent consideration also may give the acquirer the right to the return of previously transferred consideration if specified conditions are met.

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

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

A function is an integrated set of activities that is capable of being conducted and managed for purposes of achieving an entity's objectives, either by providing economic benefits or service potential.

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability; or

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- arises from contractual rights (including rights arising from binding arrangements) or other legal rights (excluding rights granted by statute), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

A merger is the establishment of a new combined entity in which none of the former entities obtain control over any other and no acquirer can be identified.

Non-controlling interest is the interest in the net assets of a controlled entity not attributable, directly or indirectly, to a controlling entity.

Owners (for the purposes of this Standard), is used broadly to include holders of residual interests.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities.

A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming

part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or

- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

#### **1.4 Transfer of functions between entities not under common control (Continued)**

A transfer of functions is the reorganisation and/or the re-allocation of functions between entities by transferring functions between entities or into another entity.

##### **The acquisition method**

The municipality accounts for each transfer of functions between entities not under common control by applying the acquisition method.

Applying the acquisition method requires:

- (a) identifying the acquirer;
- (b) determining the acquisition date;
- (c) recognising and measuring the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree; and
- (d) recognising the difference between (c) and the consideration transferred to the seller.

##### **Identifying the acquirer**

For each transfer of functions between entities not under common control, one of the combining entities is identified as the acquirer.

The terms and conditions of a transfer of functions undertaken between entities not under common control are set out in a binding arrangement.

Determining the acquirer includes a consideration of, amongst other things, which of the combining entities initiated the transaction or event, the relative size of the combining entities, as well as whether the assets or revenue of one of the entities involved in the transaction or event significantly exceed those of the other entities. If no acquirer can be identified, the transaction or event is accounted for in terms of the Standard of GRAP on Mergers.

##### **Determining the acquisition date**

The acquirer identifies the acquisition date, which is the date on which it obtains control of the acquiree.

All relevant facts and circumstances are considered in identifying the transfer date.

##### **Recognising and measuring the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree**

##### **Recognition principle**

As of the acquisition date, the municipality as acquirer recognises, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree.

Recognition conditions:

To qualify for recognition as part of applying the acquisition method, the identifiable assets acquired and liabilities assumed must meet the definitions of assets and liabilities in the Framework for the Preparation and Presentation of Financial Statements and the recognition criteria in the applicable Standards of GRAP at the acquisition date.

In addition, to qualify for recognition as part of applying the acquisition method, the identifiable assets acquired and liabilities assumed must be part of what the municipality as acquirer and the acquiree (or its former owners) agreed in the binding arrangement rather than the result of separate transactions.

Operating leases:

The municipality as acquirer recognises no assets or liabilities related to an operating lease in which the acquiree is the lessee.

The municipality as acquirer determines whether the terms of each operating lease in which the acquiree is the lessee are favourable or unfavourable. The municipality as acquirer recognises an intangible asset if the terms of an operating lease are favourable relative to market terms and a liability if the terms are unfavourable relative to market terms.

An identifiable intangible asset may be associated with an operating lease, which may be evidenced by market participants' willingness to pay a price for the lease even if it is at market terms.



Intangible assets:

The municipality as acquirer separately recognises the identifiable intangible assets acquired in a transfer of functions. An intangible asset is identifiable if it meets either the separability criterion or the contractual-legal right criterion.

#### **1.4 Transfer of functions between entities not under common control (Continued)**

Classifying or designating identifiable assets acquired and liabilities assumed in a transfer of functions:

At the acquisition date, the municipality as acquirer classifies or designates the identifiable assets acquired and liabilities assumed as necessary to apply other Standards of GRAP subsequent to the acquisition date. The municipality as acquirer makes those classifications or designations on the basis of the terms of the binding arrangement, economic conditions, its operating or accounting policies and other relevant conditions as they exist at the acquisition date.

##### **Measurement principle**

The municipality as acquirer measures the identifiable assets acquired and the liabilities assumed at their acquisition-date fair values.

Non-controlling interest in an acquiree:

For each transfer of functions, the municipality as acquirer measures at the acquisition date components of non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation at either:

- fair value; or
- the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets.

Assets with uncertain cash flows (valuation allowances):

The municipality as acquirer does not recognise a separate valuation allowance as of the acquisition date for assets acquired in a transfer of functions that are measured at their acquisition-date fair values because the effects of uncertainty about future cash flows are included in the fair value measure.

Assets subject to operating leases in which the acquiree is the lessor:

In measuring the acquisition-date fair value of an asset such as a building or a patent that is subject to an operating lease in which the acquiree is the lessor, the municipality as acquirer takes into account the terms of the lease.

##### **Exceptions to the recognition principles**

Contingent liabilities:

The requirements in the Standard of GRAP on Provisions, Contingent assets and Contingent liabilities do not apply in determining which contingent liabilities to recognise as of the acquisition date. Instead, the municipality as acquirer recognises as of the acquisition date a contingent liability assumed in a transfer of functions if it is a present obligation that arises from past events and its fair value can be measured reliably.

##### **Exceptions to both the recognition and measurement principles**

Employee benefits:

The municipality as acquirer recognises and measures a liability (or asset, if any) related to the acquiree's employee benefit arrangements in accordance with the Standard of GRAP on Employee Benefits.

Indemnification assets:

The seller in a transfer of functions may contractually indemnify the municipality as acquirer for the outcome of a contingency or uncertainty related to all or part of a specific asset or liability. The municipality as acquirer recognises an indemnification asset at the same time that it recognises the indemnified item measured on the same basis as the indemnified item, subject to the need for a valuation allowance for uncollectible amounts. Therefore, if the indemnification relates to an asset or a liability that is recognised at the acquisition date and measured at its acquisition-date fair value, the municipality as acquirer recognises the indemnification asset at the acquisition date measured at its acquisition-date fair value. For an indemnification asset measured at fair value, the effects of uncertainty about future cash flow because of collectability considerations are included in the fair value measure and a separate valuation allowance is not necessary.

### **Exceptions to the measurement principle**

Reacquired rights:

The municipality as acquirer measures the value of a reacquired right recognised as an intangible asset on the basis of the remaining contractual term of the related contract or other binding arrangement regardless of whether market participants would consider potential renewals of the contract or other binding arrangement in determining its fair value

### **1.4 Transfer of functions between entities not under common control (Continued)**

Assets held for sale:

The municipality as acquirer measures an acquired non-current asset (or disposal group) that is classified as held for sale at the acquisition date in accordance with the Standard of GRAP on Non-current assets held for sale and Discontinued operations at fair value less costs to sell.

### **Recognising and measuring the difference between the assets acquired and liabilities assumed and the consideration transferred (if any)**

The municipality as acquirer recognises the difference between the assets acquired and liabilities assumed and the consideration transferred (if any) as of the acquisition date in surplus or deficit. This difference is measured as the excess of (a) over (b) below:

(a) the aggregate of:

- (i) the consideration transferred (if any) measured in accordance with this Standard, which generally requires acquisition-date fair value;
  - (ii) the amount of any non-controlling interest in the acquiree measured in accordance with this Standard; and
  - (iii) in a transfer of functions achieved in stages, the acquisition-date fair value of the entity as acquirer's previously held equity interest in the acquiree.
- (b) the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed measured in accordance with this Standard

### **Subsequent measurement and accounting**

In general, a municipality as acquirer subsequently measure and account for assets acquired, liabilities assumed or incurred and the residual interest issued in a transfer of functions in accordance with other applicable Standards of GRAP f or those items, depending on their nature.

### **1.5 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:

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

The municipality assesses its loans and receivables for impairment at the end of each reporting period. The municipality makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

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

Allowance for slow moving, damaged and obsolete stock

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

#### **Fair value estimation**

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

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

#### **Impairment testing**

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the

carrying amount may not be recoverable.

The municipality has identified all its capital assets excluding Investment Property, as non-cash generating assets as it is the municipality's view that the primary objective of these assets are to provide a service and not to generate a commercial return. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including [list entity specific variables, i.e. production estimates, supply demand], together with economic factors such as [list economic factors such as exchange rates inflation interest].

### **1.5 Significant judgements and sources of estimation uncertainty (continued)**

#### **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 19 - Provisions.

#### **Useful lives of assets**

The municipality's management determines the estimated useful lives and related depreciation charges. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

#### **Post retirement benefits**

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

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 10.

#### **Effective interest rate**

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

#### **Allowance for doubtful debts**

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

#### **Residual value**

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

#### **Inventories**

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

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

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

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

### **1.6 Biological assets**

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

- the entity 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.

The fair value of livestock is determined based on market prices of livestock of similar age, breed, and genetic merit.

A gain or loss arising on initial recognition of agricultural produce at fair value less costs to sell 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.

An unconditional government grant related to a biological assets measured at its fair value less costs to sell is recognised as income when the government grant becomes receivable.

#### **1.6 Biological assets (Continued)**

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

#### **1.7 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 meeting service delivery objectives:

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

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

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement. Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

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

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

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

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

#### **Fair value**

Subsequent to initial measurement investment property is measured at fair value. This entails determining the fair value of the investment property on a regular basis. To the extent that the fair value model is applied investment property is not depreciated. Fair value gains/losses are recognised in the Statement of Financial Performance.

#### **Derecognition**

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

#### **1.8 Property, plant and equipment**

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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.

### **1.8 Property, plant and equipment (Continued )**

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.

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

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

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

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

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

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

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

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

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

#### **Item Depreciation method Average useful life**

Land Straight line infinite  
Office equipment Straight line 3-10 years  
IT equipment Straight line 3-7 years  
Infrastructure Straight line 3-100 years  
Community Straight line 5-100 years  
Other property, plant and equipment Straight line 2-15years

Land is not depreciated as it has an indefinite useful life.

An entity shall assess at each reporting date whether there is any indication that the entity's expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the entity shall revise the expected useful life and/or residual value accordingly. The changes shall be accounted for as a change in accounting estimates.

In assessing whether there is any indication that the expected useful life of an asset has changed, an entity considers the following indications

- a) The composition of an asset has changed during the reporting period, that is, the significant components of the asset changed.
- b) The use of the asset has changed, because of the following:
  - i) The entity has changed the manner in which the asset is used.

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- ii) The entity has changed the utilisation rate of the asset.
- iii) The entity has made a decision to dispose of the asset in a future reporting period(s) such that this decision changes the expected period over which the asset will be used.
- iv) Technological, environmental, commercial or other changes that occurred during the reporting period that have, or will, change the use of the asset.
- v) Legal or similar limits placed on the use of the asset have changed.
- vi) The asset was idle or retired from use during the reporting period.
- c) The asset is approaching the end of its previously expected useful life.
- d) Planned repairs and maintenance on , or refurbishment of, the asset and/or its significant components either being undertaken or delayed.
- e) Environmental factors, for instance, increased rainfall or humidity, adverse changes in temperature or increased exposure to pollution.
- f) There is evidence that the condition of the asset improved or declined based on assessments undertaken during the reporting period.
- g) The asset is assessed as being impaired in accordance with the Standards of GRAP on Impairment of Cash-generating Assets and Impairment of Non-cash-generating Assets.

### **1.8 Property, plant and equipment (Continued)**

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

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

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

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

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

### **1.9 Intangible assets**

An asset is identifiable as an intangible asset if it either:

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

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.

Intangible assets are initially recognised at cost

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

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred. An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

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

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

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

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

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

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

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

**Item Useful life**

Computer software, internally generated 3-5 years  
Computer software, other 3-5 years  
Amortisation begins when the asset is available for use.

Intangible assets are derecognised:

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

**1.10 Heritage assets**

Assets are resources controlled by an municipality as a result of past events and from which future economic benefits or service potential are expected to flow to the municipality.

Carrying amount is the amount at which an asset is recognised after deducting accumulated impairment losses.

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance

**1.10 Heritage assets (Continued)**

and are held indefinitely for the benefit of present and future generations.

**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.

**Subsequent measurement**

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

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

If a heritage asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in surplus or deficit. However, the decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

**Derecognition**

The municipality derecognises heritage asset 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 included in surplus or deficit when the item is derecognised.

**1.11 Investments in controlled entities**

In the municipality's separate annual financial statements, investments in investments in controlled entities are carried at cost.

Investments in controlled entities that are accounted for in accordance with the accounting policy on Financial instruments in the consolidated annual financial statements, are accounted for in the same way in the controlling entity's separate annual financial statements.

**1.12 Financial instruments**

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

A financial asset is:

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

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities.

**Initial recognition**

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

The entity recognises financial assets using trade date accounting.

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

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

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

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

#### **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.

#### **1.12 Financial instruments (Continued )**

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 entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, 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.

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

#### **Gains and losses**

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

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

#### **Impairment and uncollectibility of financial assets**

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

Financial assets measured at amortised cost:

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

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



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Financial assets measured at cost:

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

Derecognition

Financial assets

The entity derecognises a financial asset only when:

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

recognise separately any rights and obligations created or retained in the transfer.

#### **Financial liabilities**

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

#### **1.13 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.

#### **1.13 Leases (Continued )**

##### **Finance leases - lessee**

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

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

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

##### **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 an expense and the contractual payments are recognised as an operating lease asset or liability. The liability is not discounted.

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

##### **Operating leases - lessee**

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

#### **1.14 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.

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

and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

#### **1.15 Impairment of 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.

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

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

Where items of property, plant and equipment have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the statement of financial performance in the period the impairment is recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of the impairment is recognised in the statement of financial performance.

##### **Identification**

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

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

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

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the

cash-generating unit to which the asset belongs (the asset's cash-generating unit).

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

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable

#### **1.15 Impairment of cash-generating assets (Continued )**

amount of the cash-generating unit.

##### **Reversal of impairment loss**

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

##### **Redesignation**

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

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

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

##### **Value in use**

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

The present value of the remaining service potential of 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.

#### **Restoration cost approach**

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

#### **Service units approach**

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

#### **Recognition and measurement**

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

#### **1.16 Impairment of non cash-generating assets (continued)**

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

#### **Reversal of an impairment loss**

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

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

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

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

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

#### **Redesignation**

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

#### **1.17 Employee benefits**

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

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

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

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

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

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

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

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

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

#### **Short-term employee benefits**

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

Short-term employee benefits include items such as:

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

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

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

#### **1.17 Employee benefits (Continued)**

- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

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

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

#### **Post-employment benefits**

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

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

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

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

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

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid

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exceeds the contribution due for service before the reporting date, an entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and

- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

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

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

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

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

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

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

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

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

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

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

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

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

The entity account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the entity's informal practices. Informal practices give rise to a constructive obligation where the

**1.17 Employee benefits (continued)**

entity has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the entity's informal practices would cause unacceptable damage to its relationship with employees.

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

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

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

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

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

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

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

- current service cost;

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

The entity uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation. In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an entity shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an entity shall attribute benefit on a straight-line basis from:

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

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

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

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

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

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

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

#### **Actuarial assumptions**

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

- estimated future salary increases;

#### **1.17 Employee benefits (continued)**

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

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

#### **1.18 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.

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

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

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

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

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

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

Provisions are not recognised for future operating deficits.

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

A constructive obligation to restructure arises only when an entity:

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

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

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

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

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 47.

#### **1.19 Commitments**

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

Disclosures are required in respect of unrecognised contractual commitments.

#### **1.19 Commitments (Continued)**

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

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

#### **1.20 Revenue from exchange transactions**

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

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

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

#### **Measurement**

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

**Sale of goods**

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

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

**Rendering of services**

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

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

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

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

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by .

**Interest and royalties**

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

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

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

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

**1.21 Revenue from non-exchange transactions**

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

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

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

**1.21 Revenue from non-exchange transactions (Continued)**

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

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

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

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

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



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as specified.

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

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

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation. Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

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

#### **Recognition**

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

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

#### **Measurement**

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

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

#### **Transfers**

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

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

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

#### **Fines**

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

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

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

#### **Bequests**

Bequests that satisfy the definition of an asset are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality, and the fair value of the assets can be measured reliably.

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

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

#### **1.22 Borrowing costs**

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset when it is probable that they will result in future economic benefits or service potential to the municipality, and the costs can be measured reliably. The municipality applies this consistently to all borrowing costs that are directly attributable to the acquisition, construction, or production of all qualifying assets of the municipality. The amount of borrowing costs eligible for capitalisation is determined as follows:

- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any investment income on the temporary investment of those borrowings.
- Weighted average of the borrowing costs applicable to the municipality on funds generally borrowed for the purpose

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of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

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

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

When the carrying amount or the expected ultimate cost of the qualifying asset exceeds its recoverable amount or recoverable service amount or net realisable value or replacement cost, the carrying amount is written down or written off in accordance with the accounting policy on Impairment of Assets and Inventories as per accounting policy number 1.13, 1.14 and 1.15. In certain circumstances, the amount of the write-down or write-off is written back in accordance with the same accounting policy.

Capitalisation is suspended during extended periods in which active development is suspended.

Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

#### **Change in accounting policy due to amendments to GRAP 5 - Borrowing costs**

The adoption of amendments to GRAP 5 - Borrowing costs resulted in a change in accounting policy during the current period. The effect of the change is that borrowing costs are now capitalised when incurred, and this change is applied prospectively since . The effective date of the amendments were .

Borrowing costs, incurred both before and after the effective date of this amendment and related to qualifying assets for which the commencement date for capitalisation is prior to the effective date of this Standard, is recognised in accordance with the municipality's previous accounting policy.

#### **1.23 Comparative figures**

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current 9 months.

#### **1.24 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 9 months 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.

#### **1.25 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 9 months 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 Irregular expenditure**

Irregular expenditure as defined in section 1 of the MFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the MFMA requires the following (effective from 1 April 2008):

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

#### **1.27 Housing development fund**

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the municipality were extinguished on 1 April 1998 and transferred to a Housing Development Fund. Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies

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

#### **1.28 Revaluation reserve**

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

#### **1.29 Segment information**

A segment is an activity of an entity:

- that generates economic benefits or service potential (including economic benefits or service potential relating to transactions between activities of the same entity);
- whose results are regularly reviewed by management to make decisions about resources to be allocated to that activity and in assessing its performance; and
- for which separate financial information is available.

Reportable segments are the actual segments which are reported on in the segment report. They are the segments identified above or alternatively an aggregation of two or more of those segments where the aggregation criteria are met.

#### **Measurement**

The amount of each segment item reported is the measure reported to management for the purposes of making decisions about allocating resources to the segment and assessing its performance. Adjustments and eliminations made in preparing the entity's financial statements and allocations of revenues and expenses are included in determining reported segment surplus or deficit only if they are included in the measure of the segment's surplus or deficit that is used by management. Similarly, only those assets and liabilities that are included in the measures of the segment's assets and segment's liabilities that are used by management are reported for that segment. If amounts are allocated to reported segment surplus or deficit, assets or liabilities, those amounts are allocated on a reasonable basis.

If management uses only one measure of a segment's surplus or deficit, the segment's assets or the segment's liabilities in assessing segment performance and deciding how to allocate resources, segment surplus or deficit, assets and liabilities are reported in terms of that measure. If management uses more than one measure of a segment's surplus or deficit, the segment's assets or the segment's liabilities, the reported measures are those that management believes are determined in accordance with the measurement principles most consistent with those used in measuring the corresponding amounts in the entity's financial statements.

#### **1.30 Budget information**

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

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

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

The approved budget covers the fiscal period from 2016/07/01 to 2017/06/30.

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

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.

#### **1.31 Related parties**

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

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

Close members of the family of a person are considered to be those family members who may be expected to influence, or be

influenced by, that management in their dealings with the municipality.

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

### **1.32 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 will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

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

### **1.33 Adoption of new and revised standards**

Entities are required to apply the standards of GRAP where the Minister has determined the effective date. In the current year, the Municipality has adopted all new and revised standards and interpretations issued by the ASB that are relevant to its operations and are effective.

The Municipality has not adopted a GRAP standard that is not yet effective, but has based its accounting policies on such standards. Effective dates have been determined for some of the standards, while for the others, no effective dates have yet been determined. At the date of the submission of these financial statements for the year ended 30 June 2017, the following are approved standards of GRAP for which no effective dates have been determined yet:

GRAP 32 Service concession arrangements: Grantor

GRAP 108 Statutory receivables

IGRAP 17 Service concession arrangements where the grantor controls a significant residual interest in an asset

All the above standards, where applicable, will be complied with in the financial statements once the standards take effect. Preliminary investigations indicated that other than additional disclosure, the impact of the standards on the financial statements will be minimal.

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

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

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2017 or later periods:

#### **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 an entity reports information to management.

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

objectives achieved, by an entity within a particular region.

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

Directive 2 - Transitional provisions for public entities, municipal entities and constitutional institutions, states that no comparative segment information need to be presented on initial adoption of this Standard.

Directive 3 - Transitional provisions for high capacity municipalities states that no comparative segment information need to be presented on initial adoption of the Standard. Where items have not been recognised as a result of transitional provisions under the Standard of GRAP on Property, Plant and Equipment, recognition requirements of this Standard would not apply to such items until the transitional provision in that Standard expires.

Directive 4 - Transitional provisions for medium and low capacity municipalities states that no comparative segment information need to be presented on initial adoption of the Standard. Where items have not been recognised as a result of transitional provisions under the Standard of GRAP on Property, Plant and Equipment and the Standard of GRAP on Agriculture, the recognition requirements of the Standard would not apply to such items until the transitional provision in that standard expires.

The effective date of the standard is not yet set by the Minister of Finance.

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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 20: Related parties**

The objective of this standard is to ensure that a reporting entity'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.

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

- identifying related party relationships and transactions;
- identifying outstanding balances, including commitments, between an entity 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 entity. This disclosure also ensures that the reporting entity is transparent about its dealings with related parties.

**2. New standards and interpretations (continued)**

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.
- 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
  - 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

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.

**GRAP 109: Accounting by Principals and Agents**

The objective of this Standard is to outline principles to be used by an entity to assess whether it is party to a principalagent 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 an entity is a principal or an agent.

It furthermore covers Definitions, Identifying whether an entity is a principal or agent, Accounting by a principal or agent, Presentation, Disclosure, Transitional provisions and Effective date.

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.

