



**JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY**  
Annual Financial Statements  
for the year ended 30 June 2017

# JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

## General Information

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<b>Legal form of entity</b>	South African Category C Municipality (District Municipality) as defined by the Municipal Structures Act (Act No, 117 of 1998).
<b>Nature of business and principal activities</b>	John Taolo Gaetsewe Municipality is a district municipality performing the functions as set out in the Constitution (Act no 105 of 1996).
<b>Jurisdiction</b>	The John Taolo Gaetsewe Municipality includes the municipal areas of Gamagara Municipality, Ga-Segonyana Municipality and Joe Morolong Municipality.  Demarcation code - DC45 John Gaetsewe
<b>Grading of local authority</b>	2
<b>Capacity of the municipality</b>	Medium
<b>Mayoral committee</b>	
Executive Mayor	S. Mosikatsi
Executive Councillors	G.C. Assegai O.E. Hantise K.F. Masilabele O.G. Monaki
<b>Speaker</b>	P.Q. Mogatle
<b>Chairperson: Traditional Affairs</b>	B. D. Phetlhu
<b>Councillors</b>	T.G. Anthony N. Bloem H. Du Plessis L. Gwai V. Jordaan L. Kaebis G. Kaotsane O.H. Kgopodithata O.A. Leserwane (appointed 01/11/2016) K.R. Makwati O. Mathibe N. Mokweni T.F. Molwagae P.J. Ohentswe N.G. Thupaemang (resigned 16/09/2016) A.W.P. Van Der Westhuizen  The councillors above were appointed on 10 August following local government elections, except where otherwise indicated. Out-going council members who were not re-appointed are indicated below:  M.A.P. Brink S. B. Gaobusiwe E. V. Makoke B. P. Matlhoamantsho M. E. Mochwari O. C. Mogodi P. Q. Mogatle M. J. Rakoi M. G. Sephekolo T. T. Tlholenyane
<b>Accounting Officer (Acting)</b>	M. Molusi
<b>Chief Finance Officer</b>	G.P. Moroane (appointed 18 July 2016)

# JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

## General Information

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<b>Registered office</b>	P.O. Box 1480 Kuruman 8460
<b>Business address</b>	4 Federale Mynbou Street Kuruman 8460
<b>Primary bankers</b>	The Standard Bank of South Africa Limited
<b>Auditors</b>	Auditor-General of South Africa
<b>Attorneys</b>	Neville Cloete Attorneys Incorporated

# JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

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### Abbreviations

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

# JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

## Accounting Officer's Responsibilities and Approval

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

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

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

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

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

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2018 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

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

The annual financial statements set out on pages 5 to 90, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2017 and were signed on:

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**M. Molusi**  
**Accounting officer**

**31 August 2017**

# JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

## Accounting Officer's Report

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The accounting officer submits his report for the year ended 30 June 2017.

### 1. Review of activities

#### Main business and operations

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

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

Net surplus of the municipality was R 780 093 (2016: deficit R 16 253 275).

### 2. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business. A number of concerns have been raised in note 33 of the financial statements.

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

### 3. Subsequent events

The contract of the Director: Corporate Services and Human Resources concluded on 31/07/2017.

A resolution was taken to dispose of a vehicle after year end, which had a carrying value of R277,691 at year end.

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

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

The accounting officers, as listed below did not have an interest in any of the contracts entered into during the current financial year.

### 5. Accounting policies

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

### 6. Non-current assets

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

### 7. Accounting Officer

The accounting officers of the municipality during the year and to the date of this report were as follows:

Name	Nationality	Changes
M. Molusi	South African	Acting in the position from 01 March 2017
M. Eilerd	South African	Acting in the position from 01 September 2016 to 28 February 2017
M.P. Bokgwathile	South African	Resigned 31 August 2016

### 8. Bankers

Accounts were held with The Standard Bank of South Africa Limited (being the primary bankers), as well as investment accounts with First National Bank (a division of First Rand Bank Limited), and ABSA (a division of the Barclays Africa Group Limited) during the year.