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	<b>GROUP</b>		<b>MUNICIPALITY</b>
	<b>2017</b>		<b>2016</b>
	<b>R</b>	<b>R</b>	<b>R</b>
<b>2. HOUSING DEVELOPMENT FUND</b>		<b>Restated</b>	
Opening Balance	0	6 955 962	0
Contributions	0	19 675	0
Transfer to revenue	0	-6 975 637	0
Closing balance	<b>0</b>	<b>0</b>	<b>0</b>
<p>Council took a decision to pay (NHFC) Polokwane Housing Agency Loan which was funded through Housing Development Fund. The balance of the Fund was transferred to revenue during the 2015/16 Adjustment Budget. The funds were then transferred to Polokwane Housing Agency. Refer to note 27</p>			
<b>3. RESERVES</b>			
- Balance Beginning of the Year	3 484 172 484	3 508 728 051	3 408 519 201
- Realization Derecognition/ impairment	-	(24 555 567)	-
- Revaluation of assets	3 791 394 462		3 791 394 462
<b>Revaluation Reserve</b>	<b>7 275 566 946</b>	<b>3 484 172 484</b>	<b>7 199 913 663</b>
<b>4. BORROWINGS</b>			
<b>Non-Current Borrowings</b>			
Annuity loans	346 547 557	165 622 038	346 547 557
	<b>346 547 557</b>	<b>165 622 038</b>	<b>346 547 557</b>
<b>Current Portion of Borrowings</b>	<b>59 829 253</b>	<b>75 616 025</b>	<b>59 829 253</b>
Annuity loans	59 829 253	75 616 025	59 829 253
	<b>406 376 810</b>	<b>241 238 063</b>	<b>406 376 810</b>
<p>Refer to Appendix A for more detail on long term liabilities.</p> <p>The Fair value of all long term loans approximates their book value.</p> <p><b>Long term loan commitments:</b>  The Municipality had entered into a loan agreement with the Development Bank of Southern Africa in February 2011 to borrow R320 million at a interest rate of 8.875% over 10 years. The last installment is repayable on 30 June 2021.</p> <p>The Municipality had entered into a loan agreement with the Development Bank of Southern Africa in February 2011 to borrow R50 million at a interest rate of 11.52% over 10 years. The last installment is repayable on 30 June 2020.</p> <p>The Municipality had entered into a loan agreement with the Development Bank of Southern Africa in February 2016 to borrow R42,8 million at a interest rate of 9.00% over 1.96 years. The last installment is repayable on 30 June 2018. The loan will be funded through Integrated National Electrification Programme Grant.</p> <p>The Municipality had entered into a loan agreement with the Development Bank of Southern Africa in March 2017 to borrow R235 million at a interest rate of 10.756% over 14.92 years. The last installment is repayable on 31 January 2032.</p> <p>No loans are secured against any assets of the Municipality</p>			
<b>5. CONSUMER DEPOSITS</b>			
Water and electricity & other	70 952 968	68 863 503	70 952 968
Guarantees held in lieu of electricity and water deposits	<b>11 903 650</b>	<b>9 772 800</b>	<b>11 903 650</b>

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	<b>GROUP</b>		<b>MUNICIPALITY</b>
	<b>2017</b>		<b>2016</b>
	<b>R</b>	<b>R</b>	<b>R</b>
<b>6. TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS</b>			
Trade Creditors	253 297 619.77	154 124 414.96	250 446 201.77
Amounts received in advance	43 869 347.51	47 376 483.89	43 869 347.51
Deferred income elec pre-paid	4 130 136.00	4 020 914.00	4 130 136.00
Leave bonus (13th cheque)	13 893 350.31	12 776 495.00	13 629 714.31
Staff leave	94 863 891.05	82 956 220.00	94 406 077.05
Retention withheld on projects	68 115 329.85	49 257 064.35	68 115 329.85
Unidentified receipts	11 766 054.42	21 179 404.86	11 766 054.42
Other	697 766.48	289 047.61	697 766.48
	<b>490 633 495.39</b>	<b>371 980 044.67</b>	<b>487 060 627.39</b>
<b>7. CURRENT UNSPENT CONDITIONAL GRANTS FROM GOVERNMENT AND PUBLIC DONATIONS</b>			
Public Transport Infrastructure and Systems Grant	4 808 921	0	4 808 921
Municipal Infrastructure Grant	59 047 078	0	59 047 078
Limpopo Provincial Government	2 949 710	2 949 710	2 949 710
Housing Accreditation Grant	454 878	427 591	454 878
Neighbourhood Development Partnership Grant	12 455 425	8 450 451	12 455 425
Capricorn District Municipality	900 000	0	900 000
	<b>80 616 010</b>	<b>11 827 752</b>	<b>80 616 011</b>
See note 19 and 20 for reconciliation of unspent grants. These amounts are invested until utilised.			



POLOKWANE MUNICIPALITY  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

2016  
R  
Restated

6 955 962
19 675
-6 975 637
<b>0</b>

3 433 074 767
(24 555 567)
<b>3 408 519 201</b>

165 622 038
<b>165 622 038</b>

65 065 521
<b>65 065 521</b>
<b>230 687 558</b>

**68 863 503**

**9 772 800**

POLOKWANE MUNICIPALITY  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

2016  
R

151 334 191.96
47 376 483.89
4 020 914.00
12 544 832.00
82 607 480.00
49 257 064.35
21 179 404.86
289 047.61
<u>368 609 418.67</u>

0
0
2 949 710
427 591
8 450 451
0
<u>11 827 752</u>

POLOKWANE MUNICIPALITY  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

**GROUP  
ASSETS**

**8.1 PROPERTY, PLANT & EQUIPMENT**

	Land R	Community Facilities	Infrastructure R	Movable & Other R	Finance lease R	Total R
<b>Carrying values at 30 June 2015</b>	<b>263 981 341</b>	<b>1 642 823 321</b>	<b>6 802 067 863</b>	<b>50 092 307</b>	<b>85 708 511</b>	<b>8 844 673 343</b>
Cost	263 981 341	3 248 975 326	14 220 617 614	132 872 512	138 213 469	18 004 660 262
Accumulated impairment	0	-131 285	-19 021	0	0	-150 306
Accumulated depreciation – cost	0	-1 606 020 720	-7 418 530 730	-82 778 541	-52 504 958	-9 159 834 950
Acquisitions	5 500 000	3 815 755	587 449 788	15 524 192	5 007 280	617 297 016
Transfer	-1 000	0	0	0	0	-1 000
Capital Work in Progress	0	48 348 632	-168 240 974	0	0	-119 892 342
Depreciation – based on cost	0	-96 405 171	-336 693 025	-18 659 846	-29 727 566	-481 485 608
Loss on disposal of assets	0	-9 436 579	-49 097 151	-384 579	-197 769	-59 116 079
Cost	0	0	-86 944 187	-1 791 273	-2 942 685	-91 678 145
Accumulated depreciation	0	0	37 847 035	1 501 863	2 744 915	42 093 814
<b>Carrying values at 30 June 2016</b>	<b>269 485 549</b>	<b>1 589 145 959</b>	<b>6 829 914 686</b>	<b>46 570 408</b>	<b>60 790 455</b>	<b>8 795 907 058</b>
Cost	269 480 341	3 286 775 176	14 547 310 427	146 445 229	140 278 064	18 390 289 238
Accumulated impairment	0	-131 285	-19 021	0	0	-150 306
Accumulated depreciation – cost	0	-1 697 497 932	-7 717 376 720	-99 874 821	-79 487 609	-9 594 237 082
Prior year adjustments - cost	0	26 154 296	34 103 743	4 480 006	0	64 738 045
Prior year adjustments - work in progress	0	-258 502	-30 429 695	0	0	-30 688 197
Prior year adjustments - accumulated	0	-37 417	-4 267 919	-2 677 333	0	-6 982 669
mSCOA reclassification - cost	0	-40 516 742	44 006 584	-4 794 610	0	-1 304 768
mSCOA reclassification - accumulated	0	10 166 772	-10 619 845	453 073	0	0
<b>Restated Carrying value at 1 July 2016</b>	<b>269 485 549</b>	<b>1 584 654 367</b>	<b>6 862 707 554</b>	<b>44 031 545</b>	<b>60 790 455</b>	<b>8 821 669 470</b>
Acquisitions	0	33 212 474	1 084 240 659	15 115 492	639 693	1 133 208 318
Capital Work in Progress	0	58 978 257	317 532 102	0	0	376 510 359
Depreciation – based on cost	0	-84 671 732	-630 807 645	-7 661 581	-30 262 183	-753 403 141
Impairment reversal	0	131 285	19 021	0	0	150 306
Revaluation	-188 881 393	740 723 242	3 239 552 613	0	0	3 791 394 462
- Cost	-188 881 393	642 424 136	6 095 263 516	0	0	6 548 806 259
- Accumulated depreciation	0	98 299 106	-2 855 710 903	0	0	-2 757 411 797
Landfill provision	0	0	-2 347 239	0	0	-2 347 239
Loss on disposal of assets	0	-11 122	-5 817 967	-711 960	-282 117	-6 823 166
- Cost	0	-64 008	-20 289 035	-2 252 887	-585 421	-23 191 352
- Accumulated depreciation	0	52 887	14 471 068	1 540 927	303 304	16 368 186
<b>Carrying values at 30 June 2017</b>	<b>80 598 948</b>	<b>2 333 016 771</b>	<b>10 865 079 100</b>	<b>50 773 495</b>	<b>30 885 848</b>	<b>13 360 354 162</b>
Cost	80 598 948	4 006 705 088	22 069 391 064	158 993 230	140 332 336	26 456 020 664
Accumulated depreciation – cost	0	-1 673 688 316	-11 204 311 964	-108 219 735	-109 446 488	-13 095 666 503

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

Infrastructure and Community Assets: Annual review meetings were conducted with all Strategic Business Units during which impairment triggers and asset performance

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

	Community assets	Infrastructure Assets	Total
<b>Opening Balance at 1 July 2015</b>	<b>24 155 219</b>	<b>281 977 518</b>	<b>306 132 737</b>
Additional cost	30 073 470	466 406 544	496 480 014
Transfers to asset register	(2 526 086)	(233 149 605)	(235 675 691)
<b>Closing balance as at 30 June 2015</b>	<b>51 702 603</b>	<b>515 234 457</b>	<b>566 937 060</b>
Additional cost	48 842 115	411 726 135	460 568 251
Transfers to asset register	(493 483)	(579 967 109)	(580 460 592)
<b>Closing balance as at 30 June 2016</b>	<b>100 051 235</b>	<b>346 993 483</b>	<b>447 044 719</b>
Prior year adjustments - work in progress	(258 502)	(30 429 696)	(30 688 198)
<b>Opening Balance at 1 July 2016</b>	<b>99 792 734</b>	<b>316 563 787</b>	<b>416 356 521</b>
Additional cost	63 305 469	594 603 328	657 908 797
Transfers to asset register	(4 327 211)	(277 071 226)	(281 398 437)
<b>Closing balance as at 30 June 2017</b>	<b>158 770 991</b>	<b>634 095 890</b>	<b>792 866 881</b>

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

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

During the year Remaining Useful Lives were reviewed on all depreciable assets and adjusted where necessary.

During the year the municipality realigned the fixed asset register to be inline with the mSCOA requirements. As a result, some asset classes were reclassified

Land: Properties to the value of R725 452 000 for which title deeds are registered under the name of the Municipality, have not been included in the Municipality's financial records. These properties are represented by ex R 293 and other land parcels, vacant and improved, over which the municipality does not execute any form of control or have any legal claim to ownership.

Assets are not pledged as collateral.

**Delayed projects**

See annexure K for detail of delayed projects

POLOKWANE MUNICIPALITY  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

8.2 INTANGIBLE ASSETS

	2 017	2 016
	R	R
<b>Carrying Value Opening Balance</b>	<b>2 285 318</b>	<b>2 449 305</b>
Cost	10 832 734	11 776 623
Accumulated amortisation	-8 547 416	-9 327 318
Acquisitions	679 117	827 406
Amortisation - based on cost		
Prior year adjustment -cost	1 304 768	
<b>Restated Carrying value at 1 July 2016</b>	<b>3 590 086</b>	<b>2 449 305</b>
Impairment		
Amortisation and impairment– based on cost	-974 016	-991 393
Amortisation and impairment– based on cost Aganang		
Cost	0	-1 771 295
Accumulated amortisation	0	1 771 295
Accumulated amortisation Aganang		
<b>Carrying Value Closing Balance</b>	<b>3 295 187</b>	<b>2 285 318</b>
Cost	12 816 619.05	10 832 734
Accumulated amortisation	-9 521 431.89	-8 547 416

Reconciliation of Intangible Assets - 2017

	Carrying value Opening Balance R	Additions R	Capital Work in Progress R	Impairment	Amortisation/Transfer R	Carrying value Closing Balance R
Computer infrastructure/systems Aganang	2 073 968		679 117		-955 405	1 797 681
Service, Operating and Land rights	1 304 768	0	0		0	1 304 768
	<b>3 378 736</b>	<b>0</b>	<b>679 117</b>	<b>0</b>	<b>-955 405</b>	<b>3 102 448</b>

Reconciliation of Intangible Assets - 2016

	Carrying value Opening Balance R	Additions R	Capital Work in Progress R	Impairment	Amortisation/Transfer R	Carrying value Closing Balance R
Computer infrastructure/systems	2 166 626	750 000	0		-842 658	2 073 968
Aerial photographs	148 735	0	0		-148 735	0
	<b>2 315 361</b>	<b>750 000</b>	<b>0</b>	<b>0</b>	<b>-991 393</b>	<b>2 073 968</b>

Reconciliation of Intangible Assets - 2015

	Carrying value Opening Balance R	Additions R	Capital Work in Progress R	Impairment	Amortisation R	Carrying value Closing Balance R
Computer infrastructure/systems	2 820 592	927 367	0		-1 581 333	2 166 626
Aerial photographs	297 065	0	0		-148 330	148 735
	<b>3 117 657</b>	<b>927 367</b>	<b>0</b>	<b>0</b>	<b>-1 729 663</b>	<b>2 315 361</b>

No intangible assets were pledged as security.

MUNICIPALITY

8 ASSETS

8.1 PROPERTY, PLANT & EQUIPMENT

	Land R	Community Facilities	Infrastructure R	Movable & Other R	Finance lease R	Total R
<b>Carrying values at 30 June 2015</b>	<b>237 481 341</b>	<b>1 552 187 799</b>	<b>6 802 067 863</b>	<b>49 596 227</b>	<b>85 708 511</b>	<b>8 727 041 740</b>
Cost	237 481 341	3 118 925 330	14 220 617 614	131 724 343	138 213 469	17 846 962 097
Accumulated Impairment	0	-131 285	-19 021	0	0	-150 306
Accumulated depreciation – cost	0	-1 566 606 246	-7 418 530 730	-82 128 116	-52 504 958	-9 119 770 051
Acquisitions	0	3 812 586	587 449 788	15 345 641	5 007 280	611 615 296
Transfer	-1 000	0	0	0	0	-1 000
Capital Work in Progress	0	48 348 632	-168 240 974	0	0	-125 464 156
Depreciation – based on cost	0	-91 203 059	-336 693 025	-18 548 847	-29 727 566	-476 172 497
Correction depreciation -Prior year	0	0	0	0	0	0
Loss on disposal of assets	0	0	-49 097 151	-289 410	-197 769	-49 584 331
Cost	0	0	-86 944 187	-1 791 273	-2 942 685	-91 678 145
Accumulated depreciation	0	0	37 847 035	1 501 863	2 744 915	42 093 814
<b>Carrying values at 30 June 2016</b>	<b>237 480 341</b>	<b>1 513 145 959</b>	<b>6 829 914 686</b>	<b>46 103 610</b>	<b>60 790 455</b>	<b>8 687 435 052</b>
Cost	237 480 341	3 171 086 549	14 547 310 427	145 278 710	140 278 064	18 241 434 092
Accumulated Impairment	0	-131 285	-19 021	0	0	-150 306
Accumulated depreciation – cost	0	-1 657 809 305	-7 717 376 720	-99 175 100	-79 487 609	-9 553 848 734
Prior year adjustments - cost	0	26 154 296	34 103 743	4 480 006	0	64 738 045
Prior year adjustments - work in progress	0	-258 502	-30 429 695	0	0	-30 688 197
Prior year adjustments - accumulated depreciation	0	-37 417	-4 267 919	-2 677 333	0	-6 982 669
mSCOA reclassification - cost	0	-40 516 742	44 006 584	-4 794 610	0	-1 304 768
mSCOA reclassification - accumulated depreciation	0	10 166 772	-10 619 845	453 073	0	0
<b>Restated Carrying value at 1 July 2016</b>	<b>237 480 341</b>	<b>1 508 654 367</b>	<b>6 862 707 554</b>	<b>43 564 747</b>	<b>60 790 455</b>	<b>8 713 197 464</b>
Acquisitions	0	33 207 448	1 084 240 659	15 104 493	639 693	1 133 192 293
Transfer	0	0	0	0	0	0
Capital Work in Progress	0	58 978 257	317 532 102	0	0	376 510 359
Depreciation – based on cost	0	-80 043 805	-630 807 645	-7 558 697	-30 262 183	-748 672 330
Impairment reversal	0	131 285	19 021	0	0	150 306
Revaluation	-188 881 393	740 723 242	3 239 552 613	0	0	3 791 394 464

**POLOKWANE MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

- Cost	-188 881 393	642 424 136	6 095 263 516	0		6 548 806 259
- Accumulated depreciation	0	98 299 106	-2 855 710 903	0		-2 757 411 797
Landfill provision	0	0	-2 347 239	0	0	-2 347 239
Loss on disposal of assets	0	-11 122	-5 817 967	-711 960	-282 117	-6 823 166
- Cost	0	-64 008	-20 289 035	-2 252 887	-585 421	-23 191 352
- Accumulated depreciation	0	52 887	14 471 068	1 540 927	303 304	16 368 186
<b>Carrying values at 30 June 2017</b>	<b>48 598 948</b>	<b>2 261 639 672</b>	<b>10 865 079 100</b>	<b>50 398 582</b>	<b>30 885 848</b>	<b>13 256 602 150</b>
Cost	48 598 948	3 891 011 435	22 069 391 064	157 815 712	140 332 336	26 307 149 493
Accumulated Impairment	0	0	0	0	0	0
Accumulated depreciation – cost	0	-1 629 371 762	-11 204 311 964	-107 417 130	-109 446 488	-13 050 547 344

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

Infrastructure and Community Assets: Annual review meetings were conducted with all Strategic Business Units during which impairment triggers and asset performance

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

	Community assets	Infrastructure Assets	Total
	Community assets	Infrastructure Assets	TOTAL
<b>Opening Balance at 1 July 2015</b>	<b>24 155 219</b>	<b>281 977 518</b>	<b>306 132 737</b>
Additional cost	30 073 470	466 406 544	496 480 014
Transfers to asset register	(2 526 086)	(233 149 605)	(235 675 691)
<b>Closing balance as at 30 June 2015</b>	<b>51 702 603</b>	<b>515 234 457</b>	<b>566 937 060</b>
Additional cost	48 842 115	411 726 135	460 568 251
Transfers to asset register	(493 483)	(579 967 109)	(580 460 592)
<b>Closing balance as at 30 June 2016</b>	<b>100 051 235</b>	<b>346 993 483</b>	<b>447 044 719</b>
Prior year adjustments - work in progress	(258 502)	(30 429 696)	(30 688 198)
<b>Opening Balance at 1 July 2016</b>	<b>99 792 734</b>	<b>316 563 787</b>	<b>416 356 521</b>
Additional cost	63 305 469	594 603 328	657 908 797
Transfers to asset register	(4 327 211)	(277 071 226)	(281 398 437)
<b>Closing balance as at 30 June 2017</b>	<b>158 770 991</b>	<b>634 095 890</b>	<b>792 866 881</b>

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

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

During the year Remaining Useful Lives were reviewed on all depreciable assets and adjusted where necessary.

During the year the municipality realigned the fixed asset register to be inline with the mSCOA requirements. As a result, some asset classes were reclassified

Land: Properties to the value of R725 452 000 for which title deeds are registered under the name of the Municipality, have not been included in the Municipality's financial records. These properties are represented by ex R 293 and other land parcels, vacant and improved, over which the municipality does not execute any form of control or have any legal claim to ownership.

Assets are not pledged as collateral.

**Delayed projects**

See annexure K for detail of delayed projects

**8.2 INTANGIBLE ASSETS**

	2 017	2 016
	R	R
<b>Carrying Value Opening Balance</b>	<b>2 073 968</b>	<b>2 315 361</b>
Cost	10 553 695	11 574 990
Accumulated amortisation	-8 479 727	-9 259 629
Acquisitions	679 117	750 000
Amortisation - based on cost		
Prior year adjustment -cost	1 304 768	
<b>Restated Carrying value at 1 July 2016</b>	<b>3 378 736</b>	<b>2 315 361</b>
Impairment		
Amortisation and impairment– based on cost	-955 405	-991 393
Amortisation and impairment– based on cost Aganang		
Cost	0	-1 771 295
Accumulated amortisation	0	1 771 295
Accumulated amortisation Aganang		
<b>Carrying Value Closing Balance</b>	<b>3 102 448</b>	<b>2 073 968</b>
Cost	12 537 580.05	10 553 695
Accumulated amortisation	-9 435 131.89	-8 479 727

**Reconciliation of Intangible Assets - 2017**

	Carrying value Opening Balance	Additions	Capital Work in Progress	Impairment	Amortisation/Transfer	Carrying value Closing Balance
	R	R	R		R	R
Computer infrastructure/systems	2 073 968		679 117		-955 405	1 797 681
Aganang						
Service, Operating and Land rights	1 304 768	0	0		0	1 304 768
	<b>3 378 736</b>	<b>0</b>	<b>679 117</b>	<b>0</b>	<b>-955 405</b>	<b>3 102 448</b>

**Reconciliation of Intangible Assets - 2016**

	Carrying value Opening Balance	Additions	Capital Work in Progress	Impairment	Amortisation/Transfer	Carrying value Closing Balance
	R	R	R		R	R
Computer infrastructure/systems	2 166 626	750 000	0		-842 658	2 073 968
Aerial photographs	148 735	0	0		-148 735	0
	<b>2 315 361</b>	<b>750 000</b>	<b>0</b>	<b>0</b>	<b>-991 393</b>	<b>2 073 968</b>

**Reconciliation of Intangible Assets - 2015**

	Carrying value Opening Balance	Additions	Capital Work in Progress	Impairment	Amortisation	Carrying value Closing Balance
	R	R	R		R	R
Computer infrastructure/systems	2 820 592	927 367	0		-1 581 333	2 166 626

POLOKWANE MUNICIPALITY  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

Aerial photographs	297 065	0	0	-148 330	148 735
	<b>3 117 657</b>	<b>927 367</b>	<b>0</b>	<b>-1 729 663</b>	<b>2 315 361</b>

No intangible assets were pledged as security.

**POLOKWANE MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

**GROUP**

**8.3. INVESTMENT PROPERTY**

	Vacant land	Commercial Property	Total
<b>2016</b>			
<b>Carrying Value Opening Balance</b>	<b>586 662 660</b>	<b>28 632 211</b>	<b>615 294 871</b>
Fair value adjustment on transfer in PPE	0	17 025 245	17 025 245
Fair value adjustment	24 552 667	639 893	25 192 560
Reclassification	-22 972 760		-22 972 760
Transfer	1 000	0	1 000
<b>Fair Value</b>	<b>588 243 567</b>	<b>46 297 349</b>	<b>634 540 916</b>
<b>2017</b>			
<b>Carrying Value Opening Balance</b>	<b>588 243 567</b>	<b>46 297 349</b>	<b>634 540 916</b>
Additions Aganang	343 750		343 750
Fair value adjustment	24 044 434		24 044 434
Donated property	-1 952 631		-1 952 631
<b>Fair Value</b>	<b>610 679 120</b>	<b>46 297 349</b>	<b>656 976 469</b>

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.

No Investment Properties were pledged as security.

There are no restrictions on investment properties.

There are no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

The values were determined by an external Professional Valuer registered with the South African Council for the Property Valuers Profession, Registration No. 4973/1

The value of investment property, comprising of land and buildings was determined by using a combination of valuation approaches. Each of these approaches assessed the relevance of each specific property based on their nature, use and comparable market transactions.

The preferred valuation methodology applied to vacant land was that of comparable market related sales,

based on use, location and extent. In cases where no reasonable comparable sales were available, the discounted cash flow methodology was used based on market related rentals for similar properties.

Investment Properties were fair valued by Zack van der Merve, a registered professional valuer, registration number: (SACPVP) - Valuer: 4973.

**8.4. HERITAGE ASSETS**

	Art Works	Heritage Sites	Memorials & Statues	Museums	Total
	R	R	R	R	R
<b>2016</b>					
<b>Carrying Value Opening Balance</b>	<b>11 688 474</b>	<b>144 000</b>	<b>3 421 369</b>	<b>355 311</b>	<b>15 609 153</b>
Cost	11 688 474	144 000	3 421 369	355 311	15 609 153
<b>Carrying Value Closing Balance</b>	<b>11 688 474</b>	<b>144 000</b>	<b>3 421 369</b>	<b>355 311</b>	<b>15 609 153</b>
<b>2017</b>					
<b>Carrying Value Opening Balance</b>	<b>11 688 474</b>	<b>144 000</b>	<b>3 421 369</b>	<b>355 311</b>	<b>15 609 153</b>
Cost	11 688 474	144 000	3 421 369	355 311	15 609 153
Derecognition	0		-13 710		-13 710
<b>Carrying Value Closing Balance</b>	<b>11 688 474</b>	<b>144 000</b>	<b>3 407 659</b>	<b>355 311</b>	<b>15 595 443</b>

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

**8.5 BIOLOGICAL ASSETS**

	2017 R	2016 R
<b>Carrying Value Opening Balance</b>	<b>8 999 025</b>	<b>14 277 750</b>
Fair value	8 999 025	14 277 750
Accumulated depreciation	-	-
Changes in fair value adjustments	6 571 809	-5 278 725
<b>Carrying Value Closing Balance</b>	<b>15 570 834</b>	<b>8 999 025</b>
<b>Fair value</b>	<b>15 570 834.00</b>	<b>8 999 025.00</b>
Accumulated depreciation	0	-

All biological assets relate to game.

There were 1681 game at year end. (2016: 1200)

**POLOKWANE MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

				GROUP			
				2017	2016	2017	2016
				R	R	R	R
				Restated			
<b>9.</b>	<b>INVESTMENTS</b>						
	<b>Current Investments</b>						
	VBS Bank	8.576% - 8.6%	6 Months	143 177 996		143 177 996	
	<b>Total Current Investments</b>			<b>143 177 996</b>	<b>0</b>	<b>143 177 996</b>	<b>0</b>
	<b>Non current Investments</b>						
		<b>Interest rate</b>	<b>Tenure</b>				
	Standard Bank (Credit rating BBB-)	6.50%	Call account	58 999 800	58 999 800	58 999 800	58 999 800
	Sanlam	1.27%	10 Years	21 257 584		21 257 584	
	Liberty Life	14.38%	10 Years	25 142 489		25 142 489	
	Investment in municipal entity (PHA)			0		1 000	1 000
	<b>Total non current investments</b>			<b>105 399 873</b>	<b>58 999 800</b>	<b>105 400 873</b>	<b>59 000 800</b>
	<b>Total investments</b>			<b>248 577 869</b>	<b>58 999 800</b>	<b>248 578 869</b>	<b>59 000 800</b>
	Council's valuation of investments			<b>248 578 869</b>	<b>59 000 800</b>	<b>248 578 869</b>	<b>59 000 800</b>
	Polokwane Municipality has a 100% controlling interest in PHA. The subsidiary provide social housing to the community. Investments are held to maturity.						
	The Standard Bank long term investment serves as guarantee for Eskom bulk purchases						
<b>10</b>	<b>RECEIVABLES</b>						
	Housing selling scheme loans			151 739	163 829	151 739	163 829
	Erven loans			0	5 512 448	0	5 512 448
	Less Provision for bad debts			0	-5 512 448	0	-5 512 448
	<b>Total Receivables</b>			<b>151 739</b>	<b>163 829</b>	<b>151 739</b>	<b>163 829</b>
	<b>Current Portion Transferred to Current Receivables</b>			<b>3 553</b>	<b>3 317</b>	<b>3 553</b>	<b>3 317</b>
	Housing selling scheme loans			3 553	3 317	3 553	3 317
	<b>Non-Current Portion of Receivables</b>			<b>148 185</b>	<b>160 512</b>	<b>148 185</b>	<b>160 512</b>
	<b>Housing selling scheme loans</b>						
	These loans attract interest rates at 9.25% and were given over a period of 30 years.						
<b>11.</b>	<b>INVENTORY</b>						
	<b>Opening balance of inventories</b>			<b>62 995 698</b>	<b>36 214 414</b>	<b>62 995 698</b>	<b>36 214 414</b>
	Consumables stores - at cost			39 444 941	35 817 952	39 444 941	35 817 952
	Other goods held for resale - Land			22 972 760	0	22 972 760	0
	Water			577 997	396 462	577 997	396 462
	<b>Additions</b>			<b>284 503 721</b>	<b>233 712 330</b>	<b>284 503 721</b>	<b>233 712 330</b>
	Consumables stores			146 429 790	38 615 530	146 429 790	38 615 530
	Other goods held for resale- Land			4 580 770	22 972 760	4 580 770	22 972 760



**POLOKWANE MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

	<b>GROUP</b>			
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>
Own water	22 173 750	15 138 171	22 173 750	15 138 171
Water purchased external	111 319 411	156 985 869	111 319 411	156 985 869
<b>Issued (Expensed)</b>	<b>-182 114 197</b>	<b>-206 931 046</b>	<b>-182 114 197</b>	<b>-206 931 046</b>
Consumables stores	-40 561 424	-34 988 541	-40 561 424	-34 988 541
Other goods held for resale -Land	-8 371 760	0	-8 371 760	0
Distribution loss	-48 268 848	-35 696 299	-48 268 848	-35 696 299
Water distributed	-84 912 165	-136 246 206	-84 912 165	-136 246 206
<b>Closing balances of inventories</b>	<b>165 385 222</b>	<b>62 995 698</b>	<b>165 385 222</b>	<b>62 995 698</b>
Consumable stores - at cost	145 313 308	39 444 941	145 313 308	39 444 941
Other goods held for resale -Land	19 181 770	22 972 760	19 181 770	22 972 760
Water - at cost	890 144	577 997	890 144	577 997
Consumable stores are disclosed at the lower of cost or net realisable value in line with the accounting policy on the weighted average calculation method. No inventory is pledged as security				

**POLOKWANE MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

	GROUP			
	2017 R	2016 R	2017 R	2016 R
<b>12. TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS UNLESS SPECIFIED OTHERWISE</b>				
Consumer Debtors	977 169 691	852 560 436	949 043 556	831 573 773
Sale of water and electricity 15 to 30June	35 107 287	33 520 552	35 107 287	33 520 552
	<b>1 012 276 978</b>	<b>886 080 988</b>	<b>984 150 843</b>	<b>865 094 325</b>
Less Provision for bad debts	(562 061 708)	(589 150 558)	(536 124 467)	(572 294 805)
Plus outstanding RD cheques	1 441 787	1 445 967	1 441 787	1 445 967
	<b>451 657 057</b>	<b>298 376 397</b>	<b>449 468 163</b>	<b>294 245 487</b>
<b>Ageing of consumer debtors</b>				
Current (0-30 days)	140 418 905	151 747 559	140 418 905	151 747 559
31-60 days	52 955 591	56 993 973	52 955 591	56 993 973
61-90 days	28 822 945	35 920 905	28 822 945	35 920 905
91-120 days	23 880 709	29 656 657	23 880 709	29 656 657
120+ days	738 072 694	590 775 231	738 072 694	590 775 231
	<b>984 150 843</b>	<b>865 094 325</b>	<b>984 150 843</b>	<b>865 094 325</b>
<b>Consumer debtors per category</b>				
Government	40 690 879	32 110 273	40 690 879	32 110 273
Business	157 898 962	127 686 365	157 898 962	127 686 365
Individuals	783 147 800	703 333 142	783 147 800	703 333 142
Other	2 413 202	1 964 546	2 413 202	1 964 546
	<b>984 150 843</b>	<b>865 094 325</b>	<b>984 150 843</b>	<b>865 094 325</b>
<b>The analysis and ageing of consumer debtors per service.</b>				
<b>Water</b>				
Current (0-30 days)	28 878 051	39 180 669	28 878 051	39 180 669
31-60 days	21 187 875	20 777 730	21 187 875	20 777 730
61-90 days	6 847 413	14 421 343	6 847 413	14 421 343
91-120 days	5 621 222	12 072 557	5 621 222	12 072 557
120+ days	270 667 370	202 546 252	270 667 370	202 546 252
	<b>333 201 930</b>	<b>288 998 551</b>	<b>333 201 930</b>	<b>288 998 551</b>
<b>Electricity</b>				
Current (0-30 days)	69 114 542	69 064 436	69 114 542	69 064 436
31-60 days	16 089 573	17 025 075	16 089 573	17 025 075
61-90 days	7 532 569	10 206 550	7 532 569	10 206 550
91-120 days	6 861 804	8 356 895	6 861 804	8 356 895
120+ days	90 329 921	63 185 339	90 329 921	63 185 339
	<b>189 928 410</b>	<b>167 838 296</b>	<b>189 928 410</b>	<b>167 838 296</b>
<b>Property Rates - Non Exchange Transactions</b>				
Current (0-30 days)	24 223 496	31 036 597	24 223 496	31 036 597
31-60 days	10 189 943	10 476 074	10 189 943	10 476 074
61-90 days	8 041 811	7 789 461	8 041 811	7 789 461
91-120 days	7 563 777	6 372 213	7 563 777	6 372 213
120+ days	145 196 205	117 169 233	145 196 205	117 169 233
	<b>195 215 233</b>	<b>172 843 577</b>	<b>195 215 233</b>	<b>172 843 577</b>
<b>Sewerage</b>				
Current (0-30 days)	4 087 024	3 683 834	4 087 024	3 683 834
31-60 days	1 654 742	1 768 617	1 654 742	1 768 617
61-90 days	1 377 739	1 145 039	1 377 739	1 145 039
91-120 days	1 135 110	937 271	1 135 110	937 271
120+ days	17 338 160	14 844 975	17 338 160	14 844 975
	<b>25 592 774</b>	<b>22 379 737</b>	<b>25 592 774</b>	<b>22 379 737</b>
<b>Refuse</b>				

**POLOKWANE MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

	<b>GROUP</b>			
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>
Current (0-30 days)	5 813 657	5 049 835	5 813 657	5 049 835
31-60 days	2 911 641	2 310 964	2 911 641	2 310 964
61-90 days	2 711 427	1 572 305	2 711 427	1 572 305
91-120 days	1 999 656	1 299 322	1 999 656	1 299 322
120+ days	31 359 824	25 520 367	31 359 824	25 520 367
	<b>44 796 205</b>	<b>35 752 792</b>	<b>44 796 205</b>	<b>35 752 792</b>
<b>Other Consumer Receivables</b>				
Current (0-30 days)	8 302 274	3 732 188	8 302 274	3 732 188
31-60 days	921 817	4 635 512	921 817	4 635 512
61-90 days	2 311 986	786 208	2 311 986	786 208
91-120 days	699 139	618 400	699 139	618 400
120+ days	183 181 074	167 509 065	183 181 074	167 509 065
	<b>195 416 291</b>	<b>177 281 373</b>	<b>195 416 291</b>	<b>177 281 373</b>
<b>Total outstanding</b>	<b>984 150 843</b>	<b>865 094 325</b>	<b>984 150 843</b>	<b>865 094 325</b>
<b>Reconciliation of bad debt provision</b>				
Balance at beginning of year	577 807 252	408 535 232	577 807 252	408 535 232
Contributions to provision	9 725 258	185 960 979	9 725 258	185 960 979
Bad debts recovered/(written off) against provision	-51 408 044	(16 688 959)	-51 408 044	(16 688 959)
<b>Balance at year end</b>	<b>536 124 467</b>	<b>577 807 252</b>	<b>536 124 467</b>	<b>577 807 252</b>

POLOKWANE MUNICIPALITY  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

	GROUP			
	2017	2016	2017	2016
	R	R	R	R
<b>13 OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS UNLESS SPECIFIED OTHERWISE</b>				
Other debtors	1 662 624	695 344	1 662 624	695 344
Stock adjustments- Non exchange	0	628 847	0	628 847
Fines - Non exchange	37 667 286	23 570 291	37 667 286	23 570 291
Creditor overpayment	50	550 050	50	550 050
CDM	3 401 857	0	3 401 857	0
INEP	19 502 075	39 541 651	19 502 075	39 541 651
Banks- Accrued Interest	1 463 492	1 020 463	1 463 492	1 020 463
Amounts paid in advance	6 759 817	5 946 915	6 711 741	5 872 847
Deposits	684 874	684 874	684 874	684 874
	<b>71 142 074</b>	<b>72 638 435</b>	<b>71 093 998</b>	<b>72 564 367</b>
<b>13.1 Provision for outstanding traffic fines</b>				
Carrying amount at beginning of year	36 287 601	29 262 695	36 287 601	29 262 695
Additions during the year	-	10 472 981	-	10 472 981
Reductions during the year	(5 358 995)	(3 448 075)	(5 358 995)	(3 448 075)
Carrying amount at end of year	<b>30 928 605</b>	<b>36 287 601</b>	<b>30 928 605</b>	<b>36 287 601</b>
<b>14 VAT - EXCHANGE TRANSACTIONS</b>				
VAT Claimable (Not due)	28 384 063	17 119 487	28 384 063	17 119 487
VAT Payable (Output)	-57 453 215	-54 185 717	-57 453 215	-54 185 717
Nett VAT refundable by SARS	58 216 742	6 154 872	58 216 742	6 154 872
	<b>29 147 590</b>	<b>-30 911 357</b>	<b>29 147 590</b>	<b>-30 911 357</b>
VAT is payable on cash basis.				
<b>15 CASH AND CASH EQUIVALENTS</b>				
The municipality has the following bank accounts:				
<b>Current account (primary bank account)</b>				
Standard Bank: Polokwane	11 694 552	17 468 008	11 694 552	17 468 008
Account number: 030172349				
Cash book balance at end of year	<b>11 694 552</b>	<b>17 468 008</b>	<b>11 694 552</b>	<b>17 468 008</b>
<b>Current account (DBSA)</b>				
Standard Bank: Polokwane	416 187		416 187	
Account number: 80472818				
Cash book balance at end of year	<b>416 187</b>	<b>3</b>	<b>416 187</b>	<b>3</b>
<b>Current account (Conditional Grants)</b>				
Standard Bank: Polokwane	871 325	68 304 737	871 325	68 304 737
Account number: 251753846				
Cash book balance at end of year	<b>871 325</b>	<b>68 304 737</b>	<b>871 325</b>	<b>68 304 737</b>
<b>Current Account (People Housing Project)</b>				

**POLOKWANE MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

				<b>GROUP</b>			
				<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
				<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>
Standard Bank: Polokwane				454 878	427 591	454 878	427 591
Account number: 330535269							
Cash book balance at end of year				<b>454 878</b>	<b>427 591</b>	<b>454 878</b>	<b>427 591</b>
<b>Aganang Bank Account</b>							
Ned Bank				4 575 979		4 575 979	
Account number : 1013906551							
Cash book balance at end of year				<b>4 575 979</b>		<b>4 575 979</b>	
<b>Short Term Deposits</b>							
		<b>Interest rate</b>	<b>Tenure</b>				
VBS Bank		7.90%	60 Days	80 000 000	0	80 000 000	0
				<b>80 000 000</b>	<b>0</b>	<b>80 000 000</b>	<b>0</b>
Petty cash				25 075	24 710	25 075	24 710
<b>PHA Balances</b>				<b>1 732 756</b>	<b>2 032 341</b>	<b>0</b>	<b>0</b>
<b>Total cash and cash equivalents</b>				<b>99 770 751</b>	<b>88 257 390</b>	<b>98 037 995</b>	<b>86 225 049</b>

**POLOKWANE MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

		<b>GROUP</b>			
		<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
		<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>
<b>16</b>	<b>PROPERTY RATES</b>				
	Residential	82 846 593	101 746 482	82 846 593	101 746 482
	Government	26 009 706	24 428 075	26 009 706	24 428 075
	Commercial	176 940 950	125 780 607	176 940 950	125 780 607
	Other	24 679 184	29 068 557	24 679 184	29 068 557
		<b>310 476 433</b>	<b>281 023 721</b>	<b>310 476 433</b>	<b>281 023 721</b>
	<b>VALUATIONS</b>	<b>R000's</b>	<b>R000's</b>	<b>R000's</b>	<b>R000's</b>
	Residential	26 354 223	26 136 132	26 354 223	26 136 132
	Government	2 603 150	2 603 150	2 603 150	2 603 150
	Commercial	17 796 162	17 748 136	17 796 162	17 748 136
	Municipal	1 219 993	1 215 688	1 219 993	1 215 688
	Other	8 283 652	8 101 070	8 283 652	8 101 070
		<b>56 257 180</b>	<b>55 804 176</b>	<b>56 257 180</b>	<b>55 804 176</b>
	Valuations on property are performed every four years and the last general valuation come into effect on 1 July 2014. The basic rate on residential vacant land for 2016/17 was .0100 (2015/16:.02115) in the Rand on the market value of the property. Different rebates are granted to owners depended on the category of the rateable property.				
<b>17</b>	<b>SERVICE CHARGES</b>				
	Sale of electricity	829 722 837	748 659 538	829 722 837	748 659 538
	Sale of water	219 406 650	195 307 571	219 406 650	195 307 571
	Refuse removal	74 508 944	64 031 799	74 508 944	64 031 799
	Sewerage and sanitation charges	59 375 701	51 771 304	59 375 701	51 771 304
		<b>1 183 014 133</b>	<b>1 059 770 212</b>	<b>1 183 014 133</b>	<b>1 059 770 212</b>
<b>18</b>	<b>RENTAL OF FACILITIES AND EQUIPMENT</b>				
	Rental of facilities	29 052 876	22 758 008	18 759 971	12 342 192
	<b>Total rentals</b>	<b>29 052 876</b>	<b>22 758 008</b>	<b>18 759 971</b>	<b>12 342 192</b>
<b>19</b>	<b>GOVERNMENT GRANTS &amp; SUBSIDIES &amp; PUBLIC CONTRIBUTIONS</b>				
	<b>Operating Grants from Government</b>	<b>793 516 083</b>	<b>655 974 538</b>	<b>793 516 083</b>	<b>655 974 538</b>
	Equitable share	655 066 000	522 595 000	655 066 000	522 595 000
	Municipal systems improvement grant	0	930 000	0	930 000
	Finance management grant	2 619 033	1 241 731	2 619 033	1 241 731
	Municipal infrastructure grant	36 472 492	32 962 854	36 472 492	32 962 854
	Integrated national electrification programme grant	24 960 243	79 541 651	24 960 243	79 541 651
	Expanded public works programme incentive grant	5 975 000	2 703 301	5 975 000	2 703 301
	Public transport network grant	53 408 460	11 000 000	53 408 460	11 000 000
	Infrastructure skills development grant	6 000 000	5 000 000	6 000 000	5 000 000
	PHA Grant received	0	0	0	0
	Municipal demarcation transition grant	9 014 854	-	9 014 854	-
		<b>548 523 447</b>	<b>473 584 799</b>	<b>548 523 447</b>	<b>473 584 799</b>
	<b>Capital Grants from Government</b>	<b>548 523 447</b>	<b>473 584 799</b>	<b>548 523 447</b>	<b>473 584 799</b>
	Municipal infrastructure grant	204 473 252	247 160 415	204 473 252	247 160 415
	Finance management grant	-	633 269	-	633 269
	Public transport network grant	141 808 619	201 356 868	141 808 619	201 356 868
	Neighbourhood development grant	22 082 575	22 621 549	22 082 575	22 621 549
	Regional bulk infrastructure grant	180 159 000	-	180 159 000	-

POLOKWANE MUNICIPALITY  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

	GROUP 2017 R	2016 R	2017 R	2016 R
Expanded public works programme incentive grant	-	1 812 699	-	1 812 699
<b>Capital Grants from Public Contributions</b>	-	<b>3 355 674</b>	-	<b>3 355 674</b>
National Lottery	-	3 355 674	-	3 355 674
<b>Total Government Grants &amp; Subsidies &amp; Public Contributions</b>	<b>1 342 039 530</b>	<b>1 132 915 011</b>	<b>1 342 039 530</b>	<b>1 132 915 011</b>
<b>19.1 Equitable Share</b>				
Balance unspent at beginning of year				-
Current year receipts	655 066 000	522 595 000	655 066 000	522 595 000
Conditions met – transferred to revenue	-655 066 000	(522 595 000)	-655 066 000	(522 595 000)
	<b>0</b>	<b>-</b>	<b>0</b>	<b>-</b>
This grant is an unconditional grant and is partially utilized for the provision of indigent support through free basic services. Registered indigents receive a maximum monthly subsidy of R245.00 (2015/16: R220.00) which is funded from this grant.				

POLOKWANE MUNICIPALITY  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

	GROUP			
	2017 R	2016 R	2017 R	2016 R
<b>19.2 Finance Management Grant</b>				
Balance unspent at beginning of year			0	-
Current year receipts	2 619 033	1 875 000	2 619 033	1 875 000
Conditions met – transferred to revenue	-2 619 033	(1 875 000)	-2 619 033	(1 875 000)
<b>Unspent amount transferred to liabilities</b>	<b>0</b>	<b>-</b>	<b>0</b>	<b>-</b>
(see note 7)				
This grant was used to promote and support reforms to municipal financial management and the implementation of the MFMA, 2003. The conditions of the grant were met. No funds have been withheld.				
<b>19.3 Public Transport Network Grant</b>				
Balance unspent at beginning of year	0	28 167 868	0	28 167 868
Current year receipts	200 026 000	184 189 000	200 026 000	184 189 000
Conditions met – transferred to revenue	-195 217 079	-212 356 868	-195 217 079	-212 356 868
<b>Unspent amount transferred to liabilities</b>	<b>4 808 921</b>	<b>-</b>	<b>4 808 921</b>	<b>-</b>
(see note 7)				
The grant was used for public transport and non motorised transport infrastructure.				
<b>19.4 Municipal Systems Improvement Grant</b>				
Balance unspent at beginning of year			0	-
Current year receipts	0	930 000	0	930 000
Conditions met – transferred to revenue	0	(930 000)	0	(930 000)
<b>Unspent amount transferred to liabilities</b>	<b>0</b>	<b>-</b>	<b>0</b>	<b>-</b>
(see note 7)				
The purpose of the grant is for institutional systems. The grant was utilised.				
<b>GOVERNMENT SUBSIDIES &amp; GRANTS (CONTINUED)</b>				
<b>19.5 Municipal Demarcation Transition Grant</b>				
Balance unspent at beginning of year			0	-
Current year receipts	9 014 854	-	9 014 854	-
Conditions met – transferred to revenue	-9 014 854	-	-9 014 854	-
<b>Unspent amount transferred to liabilities</b>	<b>0</b>	<b>-</b>	<b>0</b>	<b>-</b>
(see note 7)				
This grant was utilised for sport related operating expenses. The conditions of the grant were met and no funds have been withheld.				
<b>19.6 Municipal Infrastructure Grant</b>				
Balance unspent at beginning of year	0	133 711 393		133 711 393
Current year receipts	304 862 371	275 800 000	304 862 371	275 800 000
Conditions met – transferred to revenue	-240 945 745	(280 123 269)	-240 945 745	(280 123 269)
Paid back to National Treasury	-4 869 549	(129 388 125)	-4 869 549	(129 388 125)
<b>Unspent amount transferred to liabilities</b>	<b>59 047 078</b>	<b>-</b>	<b>59 047 078</b>	<b>-</b>
(see note 7)				
This grant was used to construct municipal infrastructure to provide basic services for the benefit of poor households. The conditions of the grant were met and no funds have been withheld.				
<b>19.7 Limpopo Provincial Government</b>				
Balance unspent at beginning of year	2 949 710	2 949 710	2 949 710	2 949 710
<b>Unspent amount transferred to liabilities</b>	<b>2 949 710</b>	<b>2 949 710</b>	<b>2 949 710</b>	<b>2 949 710</b>
(see note 7)				
The grant was utilised in the planning phase of the Convention Centre				



POLOKWANE MUNICIPALITY  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

**19.8 Water Services Refurbishment Grant**  
 Balance unspent at beginning of year  
 Paid back to National Treasury  
**Unspent amount transferred to liabilities**  
 (see note 7)  
 The grant was utilised to subsidise water & sewer schemes transferred by DWAF.

GROUP	2017	2016	2017	2016
R	R	R	R	R
-	20 840 184	-	-	20 840 184
-	(20 840 184)	-	-	(20 840 184)
<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

POLOKWANE MUNICIPALITY  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

		GROUP			
		2017	2016	2017	2016
		R	R	R	R
<b>19.9</b>	<b><i>Limpopo Local Government &amp; Housing</i></b>				
	Balance unspent at beginning of year	427 591	404 429	427 591	404 429
	Current year receipts	27 287	23 162	27 287	23 162
	<b>Unspent amount transferred to liabilities</b>	<b>454 878</b>	<b>427 591</b>	<b>454 878</b>	<b>427 591</b>
	(see note 7)				
	The grant was used to fund the housing accreditation process				
<b>19.10</b>	<b><i>Integrated National Electrification Programme Grant</i></b>				
	Balance unspent at beginning of year	-39 541 651	-	-39 541 651	-
	Current year receipts	45 000 000	40 000 000	45 000 000	40 000 000
	Conditions met – transferred to revenue	-24 960 423	(79 541 651)	-24 960 423	(79 541 651)
	<b>Unspent amount transferred to liabilities</b>	<b>-19 502 074</b>	<b>(39 541 651)</b>	<b>-19 502 074</b>	<b>(39 541 651)</b>
	(see note 7)				
	The grant was used to fund projects to address electrification backlogs in rural areas .				
<b>19.11</b>	<b><i>Capricorn District Municipality</i></b>				
	Balance unspent at beginning of year	0	-	0	-
	Current year receipts	900 000	-	900 000	-
	<b>Unspent amount transferred to liabilities</b>	<b>900 000</b>	<b>-</b>	<b>900 000</b>	<b>-</b>
	(see note 7)				
<b>19.12</b>	<b><i>Expanded Public Works Programme Incentive Grant</i></b>				
	Balance unspent at beginning of year	0	-	0	-
	Current year receipts	5 975 000	4 516 000	5 975 000	4 516 000
	Conditions met – transferred to revenue	-5 975 000	(4 516 000)	-5 975 000	(4 516 000)
	<b>Unspent amount transferred to liabilities</b>	<b>0</b>	<b>-</b>	<b>0</b>	<b>-</b>
	(see note 7)				
	The grant was used to fund projects in order to maximise job creation and skills development .				
<b>19.13</b>	<b><i>Neighbourhood Development Partnership Grant</i></b>				
	Balance unspent at beginning of year	8 450 451	5 705 692	8 450 451	5 705 692
	Current year receipts	34 538 000	31 072 000	34 538 000	31 072 000
	Conditions met – transferred to revenue	-22 082 575	(22 621 549)	-22 082 575	(22 621 549)
	Paid back to National Treasury	-8 450 451	(5 705 692)	-8 450 451	(5 705 692)
	<b>Unspent amount transferred to liabilities</b>	<b>12 455 425</b>	<b>8 450 451</b>	<b>12 455 425</b>	<b>8 450 451</b>
	(see note 7)				
	The grant was used to fund projects in order to provide community infrastructure to improve quality of life of residents in townships .				
<b>19.14</b>	<b><i>Skills Development Fund</i></b>				
	Balance unspent at beginning of year	0	-	0	-
	Current year receipts	6 000 000	5 000 000	6 000 000	5 000 000
	Conditions met – transferred to revenue	-6 000 000	(5 000 000)	-6 000 000	(5 000 000)
	<b>Unspent amount transferred to liabilities</b>	<b>0</b>	<b>-</b>	<b>0</b>	<b>-</b>
	(see note 7)				
	The grant was paid over to Lepelle Northern Water Board				
<b>19.15</b>	<b><i>Regional Bulk Infrastructure Grant</i></b>				
	Balance unspent at beginning of year				
	Current year receipts	180 159 000	-	180 159 000	
	Conditions met – transferred to revenue	-180 159 000	-	-180 159 000	
	<b>Unspent amount transferred to liabilities</b>	<b>0</b>	<b>-</b>	<b>0</b>	
	(see note 7)				
	The grant was used to fund projects in order to provide Bulk infrastructure to improve quality of life of residents .				

POLOKWANE MUNICIPALITY  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

20

**PUBLIC CONTRIBUTIONS, DONATED & CONTRIBUTED  
PROPERTY, PLANT & EQUIPMENT**

Balance unspent at beginning of year (Lottery)

0.00                      3 355 674                      0.00                      3 355 674

Conditions met – transferred to revenue (Lottery)

0.00                      (3 355 674)                      0.00                      (3 355 674)

**Unspent amount transferred to liabilities**

**0.00                      -                      0.00                      -**

(see note 7)

**0.00                      0                      0.00                      0**

The Lottery funds were partially utilised during the year.

**Total Unspent government grants & Subsidies & Public  
Contributions**

**61 113 937                      -27 713 899                      61 113 937                      -27 713 899**

See note 7 for reconciliation

**POLOKWANE MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

		GROUP			
		2017	2016	2017	2016
		R	R	R	R
<b>21</b>	<b>INVESTMENT REVENUE</b>				
	<b>EXTERNAL INVESTMENTS</b>				
	Primary account	11 770 593	11 034 670	11 770 593	11 034 670
	Grant account	439 112	6 523 000	439 112	6 523 000
	SARS	541 391	-	541 391	-
	DBSA	514 327	-	514 327	-
	External investments	20 823 048	10 035 091	20 823 048	10 035 091
		<b>34 088 471</b>	<b>27 592 762</b>	<b>34 088 471</b>	<b>27 592 762</b>
<b>22</b>	<b>OTHER REVENUE</b>				
<b>22.1</b>	<b>From non exchange transactions</b>				
	Donations received	91 252	12 751 952	91 252	12 751 952
	Retention forfeited	0	776 054	0	776 054
	Administration fees-PHA	1 165 143	1 803 609		
	<b>Total revenue from non exchange transactions</b>	<b>1 256 395</b>	<b>15 331 615</b>	<b>91 252</b>	<b>13 528 006</b>
<b>22.2</b>	<b>From exchange transactions</b>				
	Building plan fees	5 252 330	4 552 516	5 252 330	4 552 516
	Burial fees	617 207	583 185	617 207	583 185
	Sale of erven	20 401 954	2 409 825	20 401 954	2 409 825
	Surcharge excess water consumption	57 999 773	67 650 049	57 999 773	67 650 049
	Royalties Silicon	1 578 272	1 138 117	1 578 272	1 138 117
	Refund Seta levy	731 743	1 834 589	731 743	1 834 589
	Debtors control	-	9 853 904	-	9 853 904
	Insurance claims	1 290 361	1 365 339	1 290 361	1 365 339
	Admission fees	697 865	741 198	697 865	741 198
	Tender deposits	56 371	1 334 186	56 371	1 334 186
	SARS refund of savings	3 417 513	-	3 417 513	-
	Unidentified receipts transferred to revenue	8 057 188	5 314 167	8 057 188	5 314 167
	Waiver of liability-PHA	1 745 672	-	-	-
	Sundry income	5 358 017	11 611 870	5 358 017	11 611 870
	<b>Total revenue from exchange transactions</b>	<b>107 204 267</b>	<b>108 388 944</b>	<b>105 458 595</b>	<b>108 388 944</b>
	<b>Total Other revenue</b>	<b>108 460 662</b>	<b>123 720 558</b>	<b>105 549 847</b>	<b>121 916 949</b>
<b>23</b>	<b>EMPLOYEE RELATED COSTS</b>				
	Employee related cost - Salaries and wages	424 435 812	381 513 148	417 075 285	374 813 027
	Employee related cost - Social contributions	101 559 421	90 372 257	101 559 421	90 372 257
	Motor car allowances	43 562 513	38 377 346	43 562 513	38 377 346
	Housing benefits and other allowances	15 696 358	11 395 269	15 696 358	11 395 269
	Overtime benefits	47 653 931	46 154 748	47 653 931	46 154 748
	Leave bonus provision	263 211	2 399 791	263 211	2 399 791
	Leave reserve provision	21 052 059	28 821 626	21 052 059	28 821 626
	Long term service awards	4 388 668	6 064 693	4 388 668	6 064 693
		<b>658 611 972</b>	<b>605 098 880</b>	<b>651 251 445</b>	<b>598 398 759</b>
	There were no advances paid to employees.				
	<b>Municipal Manager</b>				
	Annual remuneration	209 976	0	209 976	0
	Housing allowance	37 481	0	37 481	0
	Motor car allowance	40 000	0	40 000	0
	Council Contributions	45 228	0	45 228	0
	Acting allowance	362 276	393 993	362 276	393 993
	The municipal manager was appointed in May 2017	<b>694 962</b>	<b>393 993</b>	<b>694 962</b>	<b>393 993</b>

**POLOKWANE MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

	<b>GROUP</b>			
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>
<b>Chief Financial Officer</b>				
Annual remuneration	0	1 154 388	0	1 154 388
Motor car allowance	0	90 000	0	90 000
Council Contributions	1 785	1 560	1 785	1 560
Acting allowance	759 056	602 312	759 056	602 312
Termination settlement	0	1 439 207	0	1 439 207
The position is vacant since April 2016				
A seconded official from Provincial Treasury is acting in the position.				
	<b>760 840</b>	<b>3 287 466</b>	<b>760 840</b>	<b>3 287 466</b>
<b>Director Planning &amp; Economic Development</b>				
Annual remuneration	122 987	808 895	122 987	808 895
Motor car allowance	13 000	156 000	13 000	156 000
Council Contributions	16 201	196 011	16 201	196 011
Acting allowance	209 148	0	209 148	
Termination settlement	311 272	0	311 272	
The position is vacant since August 2016				
	<b>672 608</b>	<b>1 160 906</b>	<b>672 608</b>	<b>1 160 906</b>

**POLOKWANE MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

	<b>GROUP</b>			
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>
<b>Director Engineering Services</b>				
Annual remuneration	911 956	849 457	911 956	849 457
Motor car allowance	240 000	240 000	240 000	240 000
Council Contributions	231 465	215 657	231 465	215 657
	<b>1 383 421</b>	<b>1 305 114</b>	<b>1 383 421</b>	<b>1 305 114</b>
<b>Director Community Services</b>				
Annual remuneration	458 796	744 317	458 796	744 317
Motor car allowance	126 000	216 000	126 000	216 000
Council Contributions	116 330	200 589	116 330	200 589
Acting allowance	81 912	0	81 912	
Termination settlement	6 800 000	0	6 800 000	
The position is vacant since February 2017				
	<b>7 583 037</b>	<b>1 160 906</b>	<b>7 583 037</b>	<b>1 160 906</b>
<b>Director Corporate &amp; Shared Services</b>				
Annual remuneration	702 011	425 706	702 011	425 706
Motor car allowance	187 000	60 000	187 000	60 000
Council Contributions	135 905	780	135 905	780
Acting allowance	318 065	225 783	318 065	225 783
Termination settlement	0	494 292	0	494 292
The position is vacant since December 2016				
	<b>1 342 981</b>	<b>1 206 560</b>	<b>1 342 981</b>	<b>1 206 560</b>
<b>Director Community Development</b>				
Annual remuneration	1 228 684	1 159 034	1 228 684	1 159 034
Motor car allowance	0	-	0	
Council Contributions	1 876	1 872	1 876	1 872
	<b>1 230 560</b>	<b>1 160 906</b>	<b>1 230 560</b>	<b>1 160 906</b>
<b>Director Strategic Planning, Monitoring &amp; Evaluation</b>				
Annual remuneration	689 137	897 934	689 137	897 934
Motor car allowance	36 000	48 000	36 000	48 000
Council Contributions	162 827	214 972	162 827	214 972
Acting allowance	69 662	0	69 662	
The position is vacant since May 2017				
	<b>957 626</b>	<b>1 160 906</b>	<b>957 626</b>	<b>1 160 906</b>
<b>Director Transportation Services</b>				
Annual remuneration	0	307 737	0	307 737
Motor car allowance	0	70 000	0	70 000
Council Contributions	0	80 329	0	80 329
Acting allowance	222 039	38 885	222 039	38 885
Termination settlement	0	551 899	0	551 899
The position is vacant since December 2015 .				
	<b>222 039</b>	<b>1 048 850</b>	<b>222 039</b>	<b>1 048 850</b>
No performance bonuses were paid out in terms of Section 57 of the Municipal Systems Act.				
<b>24 REMUNERATION OF COUNCILLORS</b>				
Executive Mayor	943 496	954 030	943 496	954 030
Speaker	809 704	779 349	809 704	779 349
Chief Whip	707 564	712 301	707 564	712 301
Mayoral Committee members	6 198 002	6 310 651	6 198 002	6 310 651
Councillors	23 187 203	18 263 292	23 187 203	18 263 292
	<b>31 845 968</b>	<b>27 019 623</b>	<b>31 845 968</b>	<b>27 019 623</b>
Refer to Annexure I for full details.				
<b>In-kind Benefits</b>				

**POLOKWANE MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

	<b>GROUP</b>			
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>
The Executive Mayor, Speaker and certain Mayoral Committee Members are full time. Each is provided with an office and secretarial support at the cost of Council. The Executive Mayor has use of a Council owned vehicle.				
<b>25 Repairs and maintenance</b>				
Electricity	31 413 878	28 654 759	31 413 878	28 654 759
Roads	67 933 164	31 578 113	67 933 164	31 578 113
Buildings	23 878 541	19 689 703	23 878 541	19 689 703
Other	135 245 168	119 389 568	135 091 957	119 048 848
	<u>258 470 751</u>	<u>199 312 144</u>	<u>258 317 540</u>	<u>198 971 424</u>
<b>26 FINANCE COST</b>				
Local Registered Stock loans	0	23 042	0	23 042
Finance leases	7 328 857	12 484 208	7 328 857	10 703 868
Annuity loans	30 183 435	23 852 027	30 172 402	23 852 027
	<u>37 512 292</u>	<u>36 359 277</u>	<u>37 501 259</u>	<u>34 578 938</u>
<b>27 BULK PURCHASES</b>				
Electricity	634 546 433	591 292 281	634 546 433	591 292 281
Water	155 573 070	156 985 869	155 573 070	156 985 869
	<u>790 119 503</u>	<u>748 278 150</u>	<u>790 119 503</u>	<u>748 278 150</u>

**POLOKWANE MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

	<b>GROUP</b>			
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>
<b>28 GRANT AND SUBSIDIES PAID</b>				
Animal care : SPCA	480 000	480 000	480 000	480 000
Grant - PHA	0	0	15 020 000	16 700 000
	<b>480 000</b>	<b>480 000</b>	<b>15 500 000</b>	<b>17 180 000</b>
<b>29 CONTRACTED SERVICES AND GENERAL EXPENSES</b>				
Contracted services	153 199 485	68 927 685	153 199 485	68 927 685
General expenses	434 276 520	465 191 173	430 796 812	461 846 831
	<b>587 476 004</b>	<b>534 118 857</b>	<b>583 996 296</b>	<b>530 774 515</b>

See Annexure H for full information on Contracted services and General expenditure.

**30 PRIOR PERIOD ADJUSTMENT**

**ASSETS**

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

The nature of each correction has been listed per asset:

Investment property

During the review of this asset portfolio, a number of properties were identified which were previously recognised as investment property, but is no longer under the control of the municipality (RDP housing). These assets should have been donated/derecognised in previously and as such prior year figures have been restated to reflect the financial impact of the changes. Municipal parking was also incorrectly classified as investment property in stead of property plant and equipment and as such had to be reclassified.

Assets derecognised/donated (including annual fair value adjustment)	<b>2016</b>	<b>2015</b>
Reclassification of municipal parking	(19 384 989.40)	(2 663 561.61)
	<u>(4 563 331.58)</u>	<u>-</u>

Movable and other assets

During the current financial period a physical verification process was performed, resulting in a number of assets identified which were not previously recognised in the asset register.

Additional assets included in the asset register	<b>2016</b>	<b>2015</b>
	1 802 673.28	0.00
	<u>1 802 673.28</u>	<u>0.00</u>

Infrastructure assets and community facilities

During the review of the asset immovable property, plant and equipment certain inaccuracies were identified relating to amongst others, cost of projects, classification, completeness and existence. Firstly there was some capital under construction that should have been capitalised in the previous financial year, secondly there were assets that should have been derecognised in the previous year and lastly there was land carried at incorrect extent leading resulting in the understatement of the value of land. As a result, comparative figures had to be restated to reflect the financial impact of the changes.

Reclassification of municipal parking	<b>2015</b>	<b>2014</b>
Infrastructure assets additions	4 386 933	0
Community assets additions	25 816 989	2 038 455
Infrastructure assets derecognition	26 141 499	-368 098
Community assets derecognition	-368 098	-24 620
Capital under construction derecognition	-24 620	-30 688 198
	<u>-30 688 198</u>	<u>-2 038 455</u>
	<u>25 264 506</u>	<u>0</u>

**30.1 Statement of financial performance**

**Revenue from Exchange transactions**

Service charges - Audited	1 086 880 799
Correction of error - Service charges	-27 110 587



POLOKWANE MUNICIPALITY  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

	GROUP 2017 R	2016 R	2017 R	2016 R
<b>Restated</b>				<u><u>1 059 770 212</u></u>
Other revenue - Audited				118 874 976
Correction of error - surcharges				<u>-10 486 032</u>
<b>Restated</b>				<u><u>108 388 944</u></u>
<b>Revenue from Non Exchange transactions</b>				
Other revenue - Audited				1 763 235
Correction of error - Donation received				<u>11 764 771</u>
<b>Restated</b>				<u><u>13 528 006</u></u>
<b>Nett surplus (deficit) for the year</b>				
Deficit for the year - Audited				-104 956 140
Correction of error				<u>-37 596 619</u>
<b>Restated</b>				<u><u>-142 552 759</u></u>
<b>Accumulated depreciation</b>				
Depreciation - Audited				477 163 890
Correction of error - Depreciation				<u>7 327 457</u>
<b>Restated</b>				<u><u>484 491 347</u></u>
<b>Loss on disposal of assets</b>				
Loss on disposal of assets - Audited				-49 782 101
Correction of error - Disposal of assets				<u>-569 116</u>
<b>Restated</b>				<u><u>-50 351 216</u></u>
<b>Fair value adjustment</b>				
Fair value adjustment - Audited				36 939 080
Correction of error - Fair value adjustment				<u>-749 340</u>
<b>Restated</b>				<u><u>36 189 741</u></u>

POLOKWANE MUNICIPALITY  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

	GROUP 2017 R	2016 R	2017 R	2016 R
<b>General Expenses</b>				
General Expenses - INEP-Audited				461 846 831
<b>Restated</b>				<u>-39 541 651</u>
Polokwane Municipality act as agent for ESKOM on INEP expenditure				<u>422 305 180</u>
Reversal of grant income and expenditure in terms of GRAP11				
The effect of the changes above on net assets are:				
Accumulated surplus				<u>3 118 857.85</u>
<b>Total</b>				<u><b>3 118 857.85</b></u>
<b>30.2 Statement of financial position</b>				
<b>Trade and other receivables from exchange</b>				
Trade and other receivables from exchange transactions-			331 842 105.77	
Correction of error			<u>-37 596 619</u>	
<b>Restated</b>			<u><b>294 245 487</b></u>	
<b>Accumulated surplus/deficit</b>				
Accumulated surplus - Audited			5 491 715 453	
Correction of error - service charges			<u>-37 596 619</u>	
<b>Restated</b>			<u><b>5 454 118 834</b></u>	
<b>Property Plant and Equipment</b>				
PPE - Audited			8 687 435 052	
Correction of error - Community Assets			-4 491 592	
Correction of error - Infrastructure assets			32 792 867	
Correction of error - Movable and other assets			<u>-2 538 863</u>	
<b>Restated</b>			<u><b>8 713 197 463</b></u>	
<b>Intangible Assets</b>				
Intangible Assets - Audited			2 073 968	
Correction of error			<u>1 304 768</u>	
<b>Restated</b>			<u><b>3 378 736</b></u>	
<b>Investment property</b>				
Investment property - Audited			658 489 237	
Correction of error			<u>-23 948 321</u>	
<b>Restated</b>			<u><b>634 540 916</b></u>	
<b>Trade and other receivables</b>				
Other receivables Audited			33 022 716	
<b>Correction Inep funds</b>			<u>39 541 651</u>	
<b>Restated</b>			<u><b>72 564 367</b></u>	
<b>Accumulated Surplus</b>				
Surplus / (Deficit) for the year as per audited financial statements			-104 956 139.52	
Accumulated depreciation adjusted			-7 327 457.44	
Loss on sale of asset			-569 115.79	
Fair value adjustment			-749 339.50	
Donations received			11 764 770.58	
<b>Sub total</b>			<b>3 118 857.85</b>	
Service charges			-27 110 587	
Surcharges			-10 486 032	
<b>Subtotal</b>			<b>-37 596 619</b>	
<b>Total changes to the Statement of Financial Performance 2016</b>			<b>-34 477 761.23</b>	
<b>Restated surpluses for 2016</b>			<u><b>-139 433 900.75</b></u>	

**POLOKWANE MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

	<b>GROUP</b>			
	<b>2017</b>		<b>2017</b>	<b>2016</b>
	<b>R</b>	<b>2016</b>	<b>R</b>	<b>R</b>
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
<b>31 CASH GENERATED FROM/(UTILISED IN) OPERATIONS</b>				
<b>Net surplus (deficit) for the year</b>	962 350 849	-98 011 793	958 962 192	-104 956 140
Other income transactions	(992 400 106)	-	(992 400 106)	-
Housing development fund	0	-6 975 636	0	-6 975 636
Conditional grants accrued	-24 960 423	-27 373 197	-24 960 423	-27 373 197
Debt incentive	36 881 357	42 401 822	38 046 677	42 401 822
Other revenue	0	-1 763 235	0	-1 763 235
Provision for bad debt	18 532 871	197 502 183	9 451 382	192 987 885
Gain / (loss) on fair value adjustment/sale of assets	-	125 256	0	-
Loss on disposal/derecognition of assets	6 720 709	-	6 720 709	-
Cost of sales	73 434 677	12 843 020	73 434 677	12 843 020
Stock losses	0	-	0	-
Donations roads RAL	24 872 338	-	24 872 338	-
Other non cash items	0	(300 739)	0	33 183
Depreciation charges	754 377 168	482 494 731	749 627 747	477 163 890
Interest received	-34 088 471	-27 592 762	-34 088 471	-27 592 762
Interest paid	37 501 259	34 578 938	37 501 259	34 578 938
<b>Operating surplus before working capital changes</b>	<b>863 222 228.73</b>	<b>607 928 588</b>	<b>847 167 981.69</b>	<b>591 347 768</b>
(Increase)/decrease in inventories	-	-	-	-
(Increase)/decrease in debtors	-102 389 524	-26 781 284	-102 389 524	-26 781 284
(Increase)/decrease in other debtors	-162 361 972	-128 845 100	-155 222 676	-123 458 916
(Increase)/decrease in conditional grants	1 496 361	-17 883 655	1 470 369	-17 889 587
Increase/(decrease) in creditors	29 246 606	-183 307 198	29 246 606	-183 307 198
Increase/(decrease) in VAT payable	77 886 409	-10 680 128	78 041 131	-10 911 053
Increase in VAT receivable	0	0	0	0
Increase/(decrease) in provisions	60 058 947	0	60 058 947	0
Loan repayment	7 054 259	157 983	6 862 235	0
<b>Working capital</b>	<b>-88 843 974</b>	<b>-366 885 526</b>	<b>-81 932 912</b>	<b>-362 348 038</b>
<b>Cash generated by operations</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
	<b>774 378 255</b>	<b>241 043 062</b>	<b>765 235 070</b>	<b>228 999 731</b>
<b>32 ADDITIONAL DISCLOSURES IN TERMS OF SECTION 125 OF MUNICIPAL FINANCE MANAGEMENT ACT, 2003</b>				
<b>32.1 Contribution to SALGA</b>				
Council membership fees payable	6 227 635	5 543 952	6 227 635	5 498 603
Amount paid current year	(6 227 635)	(5 543 952)	(6 227 635)	(5 498 603)
<b>Balance unpaid (included in creditors)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>32.2 Audit Fees</b>				
Current year audit fee	10 497 796	5 879 925	9 764 889	5 354 490
Amount paid current year	(10 497 796)	(5 879 925)	(9 764 889)	(5 354 490)
<b>Balance unpaid (included in creditors)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>32.3 Pay as You Earn (PAYE)</b>				
Current payroll deductions	93 280 628	82 275 987	92 486 147	81 296 499

**POLOKWANE MUNICIPALITY**  
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		GROUP			
		2017	2016	2017	2016
		R	R	R	R
	Amount paid current year	(93 280 628)	(82 275 987)	(92 486 147)	(81 296 499)
	<b>Balance unpaid</b>	-	-	-	-
<b>32.4</b>	<b>Unemployment Insurance Fund (UIF)</b>				
	Current payroll deductions	6 869 518	5 963 122	6 869 518	5 963 122
	Amount paid current year	(6 869 518)	(5 963 122)	(6 869 518)	(5 963 122)
	<b>Balance unpaid</b>	-	-	-	-
<b>32.5</b>	<b>Medical Aid</b>				
	Current payroll deductions	46 885 303	39 953 956	45 987 873	39 353 231
	Amount paid current year	(46 885 303)	(39 953 956)	(45 987 873)	(39 353 231)
	<b>Balance unpaid</b>	-	-	-	-
<b>32.6</b>	<b>Pension Fund</b>				
	Current payroll deductions	103 357 592	94 543 606	103 357 592	94 543 606
	Amount paid current year	(103 357 592)	(94 543 606)	(103 357 592)	(94 543 606)
	<b>Balance unpaid</b>	-	-	-	-
<b>32.7</b>	<b>Councillor's arrear consumer accounts</b>				

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2017

	Total	Outstanding less than 90 days	Outstanding more than 90 days
	R	R	R
T S P Mojapelo	9 580	1 184	8 396
M B Malebana	1 532	898	634
AA & TS Mashau	3 168	3 168	0
M E Makamela	15 196	1 455	13 741
T F Moeti	4	4	0
H F Marx	331	331	0
TP & CC Nkadimeng	4 248	4 248	-
MJ&NE Ralefatane Ramaphakela	1 186	1 186	-
M D Monakedi	6 485	1 706	4 779
P E Moshoeu	650	463	187
FJ Joubert	1 484	1 484	-
MW & EM Sathekge	1 299	1 113	187
S & JS Mothata	375	375	-
L F Lephhalala	325	325	-
C Coetzee	2 754	0	2 754
<b>Total Councillor Arrear Consumer Accounts</b>	<b>48 617</b>	<b>17 939</b>	<b>30 678</b>

**Highest Amount Outstanding**

	R	Ageing Days
M E Makamela	13 741	90+
T S P Mojapelo	8 396	90+
M D Monakedi	4 779	90+
TP & CC Nkadimeng	4 248	90-
AA & TS Mashau	3 168	90-
C Coetzee	2 754	90+
FJ Joubert	1 484	90-
MJ&NE Ralefatane Ramaphakela	1 186	90-
MW & EM Sathekge	1 113	90-
M B Malebana	898	90-
P E Moshoeu	463	90-
S & JS Mothata	375	90-
H F Marx	331	90-

**POLOKWANE MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

		<b>GROUP</b>			
		<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
		<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>
L F Lephahala	325			90-	
T F Moeti	4			90-	
<b>33 COMMITMENTS</b>					
<b>Commitments in respect of expenditure:</b>					
Capital commitments-approved and contracted for		931 572 666	534 854 393	930 483 062	534 854 393
Infrastructure		843 301 770	142 887 117	843 301 770	142 887 117
Community		51 281 016	123 131 218	50 191 412	123 131 218
Other		36 989 879	268 836 058	36 989 879	268 836 058
Total commitments		<b>930 483 062</b>	<b>534 854 393</b>	<b>930 483 062</b>	<b>534 854 393</b>
<b>The expenditure will be financed from:</b>		<b>930 484 062</b>	<b>534 854 392</b>	<b>930 484 062</b>	<b>534 854 392</b>
- Government and other Grants		504 276 758	251 941 508	504 276 758	251 941 508
- Internally generated funds		426 207 304	282 912 884	426 207 304	282 912 884
<b>34.1 CONTINGENT LIABILITIES</b>					
See Annexure G for full detail on Contingent Liabilities		22 195 537	49 962 501	22 195 537	49 962 501
The above legal matters are ongoing and have not yet been finalized.					
<b>34.2 CONTINGENT ASSETS</b>					
SARS Dispute: The appointed VAT review consultants MTC have got the power of attorney to do VAT audit and review on all VAT related matters, the said consultants did VAT audit, review and adjusted(re-submitted) period May 2015, June 2015 and September 2015,SARS did audit on the re-submission and the net effect of the audit was that an amount of R 5 135 255 which is the total of three periods was disallowed, the audit letter of SARS indicate that the VAT consultants did not submit some invoices, duplicated invoices, No receipt for payment of tax in relation to imported service and also input tax claimed on out of scope expenses. The objection regarding this amount disallowed was raised with SARS and the process is still unfolding and we are awaiting SARS to rule on the matter.		5 135 255	0	5 135 255	0

35	UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED	GROUP		MUNICIPALITY	
		2017 R	2016 R Restated	2017 R	2016 R Restated
	<b>35.1 Unauthorized expenditure</b>				
	Reconciliation of unauthorized expenditure				
	Opening balance	287 154 715	602 557 118	287 154 715	602 557 118
	Unauthorized expenditure current year	292 486 646	287 154 715	292 486 646	287 154 715
	Authorized by Council	-	(602 557 118)	-	(602 557 118)
	Unauthorized expenditure awaiting authorization	579 641 361	287 154 715	579 641 361	287 154 715
	Current year's unauthorised expenditure is attributed to the fact that the actual expenditure exceeded the budget on the following items :				
	Contribution to leave provision - non cash item	6 883 889	17 287 573	6 883 889	17 287 573
	Depreciation - non cash item	186 019 501	0	186 019 501	0
	Profit/loss on sale of assets/ fair value adjustments - non cash item	7 279 834	79 516 334	7 279 834	79 516 334
	Debt incentive - non cash item	38 046 677	42 401 822	38 046 677	42 401 822
	Contribution to Provision for bad debt - non cash item	1 906 569	142 987 885	1 906 569	142 987 885
	Contribution to Provision for rehabilitation of landfill site - non cash item	-	4 961 102	-	4 961 102
	Donation of roads to RAL - non cash item	15 542 289	-	15 542 289	-
	Maintenance of Water and electricity distribution systems - cash item	4 756 776	-	4 756 776	-
	MIG projects not approved - cash item	22 191 146	-	22 191 146	-
	Maintenance of roads streets and culverts - cash item	9 859 965	-	9 859 965	-
		<b>292 486 646</b>	<b>287 154 715</b>	<b>292 486 646</b>	<b>287 154 715</b>
	The opening balance and current year unauthorized expenditure will be subjected to Council's authorization				
	<b>35.2 Fruitless and wasteful expenditure</b>				
	Reconciliation of fruitless and wasteful expenditure				
	Opening balance -	359 530	1 655 960	-	1 603 457
	Fruitless and wasteful expenditure current year:	98 794	-	8 629	-
	Written off by Council	-	(1 603 457)	-	(1 603 457)
	<b>Adjusted Fruitless and Wasteful Expenditure</b>	<b>458 324</b>	<b>52 503</b>	<b>8 629</b>	<b>-</b>
	The amount of R8 629 is from the former Aganang municipality				
	<b>35.3 Irregular expenditure</b>				
	Reconciliation of irregular expenditure				
	Opening balance	290 818 806	632 667 839	274 331 053	616 559 974
	Irregular expenditure current year	198 919 195	274 710 941	198 754 608	274 331 053
	Regularized by Council	-	(616 559 974)	-	(616 559 974)
	Irregular expenditure awaiting to be regularized	489 738 001	290 818 806	473 085 661	274 331 053
	It should be noted That included is an amount of R7 101 865 from The former Aganang municipality				
	Refer to Annexure M for more information				
36	<b>PROVISIONS</b>				
	<b>36.1 Provision for rehabilitation of landfill sites</b>				
	Carrying amount at beginning of year	60 513 655.00	52 438 945	60 513 655.00	52 438 945
	Increase due to passage of time	0.00	2 699 718	0.00	2 699 718
	Increase due to change in provision	3 760 234.62	5 374 992	3 760 234.62	5 374 992
	Carrying amount at end of year	<b>64 273 889.62</b>	<b>60 513 655</b>	<b>64 273 889.62</b>	<b>60 513 655</b>
	The Weltevreden Landfill Site is a permitted facility in terms of Section 20 of the Environmental Conservation Act (Act 73 of 1989) and is located on portion 4 of the farm Weltevreden 746 LS - District Polokwane. The expected life span of the site is a further 5 years				
	Assumptions used: Discount rate used is Prime lending rate of 10.5% (2016:CPI +2%)				
	The movement in the current year was just the unwinding of the interest and nothing changed in the structural nature of the waste site.				
	The expense relating to the provision is included under note 28: General Expenses.				
	<b>36.2 Post-Employment Health Care Benefits</b>				
	Fair value of plan assets				
	Accrued liability	160 479 000	162 094 000	160 479 000	162 094 000
	<b>Unfunded Accrued Liability</b>	<b>160 479 000</b>	<b>162 094 000</b>	<b>160 479 000</b>	<b>162 094 000</b>
	Net Liability in Balance Sheet	160 479 000	162 094 000	160 479 000	162 094 000
	Reconciling and projecting the unfunded accrued liability				
	<b>Unfunded Accrued Liability</b>				
	Opening balance	162 094 000	155 576 000	162 094 000	155 576 000
	Current-service cost	6 333 000	5 589 000	6 333 000	5 589 000
	Interest cost	16 123 000	14 243 000	16 123 000	14 243 000
	Actuarial (Gain)/Loss	(18 018 324)	(7 662 331)	(18 018 324)	(7 662 331)
	Actual employer benefit payments	(6 052 676)	(5 651 669)	(6 052 676)	(5 651 669)
	<b>Closing Balance</b>	<b>160 479 000</b>	<b>162 094 000</b>	<b>160 479 000</b>	<b>162 094 000</b>
	Net liability to reflect in the balance sheet				

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Opening balance	162 094 000	155 576 000	162 094 000	155 576 000
Current-service cost	6 333 000	5 589 000	6 333 000	5 589 000
Interest	16 123 000	14 243 000	16 123 000	14 243 000
Actuarial (Gain)/loss recognised	(18 018 324)	(7 662 331)	(18 018 324)	(7 662 331)
<b>Net Periodic Cost Recognised in P&amp;L</b>	<b>166 531 676</b>	<b>167 745 669</b>	<b>166 531 676</b>	<b>167 745 669</b>
Actual employer benefits payments	(6 052 676)	(5 651 669)	(6 052 676)	(5 651 669)
<b>Closing Balance</b>	<b>160 479 000</b>	<b>162 094 000</b>	<b>160 479 000</b>	<b>162 094 000</b>
<b>Valuation Method</b>				
The Projected Unit Credit funding method has been used to determine the past-service liabilities at the valuation date and the projected annual expense in the year following the valuation date.				
<b>Post-employment Medical Aid Liabilities</b>				
The expected value of each employee and their spouse's future medical aid subsidies is projected by allowing for future medical inflation. The calculated values are then discounted at the assumed discount interest rate to the present date of valuation (calculation). We also allowed for mortality, retirements and withdrawals from service as set out below. The accrued liability is determined on the basis that each employee's medical aid benefit accrues uniformly over the working life of an employee up until retirement. Further it is assumed that the current policy for awarding medical aid subsidies remains unchanged in the future. We assumed that 100% of all active members on medical aid will remain on medical aid once they retire. We also assumed that all active members will remain on the same medical aid option at retirement.				
We also assumed that 22.5% of in-service members not currently on a medical aid would join the Key-Health Silver medical aid scheme by retirement. This assumption is consistent with that used in the preceding valuation.				
<b>Valuation of Assets</b>				
As at the valuation date, the medical aid liability of the Municipality was unfunded, i.e. no dedicated assets have been set aside to meet this liability. We therefore did not consider any assets as part of our valuation.				
The following assumptions has been used for current and prior year				
Discount rate	Yield Curve	Yield Curve	Yield Curve	Yield Curve
CPI (Consumer Price Inflation)	Difference between nominal and real yield curve	Difference between nominal and real yield curve	Difference between nominal and real yield curve	Difference between nominal and real yield curve
Health care cost inflation rate	CPI +1% Yield Curve	CPI +1% Yield Curve	CPI +1% Yield Curve	CPI +1% Yield Curve
Net effective discount rate	Difference between nominal and real yield curve	Difference between nominal and real yield curve	Difference between nominal and real yield curve	Difference between nominal and real yield curve
CPI (Consumer Price Inflation)	Difference between nominal and real yield curve	Difference between nominal and real yield curve	Difference between nominal and real yield curve	Difference between nominal and real yield curve
<b>36.3 Long Service Awards</b>				
Accrued liability	36 070 000	31 892 000	36 070 000	31 892 000
<b>Unfunded Accrued Liability</b>	<b>36 070 000</b>	<b>31 892 000</b>	<b>36 070 000</b>	<b>31 892 000</b>
Net Liability in Balance Sheet	36 070 000	31 892 000	36 070 000	31 892 000
Reconciling and projecting the unfunded accrued liability				
<b>Unfunded Accrued Liability</b>				
Opening balance	31 892 000	27 867 000	31 892 000	27 867 000
Current-service cost	3 464 000	3 009 000	3 464 000	3 009 000
Interest cost	2 800 000	2 416 000	2 800 000	2 416 000
<b>Actuarial (Gain)/Loss</b>	<b>(1 516 989)</b>	<b>(114 307)</b>	<b>(1 516 989)</b>	<b>(114 307)</b>
<b>Actual employer benefit payments</b>	<b>(569 011)</b>	<b>(1 285 693)</b>	<b>(569 011)</b>	<b>(1 285 693)</b>
<b>Closing Balance</b>	<b>36 070 000</b>	<b>31 892 000</b>	<b>36 070 000</b>	<b>31 892 000</b>
Net liability to reflect in the balance sheet				
Opening balance	31 892 000	27 867 000	31 892 000	27 867 000
Current-service cost	3 464 000	3 009 000	3 464 000	3 009 000
Interest cost	2 800 000	2 416 000	2 800 000	2 416 000
Actuarial (Gain)/loss recognised	(1 516 989)	(114 307)	(1 516 989)	(114 307)
<b>Net Periodic Cost Recognised</b>	<b>36 639 011</b>	<b>33 177 693</b>	<b>36 639 011</b>	<b>33 177 693</b>
Actual employer benefits payments	(569 011)	(1 285 693)	(569 011)	(1 285 693)
<b>Closing Balance</b>	<b>36 070 000</b>	<b>31 892 000</b>	<b>36 070 000</b>	<b>31 892 000</b>
Employees qualify for the following long service awards:				
- After 20 years of continuous service a watch to the value of R7 110.87 (2016: R6 772.26) (adjusted annually).				
-Additional 10,20 and 30 leave days for 10,15 and each 5 years after 15 years of service respectively				
The following assumptions has been used for current and prior year				
Discount rate	Yield Curve	Yield Curve	Yield Curve	Yield Curve
CPI (Consumer Price Inflation)	Difference between nominal and real yield curve	Difference between nominal and real yield curve	Difference between nominal and real yield curve	Difference between nominal and real yield curve
Normal salary increase	Equal to CPI + 1% Yield Curve Based	Equal to CPI + 1% Yield Curve Based	Equal to CPI + 1% Yield Curve Based	Equal to CPI + 1% Yield Curve Based
Net effective discount rate	Yield Curve Based	Yield Curve Based	Yield Curve Based	Yield Curve Based
<b>36.4 Ex-gratia benefits ( lump sum)</b>				
Fair value of plan assets				
Accrued liability	10 124 000	9 585 000	10 124 000	9 585 000
<b>Unfunded Accrued Liability</b>	<b>10 124 000</b>	<b>9 585 000</b>	<b>10 124 000</b>	<b>9 585 000</b>
Net Liability in Balance Sheet	10 124 000	9 585 000	10 124 000	9 585 000
Employees qualify for the following awards:				
- After 10 years of continuous service an amount of R786.06 (2016:R748.63) (adjusted annually) per each year of service.				
Reconciling and projecting the unfunded accrued liability				

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**Unfunded Accrued Liability**

Opening balance	9 585 000	8 831 000	9 585 000	8 831 000
Current-service cost	1 044 000	884 000	1 044 000	884 000
Interest cost	948 000	835 000	948 000	835 000
Actuarial (Gain)/Loss	(1 136 967)	(216 000)	(1 136 967)	(216 000)
Employer benefit payments (Estimate)	(316 033)	(749 000)	(316 033)	(749 000)
<b>Closing Balance</b>	<b>10 124 000</b>	<b>9 585 000</b>	<b>10 124 000</b>	<b>9 585 000</b>
Net liability to reflect in the balance sheet				
Opening balance	9 585 000	8 831 000	9 585 000	8 831 000
Current-service cost	1 044 000	884 000	1 044 000	884 000
Interest	948 000	835 000	948 000	835 000
Actuarial (Gain)/loss recognised	(1 136 967)	(216 000)	(1 136 967)	(216 000)
<b>Net Periodic Cost Recognised</b>	<b>10 440 033</b>	<b>10 334 000</b>	<b>10 440 033</b>	<b>10 334 000</b>
Estimated employer benefits payments	(316 033)	(749 000)	(316 033)	(749 000)
<b>Closing Balance</b>	<b>10 124 000</b>	<b>9 585 000</b>	<b>10 124 000</b>	<b>9 585 000</b>
<b>Total Provisions</b>	<b>270 946 890</b>	<b>264 084 655</b>	<b>270 946 890</b>	<b>264 084 655</b>

**37 RISK MANAGEMENT**

**37.1 Fair values**

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

**Level 1**

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

**Level 2**

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

**Level 3**

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

	<u>Level 1</u>	<u>Level 1</u>	<u>Level 1</u>	<u>Level 1</u>
Investments	-	-	-	-
Cash and cash equivalents	98 037 995	86 225 049	98 037 995	86 225 049
	0	0		
	<u>Level 2</u>	<u>Level 2</u>	<u>Level 2</u>	<u>Level 2</u>
Investments	105 400 873	59 000 800	105 400 873	59 000 800
Cash and cash equivalents	-	-	-	-
	0	0		
	<u>Level 3</u>	<u>Level 3</u>	<u>Level 3</u>	<u>Level 3</u>
Investments	1 000	1 000	1 000	1 000
Cash and cash equivalents	-	-	-	-
	0	0		
	<u>Total</u>	<u>Total</u>	<u>Total</u>	<u>Total</u>
Investments	105 401 873	59 001 800	105 401 873	59 001 800
Cash and cash equivalents	98 037 995	86 225 049	98 037 995	86 225 049

**37.2 Credit risk**

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

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

Investments in Financial institutions	105 401 873	-	105 401 873	-
Cash and cash equivalents	99 770 751	88 257 390	98 037 995	86 225 049
Trade and other receivables	522 751 055	370 940 764	520 562 161	366 809 854
	<b>727 923 680</b>	<b>459 198 154</b>	<b>724 002 030</b>	<b>453 034 903</b>

**Investments and cash and equivalents**

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

**Receivables**

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



37.3 Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities. Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

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

Liabilities

Borrowings

	<u>Up to 1 year</u>	<u>Up to 1 year</u>	<u>Up to 1 year</u>	<u>Up to 1 year</u>
Capital repayments	59 829 253	65 065 521	59 829 253	65 065 521
Interest	37 923 391	18 115 834	37 923 391	18 115 834
	<b>97 752 644</b>	<b>83 181 355</b>	<b>97 752 644</b>	<b>83 181 355</b>
	0	0	0	0
	<u>1-5 Years</u>	<u>1-5 Years</u>	<u>1-5 Years</u>	<u>1-5 Years</u>
Capital repayments	160 059 762	165 622 038	160 059 762	165 622 038
Interest	138 022 323	30 947 758	138 022 323	30 947 758
	<b>298 082 085</b>	<b>196 569 796</b>	<b>298 082 085</b>	<b>196 569 796</b>
	0	0	0	0
	<u>&gt;5 years</u>	<u>&gt;5 years</u>	<u>&gt;5 years</u>	<u>&gt;5 years</u>
Capital repayments	186 487 795	0	186 487 795	0
Interest	108 929 344	0	108 929 344	0
	<b>295 417 140</b>	<b>0</b>	<b>295 417 140</b>	<b>0</b>
	0	0	0	0
	<u>Total</u>	<u>Total</u>	<u>Total</u>	<u>Total</u>
Capital repayments	406 376 810	230 687 559	406 376 810	230 687 559
Interest	284 875 058	49 063 592	284 875 058	49 063 592
	<b>691 251 868</b>	<b>279 751 151</b>	<b>691 251 868</b>	<b>279 751 151</b>
	0	0	0	0
	0	0	0	0
	0	0	0	0
	<u>Up to 1 year</u>	<u>Up to 1 year</u>	<u>Up to 1 year</u>	<u>Up to 1 year</u>
Trade and other payables	487 060 627	368 609 419	487 060 627	368 609 419
	<b>487 060 627</b>	<b>368 609 419</b>	<b>487 060 627</b>	<b>368 609 419</b>

Finance lease

	<u>Up to 1 year</u>	<u>Up to 1 year</u>	<u>Up to 1 year</u>	<u>Up to 1 year</u>
Capital repayments	0	0	0	0
Vehicles	31 431 414	28 656 125	31 431 414	28 656 125
Cell phones	2 130 928	2 447 368	2 130 928	2 447 368
Photo copiers	241 597	1 789 587	241 597	1 789 587
	<b>33 803 939</b>	<b>32 893 079</b>	<b>33 803 939</b>	<b>32 893 079</b>
Interest	0	0	0	0
Vehicles	2 762 775	6 749 138	2 762 775	6 749 138
Cell phones	128 996	395 204	128 996	395 204
Photo copiers	159 329	152 419	159 329	152 419
	<b>3 051 100</b>	<b>7 296 761</b>	<b>3 051 100</b>	<b>7 296 761</b>
	0	0	0	0
	<u>1-5 Years</u>	<u>1-5 Years</u>	<u>1-5 Years</u>	<u>1-5 Years</u>
Capital repayments	0	0	0	0
Vehicles	4 130 921	29 000 680	4 130 921	29 000 680
Cell phones	167 378	1 810 792	167 378	1 810 792
Photo copiers	0	241 817	0	241 817
	<b>4 298 299</b>	<b>31 053 290</b>	<b>4 298 299</b>	<b>31 053 290</b>
Interest	0	0	0	0
Vehicles	0	2 575 861	0	2 575 861
Cell phones	78440.71	85986.32	78440.71	85986.32
Photo copiers	8228.97	3203.57	8228.97	3203.57
	<b>86 670</b>	<b>2 665 051</b>	<b>86 670</b>	<b>2 665 051</b>
	0	0	0	0
Capital repayments	38 102 238	63 946 369	38 102 238	63 946 369
Interest	3 137 770	9 961 811	3 137 770	9 961 811
	<b>41 240 008</b>	<b>73 908 181</b>	<b>41 240 008</b>	<b>73 908 181</b>

38 FINANCE LEASE COMMITMENTS

The municipality future lease commitments on vehicles, cell phones and photocopiers and their present values are as follows:

Total commitments:				
Vehicles	38 403 550	64 348 172	38 403 550	64 348 172
Cell phones	2 435 532	4 258 160	2 435 532	4 258 160
Photo copiers	400 926	2 031 404	400 926	2 031 404
<b>Total commitments:</b>	<b>41 240 008</b>	<b>70 637 736</b>	<b>41 240 008</b>	<b>70 637 736</b>
Finance lease obligation				
Minimum lease payments due				
- within one year	36 855 039	43 032 411	36 855 039	43 032 411
- in second to fifth year inclusive	4 384 968	69 123 604	4 384 968	69 123 604
- late than five years	-	-	-	-
	<b>41 240 008</b>	<b>112 156 015</b>	<b>41 240 008</b>	<b>112 156 015</b>
Less: future finance charges	3 137 770	20 042 672	3 137 770	20 042 672
Present value of minimum lease payments	<b>38 102 238</b>	<b>92 113 343</b>	<b>38 102 238</b>	<b>92 113 343</b>
Present value of minimum lease payments				
- within one year	36 855 039	29 561 357	36 855 039	29 561 357
- in second to fifth year inclusive	4 384 968	59 709 415	4 384 968	59 709 415
- late than five years	-	-	-	-
	<b>41 240 008</b>	<b>89 270 772</b>	<b>41 240 008</b>	<b>89 270 772</b>
	0	0	0	0
Non-current	4 143 570	31 055 432	4 130 921	30 995 518
Current	33 971 316	39 642 218	33 971 316	39 642 218
	<b>38 102 236.80</b>	<b>70 637 736</b>	<b>38 102 236.80</b>	<b>70 637 736</b>

	2017	2016	2017	2016
<b>39 RATIFICATION OF DEVIATIONS FROM BREACHES IN PROCUREMENT PROCESSES (Regulation 36)</b>				
Prescribed procurement processes were not followed but was approved by the Municipal Manager in terms of delegated powers and in accordance with Supply Chain Management Regulations and Policy. Valid reasons for deviations were recorded in all instances.	30 869 081	43 087 400	30 869 081	43 087 400
Refer to Annexure L for detail information				
Finance Lease Liabilities relates to Vehicles with lease terms of 5 years. The effective interest rate on Finance Leases is 8.5%. Capitalised Lease Liabilities are secured over the items of vehicles leased.				
<b>40 RELATED PARTIES</b>				
<b>Relationships</b>				
Members of key management			No other payments are paid outside contractual employment payments from employment. Refer to note 23 for remuneration.	
Municipal entity			Polokwane Housing Association. Please refer to related party transactions below.	
<b>Related party transactions</b>				
Compensation to councillors			Payments to councillors are for allowances as gazetted. No other payments are made to councillors. Refer to note 24 for remuneration of councillors.	
			The Municipality has exempted PHA from paying rates though utilities are still payable	
Operational grant - Paid to PHA	-	-	15 020 000	16 700 000
Accounting fees paid on behalf of PHA	-	-	300 000	-
			The Municipality paid an amount of R15 million to PHA to cover the budget shortfall.	
<b>41 DISTRIBUTION LOSSES</b>				
The Municipality has incurred the following distribution losses as result of supply of electricity and water				
Water distribution losses In KL	10 722 987 (31%)	8 357 628(21%)	10 722 987 (31%)	8 357 628(21%)
Electricity distribution losses kWh	132 048 417 (17%)	74 613 379(10%)	132 048 417 (17%)	74 613 379(10%)
Monetary value				
Water distribution losses	R 48 268 848	R 35 696 299	R 48 268 848	R 35 696 299
Electricity distribution losses	R 109 554 600	R 57 361 081	R 109 554 600	R 57 361 081
	<u>R 157 823 448</u>	<u>R 93 057 380</u>	<u>R 157 823 448</u>	<u>R 93 057 380</u>
<b>42 COMPARISON WITH THE BUDGET</b>				
The comparison of the Municipality's actual financial performance with that budgeted is set out in Appendix E.1				
<b>43 EMPLOYEE BENEFIT OBLIGATIONS</b>				
<b>Defined contribution and benefit plan</b>				
The Council provides retirement benefits to employees by contributing to pension and provident Funds Membership of either pension or provident fund is compulsory for all permanent employees.				
The municipality and its employees contribute to 7 different Pension Funds, of which 3 (The Municipal Employees Pension Fund, Municipal Gratuity Fund and Samwu National Provident Fund ) cater for the majority of the staff. The Joint Municipal Pension Fund, Municipal Employees Pension Fund, Municipal Gratuity Fund ,Samwu National Provident Fund and National Fund for Municipal Workers are defined benefit funds.				
The employees of the Council as well as the Council as employer, contribute to municipal pension, retirement and various provident funds as listed below:				
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
The Joint Municipal Pension Fund	2 181 098	2 344 748	2 181 098	2 344 748
Municipal Councillors Pension Fund	4 137 955	4 656 928	4 137 955	4 656 928
Government Employees Pension Fund	1 960 662	1 996 629	1 960 662	1 996 629
Municipal Employees Pension Fund	47 167 477	42 188 472	47 167 477	42 188 472
Municipal Gratuity Fund	23 740 947	20 662 132	23 740 947	20 662 132
Samwu National Provident Fund	9 561 579	9 258 270	9 561 579	9 258 270
National Fund For Municipal Workers	14 607 875	13 436 426	14 607 875	13 436 426
	<u>103 357 592</u>	<u>94 543 605</u>	<u>103 357 592</u>	<u>94 543 605</u>

**POLOKWANE MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS ENDED 30 JUNE 2017**

**Post-Retirement medical aid contributions**

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

The last post-employment health care benefits actuarial valuation in terms of GRAP 25 was done by ZAQ Consultants and Actuaries for the period ending 30 June 2017.

A reconciliation of Polokwane accrued liability for the year ending 30 June 2017 is set out below:

**Year ended 30 June 2017**

	2017	2016	2017	2016
Opening balance	162 094 000	155 576 000	162 094 000	155 576 000
Service cost	6 333 000	5 589 000	6 333 000	5 589 000
Interest cost	16 123 000	14 243 000	16 123 000	14 243 000
Actual employer benefits payments	(6 052 676)	(5 651 669)	(6 052 676)	(5 651 669)
<b>Expected closing balance</b>	<b>178 497 324</b>	<b>169 756 331</b>	<b>178 497 324</b>	<b>169 756 331</b>
Actuarial (gain)/loss -	(18 018 324)	(7 662 331)	(18 018 324)	(7 662 331)
	0	0	0	0
<b>Actual closing balance</b>	<b>160 479 000</b>	<b>162 094 000</b>	<b>160 479 000</b>	<b>162 094 000</b>

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

**Carrying value**

Present value of the defined benefit obligation- Wholly unfunded	160 479 000	162 094 000	160 479 000	162 094 000
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**Movements for the year**

Opening balance	162 094 000	(155 576 000)	162 094 000	(155 576 000)
Contributions - Current year	(1 615 000)	(6 518 000)	(1 615 000)	(6 518 000)
<b>Closing balance</b>	<b>160 479 000</b>	<b>162 094 000</b>	<b>160 479 000</b>	<b>162 094 000</b>

**Key assumptions used**

The projected unit credit method is used as the standard valuation methodology for the valuation done during the 2015/2016 financial period. Plan assets were valued at current market value as required by GRAP 25.

Assumptions used on last valuation on 30 June 2016.

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

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

**Sensitivity analysis**

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

**Sensitivity to medical inflation**

Base	160 479 000	162 094 000	160 479 000	162 094 000
-1%	147 776 000	160 473 000	147 776 000	160 473 000
1%	172 850 000	163 715 000	172 850 000	163 715 000
	<b>481 105 000</b>	<b>486 282 000</b>	<b>481 105 000</b>	<b>486 282 000</b>

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

	2017	2016	2017	2016
Bonitas	14 803 989	12 080 851	14 803 989	12 080 851
Hosmed	6 560 114	5 630 021	6 560 114	5 630 021
Key Health	8 184 778	8 266 806	8 184 778	8 266 806
LA Health	7 406 190	5 790 132	7 406 190	5 790 132
Samwumed	8 351 996	6 932 081	8 351 996	6 932 081
Resolution Health	0	14 504	0	14 504
Government Employees Medical Scheme	680 807	638 835	680 807	638 835
<b>Total</b>	<b>45 987 873</b>	<b>39 353 231</b>	<b>45 987 873</b>	<b>39 353 231</b>

**44 EVENTS AFTER THE REPORTING PERIOD**

The following section 57 employees were appointed fro 7 August 2017:  
Chief Financial Officer  
Director Community Services  
Director Planning and Economic Development

**45 GOING CONCERN**

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

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

46 **Transfer of functions between entities not under common control**

Transfer of functions between entities not under common control occurring during the current reporting period

**46.1** Entities involved in the transfer of functions were:

Polokwane Local Municipality  
Aganang Local Municipality

The transfer was due to the dissolution of Aganang Local Municipality by the Municipal Demarcation Board.

The transfer of function took place during the 2017 financial year.

The transfer was finalized on Wednesday 10 August 2016

78% of remaining funds were distributed to Polokwane Municipality

The following components reflect the transfer of functions at their fair values

	2017	2017
<b>Assets</b>		
<b>Current Assets</b>		
Inventories	614 600	614 600
Receivables from exchange transactions	0	0
Receivables from non exchange transactions	0	0
VAT receivable	7 977 463	7 977 463
Consumer debtors	0	0
Cash and cash equivalents	95 591 767	95 591 767
	<b>104 183 831</b>	<b>104 183 831</b>
<b>Non-Current Assets</b>		
Water infrastructure	130 881 539.00	130 881 539.00
Roads infrastructure	648 773 894.00	648 773 894.00
Property, plant and equipment	101 499 274.93	101 499 274.93
Investment property	343 749.00	343 749.00
	<b>881 498 457</b>	<b>881 498 457</b>
<b>Total Assets</b>	<b>985 682 288</b>	<b>985 682 288</b>
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Payables from exchange transactions	13 604 500	13 604 500
Unspent conditional grants and receipts	5 669 378	5 669 378
Provisions	5 011 464	5 011 464
	<b>24 285 342</b>	<b>24 285 342</b>
<b>Net gain</b>	<b>961 396 946</b>	<b>961 396 946</b>
<b>Contingent liabilities</b>		
<b>Summary of claims lodged</b>		
Makutu KS vs Aganang Local Municipality	80 261	80 261
Koko RM and vs Aganang Local Municipality	80 261	80 261
Thetane MJ vs Aganang Local Municipality	100 000	100 000
	<b>260 522</b>	<b>260 522</b>
<b>Makutu KS vs Aganang Local municipality</b>		
The municipality is being sued for failing to pay the Traffic Officers salary adjustments. The matter is still on going		
<b>Koko RM and vs Aganang Local Municipality</b>		
The municipality is being sued for failing to pay the Traffic Officers salary adjustments. The matter is still on going		
<b>Thetane MJ vs Aganang Local Municipality</b>		
The Traffic Officers arrested a plaintiff for allegedly violating the rules of the road and was arrested and detained at Ga- Matlala Police Station. After his release, he sued the municipality on the basis that his constitutional rights were violated. The matter is still on going		
<b>Receivables</b>		
The following receivables were acquired on the acquisition date:		
Receivables from exchange transactions	323 125	323 125
Receivables from non- exchange transactions	1 122 146	1 122 146
VAT Receivables	7 977 463	7 977 463
Consumer debtors	114 599 549	114 599 549

Of the above receivables, municipality only expects to collect an amount of R 7 977 463.00 being VAT receivable.

**Payables**

The payables represent provisions on staff related costs. As at 10 August 2017, the staff allocation was not finalised. However, due to the size and nature of the Polokwane Municipality, we anticipate all or a significant number of staff to be allocated to the municipality.

**APPENDIX A**  
**SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2017 (Unaudited)**

External Loans	Loan No.	Redeemable	Balance at 30 June 2016	Received during the period	Redeemed or written off during the period	Balance at 30 June 2017
			R	R	R	R
<b>LONG TERM LOANS</b>						
<b>ANNUITY LOAN</b>						
ANNUITY LOAN (DBSA) @ 11.52%	61000907	2019/20	26 804 117	0	5 619 625	21 184 492
ANNUITY LOAN (DBSA) @ 10.60%	61006782	2020/21	161 083 441	0	32 216 688	128 866 753
ANNUITY LOAN( INEP FRONT-LOADING) @	61007274	2017/18	42 800 000	1 413 624	22 888 059	21 325 565
ANNUITY LOAN (DBSA) @ 10.76%	61007443	2031/32		235 000 000		235 000 000
			<b>230 687 558</b>	<b>236 413 624</b>	<b>60 724 372</b>	<b>406 376 810</b>
<b>Total External Loans</b>			<b>230 852 186</b>	<b>236 413 624</b>	<b>60 889 000</b>	<b>406 376 810</b>

APPENDIX B  
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT 30 JUNE 2017  
(Unaudited)

	Historical Cost					Revaluation	De-recognition	Closing balance	Depreciation			Closing balance	Impairments			Carrying value	Revaluation reserve
	Capital under construction	Additions for the year	Transfers	Fair value adjustments	Provision adjustment				Year	Revaluation	De-recognition		Opening balance	Impairment for the year	Closing balance		
<b>COMMUNITY ASSETS</b>	<b>3 156 465 602</b>	<b>58 978 257</b>	<b>33 207 448</b>	-	-	<b>642 424 136</b>	<b>(64 008)</b>	<b>3 891 011 435</b>	<b>(1 647 679 949)</b>	<b>(80 043 805)</b>	<b>88 299 106</b>	<b>52 887</b>	<b>(1 629 371 752)</b>	<b>131 285</b>	-	<b>2 261 639 673</b>	<b>(740 723 241)</b>
Community facilities	671 735 240	-	32 645 193	-	-	131 403 843	(64 008)	835 777 259	(832 450 023)	(20 980 333)	66 222 887	52 887	(629 686 946)	131 285	-	405 052 259	(85 176 303)
Sport and recreation facilities	2 384 877 628	-	562 264	-	-	511 023 293	-	2 896 463 185	(2 896 463 185)	(59 983 472)	144 521 686	-	(1 199 686 712)	-	-	1 696 776 473	(555 544 978)
Capital under construction	99 752 734	58 978 257	-	-	-	-	-	159 730 991	-	-	-	-	-	-	-	159 730 991	-
<b>INFRASTRUCTURE ASSETS</b>	<b>14 594 991 058</b>	<b>317 532 103</b>	<b>1 084 240 659</b>	-	<b>(2 347 239)</b>	<b>6 095 263 516</b>	<b>(20 289 035)</b>	<b>22 069 391 063</b>	<b>(7 732 264 484)</b>	<b>(630 807 645)</b>	<b>(2 855 710 903)</b>	<b>14 471 068</b>	<b>(11 204 311 964)</b>	<b>(19 021)</b>	-	<b>10 865 079 099</b>	<b>(3 239 552 585)</b>
Infrastructure Assets	14 112 503 900	324 651 496	1 027 406 037	-	-	6 034 286 710	(11 227 798)	21 475 372 101	(7 441 651 479)	(609 212 854)	(2 830 989 756)	7 461 856	(10 874 302 633)	(19 021)	-	10 600 960 568	(3 193 396 927)
Electrical infrastructure	2 328 340 512	-	22 641 027	-	-	1 171 080 365	-	4 502 662 925	(4 502 662 925)	(62 871 440)	-	-	(2 473 309 962)	-	-	1 929 307 442	(588 109 556)
Information and communications network	23 256 191	-	436 428	-	-	7 689 831	-	31 382 450	(1 628 980)	(1 825 250)	-	-	(13 742 405)	-	-	17 640 044	(6 461 665)
Roads infrastructure	5 548 012 327	-	738 394 398	-	-	4 701 035 554	(5 794 465)	10 981 647 795	(2 589 549 438)	(422 658 940)	-	-	(5 053 421 300)	-	-	5 929 226 595	(2 605 652 253)
Sanitation Infrastructure	1 066 170 587	-	-	-	-	163 087 414	-	1 229 258 011	(627 617 507)	(119 538 560)	3 147 449	-	(763 174 056)	-	-	466 083 955	(47 069 415)
Solid Waste Infrastructure	131 756 364	-	-	-	-	23 967 678	-	152 611 571	(67 821 059)	(5 430 585)	-	-	(83 627 070)	-	-	58 984 501	(2 697 251)
Storm water Infrastructure	1 071 740 537	-	-	-	-	27 725 797	-	1 134 626 841	(955 081 856)	(24 410 320)	-	-	(664 139 549)	-	-	470 488 292	(29 161 376)
Water Supply Infrastructure	3 141 819 572	-	230 629 902	-	-	(69 300 529)	(5 433 313)	3 297 715 632	(1 724 915 829)	(72 910 174)	4 314 107	-	(1 812 983 190)	(19 021)	19 021	1 484 732 442	(89 671 840)
Capital under construction	290 807 900	324 651 496	-	-	-	-	-	615 459 397	-	-	-	-	-	-	-	615 459 397	-
<b>Other Assets</b>	<b>462 467 158</b>	<b>(7 119 394)</b>	<b>56 834 628</b>	-	-	<b>70 876 806</b>	<b>(9 061 236)</b>	<b>594 071 962</b>	<b>(290 613 005)</b>	<b>(21 594 791)</b>	<b>(24 721 147)</b>	<b>7 009 512</b>	<b>(329 919 431)</b>	-	-	<b>264 058 531</b>	<b>(46 155 658)</b>
Housing	20 263 205	-	-	-	-	3 775 043	-	30 038 249	(17 481 010)	(878 297)	-	-	(19 265 490)	-	-	10 772 756	(2 586 861)
Operational Buildings	420 467 966	-	56 834 628	-	-	67 101 763	(9 061 236)	546 363 120	(273 131 984)	(21 916 496)	7 009 512	-	(310 652 941)	-	-	236 680 180	(43 586 796)
Capital under construction	25 755 987	(7 119 394)	-	-	-	-	-	18 636 593	-	-	-	-	-	-	-	18 636 593	-
<b>INTANGIBLE ASSETS</b>	<b>11 856 463</b>	<b>679 117</b>	-	-	-	-	-	<b>12 227 680</b>	<b>(8 287 427)</b>	<b>(955 405)</b>	-	-	<b>(9 242 832)</b>	<b>(192 299)</b>	-	<b>9 125 448</b>	-
Electricity network	777 325	-	-	-	-	-	-	777 325	-	-	-	-	-	-	-	777 325	-
Sanitation Network	215 879	-	-	-	-	-	-	215 879	-	-	-	-	-	-	-	215 879	-
Water supply network	311 563	-	-	-	-	-	-	311 563	-	-	-	-	-	-	-	311 563	-
Computer Software	10 553 695	-	-	-	-	-	-	10 553 695	(8 287 427)	(955 405)	-	-	(9 242 832)	(192 299)	-	1 118 563	-
Capital under construction	-	679 117	-	-	-	-	-	679 117	-	-	-	-	-	-	-	679 117	-
<b>LAND</b>	<b>237 480 341</b>	-	-	-	-	<b>(188 881 393)</b>	-	<b>48 598 948</b>	-	-	-	-	-	-	-	<b>48 598 948</b>	<b>188 881 393</b>
Land	237 480 341	-	-	-	-	(188 881 393)	-	48 598 948	-	-	-	-	-	-	-	48 598 948	188 881 393
<b>BIOLOGICAL ASSETS</b>	<b>8 999 025</b>	-	-	-	<b>(559 125)</b>	-	-	<b>8 439 900</b>	-	-	-	-	-	-	-	<b>8 439 900</b>	-
Biological Assets	8 999 025	-	-	-	(559 125)	-	-	8 439 900	-	-	-	-	-	-	-	8 439 900	-
<b>INVESTMENT PROPERTY</b>	<b>634 540 916</b>	-	<b>343 750</b>	-	-	<b>24 044 434</b>	-	<b>658 976 469</b>	<b>(1 952 631)</b>	-	-	-	-	-	-	<b>656 976 469</b>	-
Investment Property	634 540 916	-	343 750	-	-	24 044 434	-	656 976 469	(1 952 631)	-	-	-	-	-	-	656 976 469	-
<b>HERITAGE ASSETS</b>	<b>15 609 153</b>	-	-	-	-	-	-	<b>15 596 443</b>	-	-	-	-	-	-	-	<b>15 596 443</b>	-
Heritage Assets	15 609 153	-	-	-	-	-	-	15 596 443	(13 710)	-	-	-	-	-	-	15 596 443	-
<b>OTHER and MOVABLE</b>	<b>144 964 095</b>	-	<b>15 104 493</b>	-	-	-	<b>(2 252 887)</b>	<b>157 815 700</b>	<b>(101 399 349)</b>	<b>(7 558 697)</b>	-	<b>1 540 927</b>	<b>(107 417 119)</b>	-	-	<b>50 398 581</b>	-
Furniture and Office Equipment	55 487 957	-	8 860 737	-	-	-	-	64 348 694	(43 079 955)	(8 622 231)	-	-	(46 696 180)	-	-	17 652 509	-
Transport Assets	69 656 459	-	3 077 160	-	-	-	-	70 480 732	(47 903 823)	(1 245 563)	-	1 540 927	(47 608 479)	-	-	22 872 253	-
Computer equipment	9 134 271	-	1 503 205	-	-	-	-	10 687 475	(6 064 164)	(931 594)	-	-	(6 995 759)	-	-	3 691 717	-
Machinery and equipment	10 805 408	-	1 613 391	-	-	-	-	12 299 799	(4 267 407)	(1 759 290)	-	-	(6 116 697)	-	-	6 182 103	-
<b>FINANCE LEASES</b>	<b>140 278 064</b>	-	<b>639 693</b>	-	-	-	-	<b>(469 254)</b>	<b>(469 254)</b>	-	-	<b>300 304</b>	<b>(109 446 488)</b>	-	-	<b>31 002 015</b>	-
Vehicles	100 430 667	-	-	-	-	-	-	(75 864 500)	(20 041 108)	-	-	330 019	(101 572 038)	-	-	23 289 774	-
Photocopiers and Tablets	4 840 117	-	-	-	-	-	-	4 840 117	(2 896 385)	-	-	-	(4 509 758)	-	-	330 360	-
Other	6 007 280	-	639 693	-	-	-	-	6 646 873	(726 726)	(6 037 653)	-	620 715	(3 364 692)	-	-	2 282 891	-
<b>Grand Total</b>	<b>19 945 186 716</b>	<b>377 189 477</b>	<b>1 133 536 943</b>	-	<b>(23 480 309)</b>	<b>(2 347 239)</b>	-	<b>6 548 896 259</b>	<b>(25 027 816)</b>	<b>(27 060 815 641)</b>	<b>(9 569 118 819)</b>	<b>(16 369 196)</b>	<b>(2 787 411 797)</b>	<b>(242 605)</b>	<b>150 306</b>	<b>13 940 832 976</b>	<b>(3 791 304 433)</b>



**APPENDIX D**

**SEGMENTAL ANALYSIS OF OPERATING REVENUE AND EXPENDITURE 30 JUNE 2017**

Description	Ref	Budget Year 2017/18		
		(Unaudited) Original Budget	Adjusted Budget	YearTD actual
<b>R thousands</b>	1			
<b>Revenue - Standard</b>				
<i>Governance and administration</i>		1 914 246 281.97	1 989 837 684.43	2 868 666 684.13
Budget and treasury office		459 947 887.87	555 539 290.33	687 475 407.47
Corporate services		1 454 298 394.10	1 434 298 394.10	2 181 191 276.66
<i>Community and public safety</i>		77 148 876.29	77 148 876.29	22 895 650.23
Community and social services		2 331 921.91	2 331 921.91	1 964 706.81
Sport and recreation		8 878 670.35	8 878 670.35	6 762 977.76
Public safety		63 662 986.77	63 662 986.77	14 106 296.67
Housing		28 097.26	28 097.26	61 668.99
Health		2 247 200.00	2 247 200.00	0.00
<i>Economic and environmental services</i>		114 193 627.67	114 193 627.67	65 928 144.49
Planning and development		71 884 811.52	71 884 811.52	54 590 263.41
Road transport		12 036 846.35	12 036 846.35	9 874 585.40
Environmental protection		30 271 969.80	30 271 969.80	1 463 295.68
<i>Trading services</i>		1 334 762 213.81	1 334 762 213.81	1 241 500 261.74
Electricity		917 430 091.33	917 430 091.33	832 077 635.22
Water		284 955 713.42	284 955 713.42	272 242 780.03
Waste water management		60 857 999.80	60 857 999.80	60 245 863.55
<b>Total Revenue - Standard</b>	2	<b>3 440 350 999.74</b>	<b>3 515 942 402.20</b>	<b>4 198 990 740.59</b>
<b>Expenditure - Standard</b>				
<i>Governance and administration</i>		706 232 862.57	714 868 224.42	795 824 243.82
Executive and council		161 814 000.24	132 747 406.24	156 171 008.39
Budget and treasury office		265 699 588.18	282 255 953.03	252 905 132.21
Corporate services		278 719 274.15	299 864 865.15	386 748 103.22
<i>Community and public safety</i>		376 136 859.96	392 335 065.11	480 277 765.94
Community and social services		85 910 603.10	87 697 362.10	100 690 504.57
Sport and recreation		100 955 805.46	101 466 955.46	160 167 708.47
Public safety		175 977 532.77	190 008 908.92	206 619 607.74
Housing		8 747 494.38	8 764 724.38	8 955 256.42
Health		4 545 424.24	4 397 114.24	3 844 688.74
<i>Economic and environmental services</i>		240 663 228.45	282 882 701.45	525 247 180.78
Planning and development		81 469 135.06	84 312 291.06	77 409 711.07
Road transport		149 199 256.67	188 508 363.67	439 021 143.19
Environmental protection		9 994 836.72	10 062 046.72	8 816 326.52
<i>Trading services</i>		1 255 523 048.59	1 271 834 604.59	1 397 996 334.44
Electricity		778 997 118.63	787 648 949.63	856 987 181.55
Water		304 708 832.59	310 325 336.59	352 472 399.54
Waste water management		102 559 148.06	103 910 936.06	108 401 006.32
<i>Other</i>		0.00	0.00	0.00
<b>Total Expenditure - Standard</b>	3	<b>2 578 556</b>	<b>2 661 921</b>	<b>3 199 346</b>
<b>Surplus/ (Deficit) for the year</b>		<b>861 795 000</b>	<b>854 022 000</b>	<b>977 059 878</b>



**APPENDIX E (1)**  
**ACTUAL OPERATING VERSUS BUDGET FOR THE YEAR ENDED 30 JUNE 2017(Unaudited)**

	2017 Actual	2017 Budget	2017 Variance	2017 Variance	Explanations of significant variances greater than 10% versus budget
	R	R	R	%	
<b>REVENUE</b>					
Property rates	310 476 433	306 900 000	3 576 433	1.17	Less than 10%
Service charges	1 183 014 133	1 249 240 945	(66 226 812)	(5.30)	Less than 10%
Rental of facilities and equipment	18 759 971	14 019 949	4 740 022	33.81	Rental of land realized with R5 million more than budgeted for
Interest earned – external investments	34 088 471	40 000 000	(5 911 529)	(14.78)	Over budgeted due to underspending of grant expenditure
Interest earned – outstanding debtors	67 805 948	59 400 000	8 405 948	14.15	Under budgeted due to non payment of consumer debtors
Fines	13 555 829	12 000 000	1 555 829	12.97	Under budgeted due to implementation of provision for doubtful fines
Licensing & permits	9 705 007	12 501 000	(2 795 993)	(22.37)	Over budgeted of revenue
Revenue for agency services	15 898 769	18 800 000	(2 901 231)	(15.43)	Over budgeted of revenue
Government grants & subsidies – operating	793 516 083	854 258 300	(60 742 217)	(7.11)	Over budgeted due to underspending of grant expenditure
Government grants & subsidies – capital	548 523 447	612 667 700	(64 144 253)	(10.47)	Over budgeted due to underspending of grant expenditure
Public contributions, donated and contributed	0	0	0	-	
Other revenue	105 549 847	284 965 106	(179 415 259)	(62.96)	Contribution from accumulated surplus during the adjustment budget (R35 million) was not necessary.
<b>Total Revenue</b>	<b>3 100 893 936</b>	<b>3 464 753 000</b>	<b>(363 859 064)</b>	<b>(10.50)</b>	
<b>EXPENDITURE</b>					
Employee related costs	651 251 445	644 367 668	6 883 777	1.07	Less than 10%
Remuneration of councillors	31 845 968	34 572 060	(2 726 092)	(7.89)	Less than 10%
Bad debt provision	9 451 382	50 000 000	(40 548 618)	(81.10)	Less than 10%
Collection costs	0	0	0	-	
Depreciation	749 627 747	180 000 000	569 627 747	316.46	Under budgeted. New service provider applied revaluation model
Repairs & maintenance	258 317 540	248 395 261	9 922 279	3.99	Less than 10%
Finance costs	37 501 259	40 000 000	(2 498 741)	(6.25)	Less than 10%
Bulk purchases	790 119 503	839 635 000	(49 515 497)	(5.90)	Less than 10%
Grants & subsidies paid	15 500 000	15 500 000	0	-	Less than 10%
General expenses	583 996 296	558 261 011	25 735 285	4.61	Less than 10%
<b>Subtotal</b>	<b>3 127 611 142</b>	<b>2 610 731 000</b>	<b>516 880 142</b>		
Gain / (loss) on fair value adjustment/disposal of assets	24 282 451	0	24 282 451	-	Not budget for
<b>Total Expenditure</b>	<b>6 279 504 735</b>	<b>5 221 462 000</b>	<b>1 058 042 735</b>	<b>20.26</b>	
<b>NET SURPLUS/(DEFICIT) FOR THE YEAR</b>	<b>(2 434 755)</b>	<b>854 022 000</b>	<b>(856 456 755)</b>	<b>(100.29)</b>	

**APPENDIX E (2)**  
**ACTUAL CAPITAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT)**  
**FOR THE YEAR ENDED 30 JUNE 2017(Unaudited)**

	2017 Budget R	2017 Actual R	2017 Variance R	2017 Variance %	Explanations of significant variances greater than 10% versus budget
<b>EXECUTIVE &amp; COUNCIL</b>	<b>1 500 000</b>	<b>609 379</b>	<b>(890 621)</b>	(59.37)	
Council	1 500 000	609 379	(890 621)		
<b>BUDGET &amp; TREASURY OFFICE</b>	<b>10 150 641</b>	<b>9 023 110</b>	<b>(1 127 531)</b>	(11.11)	
Finance	10 150 641	9 023 110	(1 127 531)		
<b>CORPRATE SERVICES</b>	<b>71 725 000</b>	<b>27 488 440</b>	<b>(44 236 560)</b>	(61.68)	
Information Technology & other	9 100 000	1 349 372	(7 750 628)	(85.17)	
Property Services	36 625 000	26 139 068	(10 485 932)	(28.63)	
Other & Admin	26 000 000	-	(26 000 000)	(100.00)	
<b>PLANNING &amp; DEVELOPMENT</b>	<b>5 695 000</b>	<b>1 136 693</b>	<b>(4 558 307)</b>	(80.04)	
Economic Development & Planning	1 100 000	774 194	(325 806)	(29.62)	
Town Planning/Building Inspections	4 595 000	362 499	(4 232 501)	(92.11)	
<b>ROAD TRANSPORT</b>	<b>284 558 010</b>	<b>226 343 267</b>	<b>(58 214 743)</b>	(20.46)	
Roads & Storm water	145 255 310	86 455 741	(58 799 569)	(40.48)	
Transportation	139 302 700	139 887 526	584 826	0.42	On target-Under 10%- No explanation required
<b>COMMUNITY &amp; SOCIAL</b>	<b>1 300 000</b>	<b>943 916</b>	<b>(356 084)</b>	(27.39)	
Libraries & Archives	1 300 000	943 916	(356 084)		
<b>ENVIRONMENTAL PROTECTION</b>	<b>11 600 000</b>	<b>10 689 457</b>	<b>(910 543)</b>	(7.85)	On target-Under 10%- No explanation required
Parks & Open areas	11 600 000	10 689 457	(910 543)		
<b>PUBLIC SAFETY</b>	<b>6 130 505</b>	<b>2 482 753</b>	<b>(3 647 752)</b>	(59.50)	
Traffic & licensing	3 301 000	878 076	(2 422 924)	(73.40)	
Fire	2 129 505	990 979	(1 138 526)	(53.46)	
Safety & security	700 000	613 698	(86 302)	(12.33)	
<b>SPORT &amp; RECREATION</b>	<b>56 359 707</b>	<b>45 097 977</b>	<b>(11 261 730)</b>	(19.98)	
Sport & Recreation	56 359 707	45 097 977	(11 261 730)		
<b>WASTE MANAGEMENT</b>	<b>16 650 000</b>	<b>13 209 859</b>	<b>(3 440 141)</b>	(20.66)	
Solid Waste	16 650 000	13 209 859	(3 440 141)		
<b>WATER</b>	<b>566 831 137</b>	<b>486 632 305</b>	<b>(80 198 832)</b>	(14.15)	
Water Distribution	566 831 137	486 632 305	(80 198 832)		
<b>ELECTRICITY</b>	<b>31 000 000</b>	<b>22 385 868</b>	<b>(8 614 132)</b>	(27.79)	
Electricity Distribution	31 000 000	22 385 868	(8 614 132)		
<b>TOTAL</b>	<b>1 063 500 000</b>	<b>846 043 024</b>	<b>(217 456 976)</b>	(20.45)	

**APPENDIX F  
DISCLOSURE OF GRANTS AND SUBSIDIES FOR THE YEAR ENDED 30 JUNE 2017(Unaudited)**

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

Name of Grants	Quarterly receipts R					Quarterly Expenditure for the Year					R	Delay \ withheld	Gazette amount Municipal year	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for non- compliance
	Sep	Dec	March	June	Total	Sep	Dec	March	June	Total					
Equitable share	260 900 000	211 918 000	182 248 000		655 066 000	168 928 500	168 928 500	168 928 500	148 280 500	655 066 000	No	655 066 000	Yes	Not Applicable	
Finance Management Grant	2 619 000			33	2 619 033	572 568	1 098 383	687 355	260 727	2 619 033	No	2 619 000	Yes	Not Applicable	
Mun Infrastructure Grant		117 746 000	182 197 000	4 919 371	304 862 371	40 197 377	48 856 843	60 600 959	126 918 809	276 573 988	No	299 943 000	Yes	Not Applicable	
Regional Bulk Infrastructure Grant	90 080 000	54 048 000	36 031 000		180 159 000	22 104 738	28 891 800	69 477 419	59 685 043	180 159 000	No	180 159 000	Yes	Not Applicable	
Public Transport Infrastructure Grant	50 026 000	50 000 000	100 000 000		200 026 000	9 346 658	21 062 147	36 134 200	128 674 074	195 217 079	No	200 026 000	Yes	Not Applicable	
Extended publics work programme	1 494 000	2 688 000	1 793 000		5 975 000	978 611	2 547 658	967 127	1 481 604	5 975 000	No	5 975 000	Yes	Not Applicable	
Integrated National Electrification Programme	45 000 000				45 000 000	2 262 806	4 989 058	5 285 674	15 917 345	28 454 883	No	45 000 000	Yes	Not Applicable	
Neighbourhood Dev Partnership Grant	21 559 000		12 979 000		34 538 000		552 569	9 049 649	20 930 808	30 533 027	No	34 538 000	Yes	Not Applicable	
Infrastructure Skills Development	2 800 000		3 200 000		6 000 000				6 000 000	6 000 000	No	6 000 000	Yes	Not Applicable	
Municipal Demarcation Transition Grant	2 754 000	3 582 000	1 791 000	887 854	9 014 854	641 731	3 173 119	3 437 399	1 762 605	9 014 854	No	8 127 000	Yes	Not Applicable	

ANNEXURE G  
POLOKWANE MUNICIPALITY  
CONTINGENT LIABILITIES FOR THE YEAR ENDED 30 JUNE 2017  
(Unaudited)

**Contingent liabilities 30 June 2017**

FDate	Type of case	Summary of case	Name of parties	Authority that dealt with the case e.g. High Court	Amount involved	Outcome	Law firm used	Date finalized
04-Dec-12	Civil	Damages suffered as a result of exposure to inhalation of gases, chemicals and dust	Mmanyaka Patrick Machaba/ Polokwane Municipality	North Gauteng High Court	4 000 000	Matter still pending in court	Mohale Incorporated	In progress
16-Jan-13	Civil	Termination of agreement	Phuthinare Traders cc/ Polokwane Municipality	North Gauteng High Court	1 399 000	Matter still pending, no further step taken after filing of plea	N Mohale Incorporated	In progress
12-Jun-12	Civil	Personal damages as a result of accident	Godknows Tshuma/ Polokwane municipality	North Gauteng High Court	35 938	Awaiting trial date	A. M. Carrim Attorneys	In progress
06-Sep-13	Civil	Damages as a result of motor collision	Mogoma Samuel Seabi/ Plk Municipality	Plk Mag Court	275 000	Claimant rejected offer from the Insurance and issued summons	Matter handled internally	In progress
22/02/2012	Civil	Damages	Dr. O.R Tshikosi v Polokwane & Others	Plk Mag Court	300 000	Matter still pending	Matter handled internally	In progress
21/02/2012	Civil	Damages (Pothole)	K.J Ngoasheng v Polokwane	Plk Mag Court	8 981	Matter still pending	Matter handled internally	In progress
15/07/2010	Civil	Motor vehicle collision	E Phooko v Polokwane	Plk Mag court	45 360	Matter still pending in court	Matter handled internally	In progress
28.11.2012	Civil	Unlawful termination of contract	Born to Protect Security Services/ Polokwane Municipality	North Gauteng High Court	828 643	Matter still pending in court	David Mogaswa Attorneys	In progress
22/09/2011	Civil	Damages (pain & suffering)	A D Friedendal v Polokwane	Plk Mag Court	113 289	Matter still pending in court	Matter handled internally	In progress
2013/07/11	Civil	Pothole collision	Ramadimetja Melda Chabangu/ Polokwane Municipality	Internal intervention	1 938	Awaiting Departmental report from Roads & Storm Water	Referral to the Insurance.	In progress
03.12.2013	Civil	Storm water damage	Tess Jerkins. Polokwane Municipality	Internal intervention	63 646	Awaiting report from the Insurance	Referral to the Insurance.	In progress
21.11.2013	Civil	Open hole injury	Soufo Mampshe Jacob/ Polokwane Municipality	Internal intervention	10 000	Awaiting report from the Insurance	Referral to the Insurance.	In progress
11.11.2013	Civil	Motor collision	No names mentioned in the claim	Internal intervention	67 580	Awaiting report from the Insurance	Referral to the Insurance.	In progress
22.01.2014	Civil	Motor collision	Joel Makgata/ Polokwane Municipality	Polokwane Magistrate Court	53 800	Awaiting report from the Insurance	Referral to the Insurance.	In progress
05.03.2014	Civil	Pothole collision	Charles Errol Hlupekha/ Polokwane Municipality	Magistrate Court Mankweng	19 495	Matter still pending in court	Maboku Mangena Attorneys	In progress
05.03.2014	Civil	Defamation of character	Mers Lerake Motshckga/ Polokwane Municipality	Polokwane Regional Court	300 000	Matter postponed for further hearing	Pule Incorporated	In progress
19.02.2014	Civil	Damages for falling into a ditch	J.P Neethling/ Polokwane Municipality	High Court	2 000 000	Matter still pending	Referred to the Insurance	In progress
08.11.2013	Civil	Motor collision	W. De Jongh/Polokwane Municipality	Polokwane Magistrate Court	13 152	Awaiting trial date	Carrim Attorneys	In progress
29.04.2014	Civil	Pothole collision	DP Service centre/ Polokwane Municipality	Polokwane Magistrate Court	96 164	Awaiting report from Roads and Storm Water	Referral to the Insurance.	In progress
08.09.2014	Civil	Pothole collision	Kgadimotso Chemical Suppliers/ Polokwane Municipality	Polokwane Magistrate Court	74 109	Awaiting report from the Insurance	Referral to the Insurance.	In progress
08.09.2014	Civil	Motor collision	Mathabathe Magdalene Mokoale/ Polokwane Municipality	Polokwane Magistrate Court	24 257	Awaiting report from the Insurance	Referral to the Insurance	In progress

**ANNEXURE G**  
**POLOKWANE MUNICIPALITY**  
**CONTINGENT LIABILITIES FOR THE YEAR ENDED 30 JUNE 2017**  
**(Unaudited)**

30.01.2015	Civil	Pothole collision	Makonde Bethuel Phaswane/ Polokwane Municipality	Polokwane Magistrate Court	20 033	Matter still pending in court	Referral to the Insurance.	In progress
18.02.2015	Civil	Damages suffered for death as a result of electrocution	Johannes Skele Mogashoa/ Polokwane Municipality	Polokwane Regional Court	400 000	Matter still pending in court	Referral to the Insurance.	In progress
23.04.2015	Civil	Motor collision	James Mohale Maake/ Polokwane Municipality	Polokwane Regional Court	173 166	Matter still pending in court	Referral to the Insurance.	In progress
25.05.2015	Civil	Damages suffered	Andries Tefu/ Polokwane Municipality	Seshego Magistrate Court	315 000	Matter still pending in court	A.M. Carrim Attorneys	In progress
10.06.2015	Civil	Service rendered	Segabeng Trading Enterprise/ Polokwane Municipality	Polokwane Magistrate Court	94 000	Matter still pending in court	A M Carrim Attorneys	In progress
30.05.2012	Civil	Motor collision	Ezekiel Lediga/ Polokwane Municipality	Polokwane Magistrate Court	11 907	Awaiting trial date	Carrim Attorneys	In progress
22.04.2015	Civil	Motor vehicle collision	Barbara Hatlief/ Thabo Witness Mojela & Polokwane Municipality	Letter of demand	18 582	Matter referred to the Insurance	Handled internally	In progress
23.06.2015	Civil	Damages as a result of storm water	Bamby Francinah Manamela/ Polokwane Municipality	Letter of demand	128 568	Matter referred to the Insurance	Handled internally	In progress
02.07.2015	Civil	Services rendered	Business Connexion (Pty)Ltd / Polokwane municipality	Polokwane High Court	2 758 083	Matter still pending in court	Carrim Attorneys	In progress
03.08.2015	Civil	Vehicle damage waste from truck falling onto the car	Hendrick Van Zyl / Polokwane Municipality	Internal intervention	53 886	Awaiting report from the insurance	Referral to the insurance	In progress
21.08.2016	Civil	Motor collision	Khutso Jappie Sibanda / Polokwane Municipality	Polokwane Magistrate Court	70 000	Awaiting report from the insurance	Referral to the insurance	In progress
14.09.2015	Civil	Service rendered	Tshepega Engineering (Pty) Ltd / Polokwane Municipality	Polokwane High Court	907 100	Matter still pending in court	Maboku Mangena Attorneys	In progress
19.10.2015	Civil	Damage due to municipal pipes	William Mashilo Sebetso / Polokwane Municipality	Internal intervention	25 100	Awaiting report from the insurance	Referral to the insurance	In progress
19.10.2015	Civil	Damage for falling into an open hole	Ramashitja Gladys / Polokwane Municipality	Internal intervention	2 200 000	Awaiting report from the insurance	Referral to the insurance	In progress
19.10.2015	Civil	Collision with a pothole	Moshe Johannes Ramothwala / Polokwane Municipality	Internal intervention	23 090	Awaiting report from the insurance	Referral to the insurance	In progress
20.01.2016	Civil	Damaged suffered for registration of property	Mashoto Matthews Rangoanasha / Polokwane Municipality	Polokwane Magistrate Court	450 000	Matters still pending in court	Noko Maimela	In progress
01.02.2016	Civil	Service rendered	TM Consulting Civil Engineers/ Polokwane Municipality	Polokwane High Court	913 630	Matter still pending in court	Noko Maimela	In progress
29.02.2016	Civil	Service rendered	African blue Eagles Development Engineers/ Polokwane Municipality	Polokwane High Court	1 118 024	Matter still pending in court	Carrim Attorneys	In progress
01.09.2016	Civil	Failure to disconnect Municipal services	Nonhlanhla Mildred Machaka & another/ Polokwane Municipality & another	Polokwane Magistrate Court	28 281	Matter still pending in court	Handled internally	In progress
28.10.2016	Civil	Damages suffered as a result of a branch falling onto a vehicle	Onismas Dipela Matlala/ Polokwane Municipality	Polokwane Magistrate Court	37 016	Matter still pending in court	Referred to the Insurance	In progress

**ANNEXURE G**  
**POLOKWANE MUNICIPALITY**  
**CONTINGENT LIABILITIES FOR THE YEAR ENDED 30 JUNE 2017**  
**(Unaudited)**

31.10.2016	Civil	Failure to pay salary	Koko Ronald Matlala/ Aganang Municipality	Seshego Magistrate Court	37 016	Matter still pending in court	Popela Maake Attorneys	In progress
31.10.2016	Civil	Unlawful and wrongful arrest	John Mbovhu Thetane/ Aganang Municipality	Seshego Magistrate Court	100 000	Matter still pending in court	Popela Maake Attorneys	In progress
14.12.2016	Civil		Ramothema Monyepa/ Polokwane Municipality	Polokwane Magistrate Court	20 385	Matter still pending in court	Referral to the insurance	In progress
14.12.2016	Civil	Payment of rates and taxes emanating from sale of a house	Sakkie Broncon/ Polokwane Municipality	Polokwane Magistrate Court	102 057	Matter still pending in court	Handled internally	In progress
14.12.2016	Civil	Motor collision	Khamusi Sigama/ Polokwane Municipality & another	Polokwane Magistrate Court	16 702	Matter still pending in court	Referral to the insurance	In progress
28.02.2017	Civil	Breach and termination of contract	Tripple Hawks Private Investigators & Administrators	Polokwane High Court	1 475 685	Matter still pending in court	Maboku Mangena Attorneys	In progress
08.03.2017	Civil	Professional services rendered	S M Moeti Attorneys/ Polokwane Municipality	Polokwane Magistrate Court	8 145	Matter still pending in court	Internal handling	In progress
08.03.2017	Civil	Professional services rendered	S M Moeti Attorneys/ Polokwane Municipality	Polokwane Magistrate Court	29 686	Matter still pending in court	Internal handling	In progress
09.03.2017	Civil	Professional services rendered	S M Moeti Attorneys/ Polokwane Municipality	Polokwane Magistrate Court	104 557	Matter still pending in court	Internal handling	In progress
09.03.2017	Civil	Professional services rendered	S M Moeti Attorneys/ Polokwane Municipality	Polokwane Magistrate Court	35 515	Matter still pending in court	Internal handling	In progress
09.03.2017	Civil	Professional services rendered	S M Moeti Attorneys/ Polokwane Municipality	Polokwane Magistrate Court	61 024	Matter still pending in court	Internal handling	In progress
09.03.2017	Civil	Professional services rendered	S M Moeti Attorneys/ Polokwane Municipality	Polokwane Magistrate Court	104 557	Matter still pending in court	Internal handling	In progress
09.03.2017	Civil	Professional services rendered	S M Moeti Attorneys/ Polokwane Municipality	Polokwane Magistrate Court	59 465	Matter still pending in court	Internal handling	In progress
09.03.2017	Civil	Professional services rendered	S M Moeti Attorneys/ Polokwane Municipality	Polokwane Magistrate Court	29 686	Matter still pending in court	Internal handling	In progress
20.04.2017	Civil	Claim from deed of cession	Polokwane Surfacing (Pty) Ltd/ Polokwane Municipality	Polokwane Magistrate Court	43 750	Matter still pending in court	Internal handling	In progress
21.04.2017	Civil	Collision with a pothole	Lebaka Billy Masela/ Polokwane Municipality	Polokwane Magistrate Court	43 500	Matter still pending in court	Referral to the insurance	In progress
15.05.2017	Civil	Unlawful arrest	Iphi Rose Maumela/ Polokwane Municipality	Polokwane High Court	430 000	Matter still pending in court	Mahowa IncorporatedF	In progress
22.06.2017	Civil	Service rendered	S M Moeti Attorneys/ Polokwane Municipality	Polokwane Magistrate Court	17 989	Matter still pending in court	Internal handling	In progress
<b>Total</b>					<b>22 195 537</b>			

Annexure H  
Polokwane Municipality  
Summary of other expenditure 30 June 2017

<b>SUMMARY OF CONTRACTED SERVICES AND GENERAL EXPENDITURE</b>			
<b>Item</b>	<b>Description</b>	<b>2017</b>	<b>2016</b>
<b>CONTRACTED SERVICES</b>			
7405	ASSET VERIFICATION	10 685 185	3 042 452
7407	AUDIT FEES - OUTSOURCED	4 143 870	4 290 860
7410	COMMISSION FEES	14 898 607	9 645 097
7411	FEES - EASY PAY SYSTEM	1 590 110	1 581 270
7413	GUARD SERVICES : RENTAL	40 818 178	31 507 902
7415	METER READING SERVICES	5 520 221	3 916 637
7417	RESEARCH AND DEVELOPMENT	37 792 189	2 666 156
7425	SWIMMING SUPERVISION	343 647	556 621
7427	TERMINATION OF SERVICES	14 209 598	4 499 163
7429	VALUATION ROLL	142 207	706 987
7431	VALUATIONS - INTERIM	401 912	503 629
7899	CONSULTATION FEES	22 653 759	6 010 910
	<b>TOTAL CONTRACTED SERVICES</b>	<b>153 199 485</b>	<b>68 927 685</b>
<b>GENERAL EXPENSES</b>			
2802	FREE BASIC SERVICES	16 143 600	12 513 817
2804	ELECTRICITY DISTRIBUTION - FREE BASIC	12 070 182	9 821 238
2812	FREE BASIC SERVICES WATER	7 779 700	5 150 322
5028	ALLOWANCE: DATA CARDS	318 576	135 600
6002	DEBT INCENTIVE	38 046 677	42 401 822
7601	GRANTS - ASSESSMENT RATES	0	0
7833	ADVERTISEMENTS	2 341 329	2 732 400
7839	AMMUNITION	124 175	0
7841	ANIMALS	11 684	0
7845	AUDIT COMMITTEE FEES	840 378	698 777
7849	AUDIT FEES	9 780 695	5 498 603
7851	AWARENESS CAMPAIGNS	216 729	149 840
7855	BANK CHARGES	2 319 097	2 495 443
7865	BOOKS & PERIODICALS	92 974	53 475
7867	BURSARY : STAFF	162 957	252 033
7869	BURSARY : STUDENT	214 600	117 728
7871	BY-LAWS RATIONALISATION	0	0
7873	CASH HANDLING	481 888	635 736
7876	CATERING	1 274 625	177 183
7877	CELL PHONES	6 081 745	5 368 043
7878	CHAN GAMES	0	0
7879	CHARGES - ELECTRICITY	2 220 907	1 717 150
7881	CHARGES : WATER	14 855	26 646
7883	CHEMICALS	1 589 589	964 149
7891	CLEAN UP ACTION	283 048	0
7895	COMMUNITY PROGRAMS	1 876 944	1 804 047
7897	CONFERENCES/CONGRESS	758 515	358 867
7901	CONTRIBUTION: MEDICAL AID - CONTINUED	4 437 676	12 169 669
7903	CORPORATE PUBLICITY	261 733	284 023
7905	CYLINDERS FIRE FIGHTING	8 780	39 282
7907	DATA - COMMUNICATION	5 825 610	3 458 206
7909	DECORATION - OFFICIAL FUNCTIONS	0	0
7911	DEMOLITION OF STRUCTURES	0	0
7913	DEPARTMENTAL CHARGES : ELECTRICITY	0	827 658
7915	DEPARTMENTAL CHARGES : SEWER & SANITAT	0	-191 056
7917	DEPARTMENTAL CHARGES : WATER	0	-43 369
7919	DISCIPLINARY COMMITTEE	3 948 202	3 508 107
7923	DRIVING/DIVING PERMITS	9 496	12 565
7925	EAP PROGRAMME	145 563	83 286
7931	EMERGENCY DISASTER RELIEF	508 072	495 684
7933	ENERGY FORUM	16 500	12 516
7935	ENTERTAINMENT EXPENSES	33 966	24 805
7937	ENTRANCE CONTROL (ACCESS CONTROL)	64 900	84 454
7939	EXHIBITIONS	33 920	25 583
7943	FEEDING OF ANIMALS	226 294	12 854
7945	FESTIVALS	1 280 440	1 087 501
7947	PROJECT MANAGEMENT	10 482 830	
7956	FLEET MANAGEMENT	13 510 589	12 062 460
7959	FUEL AND OIL	21 271 356	22 073 446
7965	GRAVE DIGGING	646 366	73 805
7971	HIV/AIDS PREVENTION	16 654	26 050
7973	HOLIDAY PROGRAMS	7 600	7 920
7977	IDP AND HEARINGS	2 687 071	1 825 496
7983	INSURANCE - OTHER	10 128 159	7 169 420
7987	INSURANCE - UIF	1 562 964	1 661 918
7989	LAUNDRY	0	0

**Annexure H**  
**Polokwane Municipality**  
**Summary of other expenditure 30 June 2017**

7991	LEGAL EXPENSES	9 484 249	20 268 243
7993	LEVY - SETA TRAINING	5 361 147	4 823 942
7995	LIBRARY PROGRAMS	166 583	198 786
7999	LICENCES - RADIO	100 198	65 918
8001	LICENCES - SAMRO	0	445
8003	LICENCES - VEHICLES	483 777	488 322
8007	LOST BOOKS	0	0
8013	MARKETING	988 626	2 048 616
8017	MARKETING & COMMUNICATIONS	10 270 000	235 855
8019	MAYORS BOSBERAAD	410 923	265 686
8023	MEDICAL EXAMINATIONS OHS	7 456	21 930
8025	OFF LOAD OF DRYINGBEDS	0	0
8027	PAUPER BURIALS	0	0
8029	PENSIONS AND GRATUITY	0	0
8031	POINT DUTY	7 610 847	4 076 021
8033	POSTAGE AND TELEGRAMS	6 341 433	4 489 859
8037	PRINTING & STATIONERY	4 854 799	4 430 592
8039	PROGRAMMING	536 990	1 603 521
8043	PROMOTIONS	4 419 729	4 314 711
8045	PROTECTIVE CLOTHING	9 599 718	4 249 403
8051	PUBLICITY	349	7 018
8052	PUBLIC PARTICIPATION	0	0
8055	RATIONS	1 368	6 174
8057	TRANSITION ADVISORY	7 335 990	
8059	RECRUITING EXPENSES	116 335	12 932
8061	REFRESHMENTS	279 772	336 075
8063	REFRESHMENTS - MEETINGS	239 968	311 253
8065	REFUSE BINS	13 376	260 321
8067	REFUSE REMOVAL SERVICES	1 175 651	2 232 051
8069	REMOVAL COSTS	0	0
8071	RENTAL - ALARMS	204 102	192 380
8073	RENTAL - EQUIPMENT	5 815 480	4 388 030
8081	RENTAL - OFFICES/BUILDINGS (EXTERNAL)	1 034 298	529 730
8083	RETEST DRIVERS LICENCE	2 965	1 490
8085	RISK MANAGEMENT	0	12 991
8086	RISK MANAGEMENT COMMITTEE	37 241	43 218
8087	ROAD SHOWS : MAYOR	74 630	299 611
8089	SAMPLE TESTS	0	0
8090	RURAL HOUSEHOLD SANITATION	29 672 998	27 162 854
8092	RURAL HOUSEHOLD ELECTRIFICATION	24 960 423	40 000 000
8095	SECURITY SERVICES	103 270	166 133
8097	SEEDS.PLANTS.SHRUBS	1 373	0
8105	SMME MANAGEMENT	417 330	163 010
8107	SPECIAL EVENTS	16 861 852	18 006 153
8109	SPECIAL INVESTIGATIONS	818 628	690 859
8113	SPONSORSHIP SPORTING NODES	265 391	547 066
8117	SPORT & RECREATION PROGRAMMES	3 400 325	2 253 844
8120	STOCK LOSSES/DONATION OF ASSETS	9 979 671	66 213 670
8120	DONATION OF ROADS TO RAL	15 542 289	0
8123	BUSSINESS & FINANCIAL PLANNING	10 877 751	
8129	STORES AND MATERIAL	5 427 343	5 348 368
8131	SUBSCRIPTION FEES	6 309 932	5 801 374
8133	SUBSISTANCE AND TRAVELLING	7 225 256	5 632 837
8137	SUBSISTANCE AND TRAVELLING (ABROAD)	0	43 556
8138	STRATEGIC PLANNING SESSION	0	0
8143	TELEPHONE	7 675 277	5 178 097
8147	ADMINISTRATION COSTS	0	0
8148	TRAINING LGSETA	2 573 250	1 444 613
8149	TITLE DEEDS CENTRAL	19 912	6 460
8153	TOURISM DEVELOPMENT	176 207	73 295
8155	TOWN PLANNING	1 227 759	1 333 878
8156	TRAINING DWA	203 792	89 003
8157	TRAINING	1 048 863	966 714
8158	TRAINING FMG	686 543	454 267
8159	TRAINING - WARD COMMITEES	495 000	0
8160	TRAINING INFRASTRUCTURE SKILLS DEVELOPM	6 000 000	5 000 000
8163	TRANSPORT OPERATIONS	6 272 081	
8171	TREES	0	0
8173	VETERINARY SERVICES	19 762	15 352
8179	WARD COMMITTEE MEETINGS	2 034 696	8 732 388
8185	WATER RESEARCH LEVY	1 245 820	1 364 352
8187	WEED CONTROL	0	84 377
8189	WORKSHOPS	63 829	77 343
8191	VAT CONVERSION	0	0
8508	RURAL HOUSEHOLD ELECTRIFICATION DBSA	0.00	39 541 651.49
8510	REHABILITATION OF LANDFILL SITES	6 107 474	5 374 992
8511	TEMPORARY WORKERS	3 857 359	
8512	MPAC MEETINGS	97 142	
	<b>TOTAL GENERAL EXPENSES</b>	<b>430 796 812</b>	<b>461 846 831</b>
	<b>TOTAL CONTRACTED AND GENERAL EXPENSES</b>	<b>583 996 296</b>	<b>530 774 515</b>

Refer to note 29



POLOKWANE LOCAL MUNICIPALITY

CONSOLIDATION JOURNAL ENTRIES

YEAR ENDED: 30/06/2017

Journal Number	Description	Dr	Cr
CONS01	Share Capital (PHA)	1 000.00	
	Investment in PHA (Polokwane Municipality)		1 000.00
	<b>Elimination of Polokwane Municipality shares in PHA</b>		

Journal Number	Description	Dr	Cr
CONS02	Unconditional grant revenue (PHA)	15 020 000.00	
	Unconditional grant expense (Polokwane Municipality)		15 020 000.00
	<b>Elimination of current year's intragroup unconditional grant</b>		

Journal Number	Description	Dr	Cr
CONS03	Unconditional grant revenue (PHA)	16 700 000.00	
	Unconditional grant expense (Polokwane Municipality)		16 700 000.00
	<b>Elimination of intragroup unconditional grant (2016)</b>		