# **JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY**

Annual Financial Statements for the year ended 30 June 2017

## **Accounting Officer's Report**

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### **9. Auditors**

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

# JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

## Statement of Financial Position as at 30 June 2017

Figures in Rand	Note(s)	2017	2016
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	3	147 795	922 893
Receivables from exchange transactions	4	12 866 964	17 233 991
VAT receivable	5	1 147 553	138 972
Inventories	6	11 552 959	11 552 959
		<b>25 715 271</b>	<b>29 848 815</b>
<b>Non-Current Assets</b>			
Biological assets	7	5 461 827	1 774 500
Investment property	8	6 664 000	5 080 000
Property, plant and equipment	9	75 594 502	67 561 618
Intangible assets	10	476 489	489 490
Heritage assets	11	19 750	19 750
		<b>88 216 568</b>	<b>74 925 358</b>
<b>Total Assets</b>		<b>113 931 839</b>	<b>104 774 173</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Payables from exchange transactions	12	13 525 360	11 131 148
Finance lease obligation	13	22 152	252 966
Other financial liabilities	14	450 268	230 014
Unspent conditional grants and receipts	15	1 172 796	4 096 871
Employee benefit obligation	16	535 497	451 261
Provisions	17	2 093 713	1 756 535
		<b>17 799 786</b>	<b>17 918 795</b>
<b>Non-Current Liabilities</b>			
Finance lease obligation	13	-	22 152
Other financial liabilities	14	1 285 538	1 538 088
Employee benefit obligation	16	4 044 207	5 944 014
		<b>5 329 745</b>	<b>7 504 254</b>
<b>Total Liabilities</b>		<b>23 129 531</b>	<b>25 423 049</b>
<b>Net Assets</b>		<b>90 802 308</b>	<b>79 351 124</b>
Reserves			
Revaluation reserve	18	55 386 620	44 715 529
Accumulated surplus		35 415 688	34 635 595
<b>Total Net Assets</b>		<b>90 802 308</b>	<b>79 351 124</b>



# JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

## Statement of Financial Performance

Figures in Rand	Note(s)	2017	2016
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Administration and management fees received	19	2 659 559	6 749 596
Interest received	20	1 808 505	2 252 027
Rental of facilities and equipment	21	89 515	85 386
Sundry income		1 100	-
<b>Total revenue from exchange transactions</b>		<b>4 558 679</b>	<b>9 087 009</b>
<b>Revenue from non-exchange transactions</b>			
<b>Transfer revenue</b>			
Government grants and subsidies	22	74 824 073	77 436 889
<b>Total revenue</b>		<b>79 382 752</b>	<b>86 523 898</b>
<b>Expenditure</b>			
Employee related costs	23	(49 723 701)	(54 556 665)
Remuneration of councillors	24	(4 014 028)	(4 542 259)
Depreciation, amortisation and impairment	25	(3 199 805)	(3 512 600)
Finance costs	26	(706 318)	(786 775)
Debt Impairment	27	(920 467)	(168 593)
Repairs and maintenance	28	(199 165)	(628 599)
General Expenses	29	(24 857 796)	(35 963 336)
<b>Total expenditure</b>		<b>(83 621 280)</b>	<b>(100 158 827)</b>
<b>Operating deficit</b>		<b>(4 238 528)</b>	<b>(13 634 929)</b>
Fair value adjustments	30	5 271 552	(1 653 240)
Loss on disposal of assets and liabilities		(252 931)	(63 656)
Loss on disposal of biological assets		-	(901 450)
		<b>5 018 621</b>	<b>(2 618 346)</b>
<b>Surplus (deficit) for the year</b>		<b>780 093</b>	<b>(16 253 275)</b>

# JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

## Statement of Changes in Net Assets

Figures in Rand	Revaluation reserve	Accumulated surplus	Total net assets
Opening balance as previously reported	41 970 148	53 450 737	95 420 885
Adjustments			
Prior year adjustments	2 562 400	(2 561 867)	533
<b>Balance at 01 July 2015 as restated*</b>	<b>44 532 548</b>	<b>50 888 870</b>	<b>95 421 418</b>
Changes in net assets			
Surplus for the year	-	(16 253 275)	(16 253 275)
Changes in revaluation surplus	182 981	-	182 981
Total changes	182 981	(16 253 275)	(16 070 294)
Opening balance as previously reported	44 532 548	37 763 900	82 296 448
Adjustments			
Prior year adjustments	182 981	(3 128 305)	(2 945 324)
<b>Balance at 01 July 2016 as restated*</b>	<b>44 715 529</b>	<b>34 635 595</b>	<b>79 351 124</b>
Changes in net assets			
Surplus for the year	-	780 093	780 093
Changes in revaluation surplus	10 671 091	-	10 671 091
Total changes	10 671 091	780 093	11 451 184
<b>Balance at 30 June 2017</b>	<b>55 386 620</b>	<b>35 415 688</b>	<b>90 802 308</b>
Note(s)	18		

# JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

## Cash Flow Statement

Figures in Rand	Note(s)	2017	2016
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Sale of goods and services		5 188 153	2 786 082
Grants		71 899 999	75 838 000
Interest income		1 808 505	2 252 027
		<u>78 896 657</u>	<u>80 876 109</u>
<b>Payments</b>			
Employee costs		(55 742 047)	(60 338 033)
Suppliers		(22 662 749)	(35 267 270)
		<u>(78 404 796)</u>	<u>(95 605 303)</u>
<b>Net cash flows from operating activities</b>	31	<b><u>491 861</u></b>	<b><u>(14 729 194)</u></b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	9	(629 639)	(1 775 861)
Purchase of intangible assets	10	(171 891)	(257 412)
Proceeds from sale of biological assets	7	-	455 950
<b>Net cash flows from investing activities</b>		<b><u>(801 530)</u></b>	<b><u>(1 577 323)</u></b>
<b>Cash flows from financing activities</b>			
Repayment of other financial liabilities		(32 296)	(213 243)
Finance lease payments		(252 966)	(230 698)
Finance costs		(180 167)	(214 428)
<b>Net cash flows from financing activities</b>		<b><u>(465 429)</u></b>	<b><u>(658 369)</u></b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(775 098)</b>	<b>(16 964 886)</b>
Cash and cash equivalents at the beginning of the year		922 893	17 887 779
<b>Cash and cash equivalents at the end of the year</b>	3	<b><u>147 795</u></b>	<b><u>922 893</u></b>

# JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue from exchange transactions</b>						
Rental of facilities and equipment	94 000	-	<b>94 000</b>	89 515	<b>(4 485)</b>	
Interest received	1 459 000	(100 000)	<b>1 359 000</b>	1 808 505	<b>449 505</b>	41.01
Administration and management fees received	4 630 639	(3 076 029)	<b>1 554 610</b>	2 659 559	<b>1 104 949</b>	41.02
Sundry income	375 000	(28 000)	<b>347 000</b>	1 100	<b>(345 900)</b>	41.03
<b>Total revenue from exchange transactions</b>	<b>6 558 639</b>	<b>(3 204 029)</b>	<b>3 354 610</b>	<b>4 558 679</b>	<b>1 204 069</b>	
<b>Revenue from non-exchange transactions</b>						
<b>Transfer revenue</b>						
Government grants and subsidies	74 449 000	(846 904)	<b>73 602 096</b>	74 824 073	<b>1 221 977</b>	41.04
<b>Total revenue</b>	<b>81 007 639</b>	<b>(4 050 933)</b>	<b>76 956 706</b>	<b>79 382 752</b>	<b>2 426 046</b>	
<b>Expenditure</b>						
Employee related costs	(59 595 685)	3 387 155	<b>(56 208 530)</b>	(49 723 701)	<b>6 484 829</b>	41.05
Remuneration of councillors	(4 676 000)	402 120	<b>(4 273 880)</b>	(4 014 028)	<b>259 852</b>	
Depreciation and amortisation	(2 321 000)	-	<b>(2 321 000)</b>	(3 199 805)	<b>(878 805)</b>	41.06
Finance costs	(307 000)	-	<b>(307 000)</b>	(706 318)	<b>(399 318)</b>	41.07
Debt Impairment	-	-	-	(920 467)	<b>(920 467)</b>	41.08
Repairs and maintenance	(360 000)	(75 000)	<b>(435 000)</b>	(199 165)	<b>235 835</b>	41.09
General Expenses	(29 671 946)	801 203	<b>(28 870 743)</b>	(24 857 796)	<b>4 012 947</b>	41.10
<b>Total expenditure</b>	<b>(96 931 631)</b>	<b>4 515 478</b>	<b>(92 416 153)</b>	<b>(83 621 280)</b>	<b>8 794 873</b>	
<b>Operating deficit</b>	<b>(15 923 992)</b>	<b>464 545</b>	<b>(15 459 447)</b>	<b>(4 238 528)</b>	<b>11 220 919</b>	
Loss on disposal of assets and liabilities	-	-	-	(252 931)	<b>(252 931)</b>	41.11
Fair value adjustments	-	-	-	5 271 552	<b>5 271 552</b>	41.12
	-	-	-	<b>5 018 621</b>	<b>5 018 621</b>	
<b>Surplus before taxation</b>	<b>(15 923 992)</b>	<b>464 545</b>	<b>(15 459 447)</b>	<b>780 093</b>	<b>16 239 540</b>	
<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	<b>(15 923 992)</b>	<b>464 545</b>	<b>(15 459 447)</b>	<b>780 093</b>	<b>16 239 540</b>	

# JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Statement of Financial Position</b>						
<b>Assets</b>						
<b>Current Assets</b>						
Inventories	-	-	-	11 552 959	<b>11 552 959</b>	41.13
Receivables from exchange transactions	10 849 289	-	<b>10 849 289</b>	12 866 964	<b>2 017 675</b>	41.14
VAT receivable	-	-	-	1 147 553	<b>1 147 553</b>	41.15
Cash and cash equivalents	-	-	-	147 795	<b>147 795</b>	41.16
	<b>10 849 289</b>	-	<b>10 849 289</b>	<b>25 715 271</b>	<b>14 865 982</b>	
<b>Non-Current Assets</b>						
Biological assets	-	-	-	5 461 827	<b>5 461 827</b>	41.17
Investment property	7 460 000	-	<b>7 460 000</b>	6 664 000	<b>(796 000)</b>	41.18
Property, plant and equipment	67 448 406	10 440 000	<b>77 888 406</b>	75 594 502	<b>(2 293 904)</b>	41.19
Intangible assets	-	-	-	476 489	<b>476 489</b>	41.20
Heritage assets	-	-	-	19 750	<b>19 750</b>	41.21
	<b>74 908 406</b>	<b>10 440 000</b>	<b>85 348 406</b>	<b>88 216 568</b>	<b>2 868 162</b>	
<b>Total Assets</b>	<b>85 757 695</b>	<b>10 440 000</b>	<b>96 197 695</b>	<b>113 931 839</b>	<b>17 734 144</b>	
<b>Liabilities</b>						
<b>Current Liabilities</b>						
Other financial liabilities	1 626 000	252 000	<b>1 878 000</b>	450 268	<b>(1 427 732)</b>	41.22
Finance lease obligation	-	-	-	22 152	<b>22 152</b>	41.23
Payables from exchange transactions	12 245 000	(237 000)	<b>12 008 000</b>	13 525 359	<b>1 517 359</b>	41.24
VAT payable	(868 000)	-	<b>(868 000)</b>	-	<b>868 000</b>	41.25
Employee benefit obligation	-	-	-	535 497	<b>535 497</b>	41.26
Unspent conditional grants and receipts	4 285 000	-	<b>4 285 000</b>	1 172 796	<b>(3 112 204)</b>	41.27
Provisions	-	-	-	2 093 713	<b>2 093 713</b>	41.28
	<b>17 288 000</b>	<b>15 000</b>	<b>17 303 000</b>	<b>17 799 785</b>	<b>496 785</b>	
<b>Non-Current Liabilities</b>						
Other financial liabilities	1 285 000	253 000	<b>1 538 000</b>	1 285 538	<b>(252 462)</b>	41.29
Employee benefit obligation	24 080 000	-	<b>24 080 000</b>	4 044 207	<b>(20 035 793)</b>	41.30
	<b>25 365 000</b>	<b>253 000</b>	<b>25 618 000</b>	<b>5 329 745</b>	<b>(20 288 255)</b>	
<b>Total Liabilities</b>	<b>42 653 000</b>	<b>268 000</b>	<b>42 921 000</b>	<b>23 129 530</b>	<b>(19 791 470)</b>	
<b>Net Assets</b>	<b>43 104 695</b>	<b>10 172 000</b>	<b>53 276 695</b>	<b>90 802 309</b>	<b>37 525 614</b>	
<b>Net Assets</b>						
<b>Net Assets Attributable to Owners of Controlling Entity</b>						
<b>Reserves</b>						
Revaluation reserve	41 970 000	-	<b>41 970 000</b>	55 386 620	<b>13 416 620</b>	41.31
Accumulated surplus	(9 335 000)	(226 000)	<b>(9 561 000)</b>	35 415 688	<b>44 976 688</b>	41.32
<b>Total Net Assets</b>	<b>32 635 000</b>	<b>(226 000)</b>	<b>32 409 000</b>	<b>90 802 308</b>	<b>58 393 308</b>	

# JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Cash Flow Statement</b>						
<b>Cash flows from operating activities</b>						
<b>Receipts</b>						
Other revenue	5 099 345	(3 197 000)	<b>1 902 345</b>	5 188 153	<b>3 285 808</b>	41.33
Grants	74 449 000	(846 904)	<b>73 602 096</b>	71 899 999	<b>(1 702 097)</b>	41.34
Interest income	1 458 500	(100 000)	<b>1 358 500</b>	1 808 505	<b>450 005</b>	41.35
	<b>81 006 845</b>	<b>(4 143 904)</b>	<b>76 862 941</b>	<b>78 896 657</b>	<b>2 033 716</b>	
<b>Payments</b>						
Suppliers and employees	(90 780 657)	(1 635 153)	<b>(92 415 810)</b>	(78 262 569)	<b>14 153 241</b>	41.36
Finance costs	(306 900)	-	<b>(306 900)</b>	(322 394)	<b>(15 494)</b>	
Transfers and grants	(3 083 000)	(677 777)	<b>(3 760 777)</b>	-	<b>3 760 777</b>	41.37
	<b>(94 170 557)</b>	<b>(2 312 930)</b>	<b>(96 483 487)</b>	<b>(78 584 963)</b>	<b>17 898 524</b>	
<b>Net cash flows from operating activities</b>	<b>(13 163 712)</b>	<b>(6 456 834)</b>	<b>(19 620 546)</b>	<b>311 694</b>	<b>19 932 240</b>	
<b>Cash flows from investing activities</b>						
Purchase of property, plant and equipment	(4 100 000)	2 863 000	<b>(1 237 000)</b>	(801 530)	<b>435 470</b>	41.38
<b>Cash flows from financing activities</b>						
Repayment of borrowings	(505 133)	61 000	<b>(444 133)</b>	(285 262)	<b>158 871</b>	41.39
Net increase/(decrease) in cash and cash equivalents	(17 768 845)	(3 532 834)	<b>(21 301 679)</b>	(775 098)	<b>20 526 581</b>	
Cash and cash equivalents at the beginning of the year	2 464 248	950 000	<b>3 414 248</b>	922 893	<b>(2 491 355)</b>	41.40
<b>Cash and cash equivalents at the end of the year</b>	<b>(15 304 597)</b>	<b>(2 582 834)</b>	<b>(17 887 431)</b>	<b>147 795</b>	<b>18 035 226</b>	
<b>Reconciliation</b>						

# JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

## Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
<b>2017</b>											
<b>Financial Performance</b>											
Rental of facilities	94 000	-	94 000	-	-	94 000	-	-	(94 000)	- %	- %
Investment revenue	1 459 000	(100 000)	1 359 000	-	-	1 359 000	-	-	(1 359 000)	- %	- %
Administration and management fees received.	4 630 639	(3 076 029)	1 554 610	-	-	1 554 610	-	-	(1 554 610)	- %	- %
Transfers recognised - operational	74 449 000	(846 904)	73 602 096	-	-	73 602 096	74 064 868	-	462 772	101 %	99 %
Other own revenue	375 000	(28 000)	347 000	-	-	347 000	9 830 231	-	9 483 231	2 833 %	2 621 %
<b>Total revenue (excluding capital transfers and contributions)</b>	<b>81 007 639</b>	<b>(4 050 933)</b>	<b>76 956 706</b>	-	-	<b>76 956 706</b>	<b>83 895 099</b>	-	<b>6 938 393</b>	<b>109 %</b>	<b>104 %</b>
Employee costs	(59 595 685)	3 387 155	(56 208 530)	-	-	(56 208 530)	(49 723 701)	-	6 484 829	88 %	83 %
Remuneration of councillors	(4 676 000)	402 120	(4 273 880)	-	-	(4 273 880)	(4 014 028)	-	259 852	94 %	86 %
Debt impairment	-	-	-	-	-	-	(920 467)	-	(920 467)	DIV/0 %	DIV/0 %
Depreciation and asset impairment	(2 321 000)	-	(2 321 000)	-	-	(2 321 000)	(3 199 805)	-	(878 805)	138 %	138 %
Finance charges	(307 000)	-	(307 000)	-	-	(307 000)	(706 318)	-	(399 318)	230 %	230 %
Other expenditure	(30 031 946)	726 203	(29 305 743)	-	-	(29 305 743)	(25 309 892)	-	3 995 851	86 %	84 %
<b>Total expenditure</b>	<b>(96 931 631)</b>	<b>4 515 478</b>	<b>(92 416 153)</b>	-	-	<b>(92 416 153)</b>	<b>(83 874 211)</b>	-	<b>8 541 942</b>	<b>91 %</b>	<b>87 %</b>
<b>Surplus/(Deficit)</b>	<b>(15 923 992)</b>	<b>464 545</b>	<b>(15 459 447)</b>	-	-	<b>(15 459 447)</b>	<b>20 888</b>	-	<b>15 480 335</b>	<b>- %</b>	<b>- %</b>

# JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

## Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	-	-	-	-		-	759 205		759 205	DIV/0 %	DIV/0 %
<b>Surplus (Deficit) after capital transfers and contributions</b>	<b>(15 923 992)</b>	<b>464 545</b>	<b>(15 459 447)</b>	<b>-</b>		<b>(15 459 447)</b>	<b>780 093</b>		<b>16 239 540</b>	<b>(5)%</b>	<b>(5)%</b>
<b>Surplus/(Deficit) for the year</b>	<b>(15 923 992)</b>	<b>464 545</b>	<b>(15 459 447)</b>	<b>-</b>		<b>(15 459 447)</b>	<b>780 093</b>		<b>16 239 540</b>	<b>(5)%</b>	<b>(5)%</b>
<b>Capital expenditure and funds sources</b>											
Total capital expenditure	(4 100 000)	2 863 000	(1 237 000)	-		(1 237 000)	(801 530)		435 470	65 %	20 %
<b>Cash flows</b>											
Net cash from (used) operating	(12 856 812)	(6 456 834)	(19 313 646)	-		(19 313 646)	491 861		19 805 507	(3)%	(4)%
Net cash from (used) investing	(4 100 000)	2 863 000	(1 237 000)	-		(1 237 000)	(801 530)		435 470	65 %	20 %
Net cash from (used) financing	(812 033)	61 000	(751 033)	-		(751 033)	(465 429)		285 604	62 %	57 %
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(17 768 845)</b>	<b>(3 532 834)</b>	<b>(21 301 679)</b>	<b>-</b>		<b>(21 301 679)</b>	<b>(775 098)</b>		<b>20 526 581</b>	<b>4 %</b>	<b>4 %</b>
Cash and cash equivalents at the beginning of the year	2 464 248	950 000	3 414 248	-		3 414 248	922 893		(2 491 355)	27 %	37 %
<b>Cash and cash equivalents at year end</b>	<b>(15 304 597)</b>	<b>(2 582 834)</b>	<b>(17 887 431)</b>	<b>-</b>		<b>(17 887 431)</b>	<b>147 795</b>		<b>(18 035 226)</b>	<b>(1)%</b>	<b>(1)%</b>



# JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

## Accounting Policies

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### 1. Presentation of Annual Financial Statements

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

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

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

A summary of the significant accounting policies are disclosed below.

These accounting policies are consistent with the previous period.

#### 1.1 Going concern assumption

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

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

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

##### Receivables

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

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

##### Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price.

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

# JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

## Accounting Policies

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

#### Impairment testing

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

#### Value in use of cash generating assets

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

#### Value in use of non-cash generating assets

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

Goodwill is tested on an annual basis for impairment.

#### Provisions

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

#### Useful lives of property, plant and equipment and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for the property, plant and equipment and other assets. This estimate is based on industry norms and on the pattern in which an asset's future economic benefit or service potential is expected to be consumed by the municipality. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives and decrease depreciation charge where useful lives are more than previously estimated useful lives.

#### Post retirement benefits and other long-term benefits

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

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

# JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

## Accounting Policies

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

#### Effective interest rate

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

#### Allowance for impairment of financial assets

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

### 1.3 Biological assets

The municipality recognises a biological asset that form part of an agricultural activity 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.

A gain or loss arising on initial recognition of biological asset that form part of an agricultural activity or agricultural produce at fair value less costs to sell and from a change in fair value less costs to sell of a biological asset that form part of an agricultural activity is included in surplus or deficit for the period in which it arises.

### 1.4 Investment property

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

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

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

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

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

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

#### Fair value

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

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

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

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

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

# JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

## Accounting Policies

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### 1.4 Investment property (continued)

When classification is difficult, the criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of operations, including the nature or type of properties classified as held for strategic purposes, are as follows:

- managements' intended usage of the property; and
- the extent to which it is owner occupied.

The municipality separately discloses expenditure to repair and maintain investment property in the notes to the annual financial statements (see note 2841).

### 1.5 Property, plant and equipment

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

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

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

Property, plant and equipment are initially measured at cost.

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

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at 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 part is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

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

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

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

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

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

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

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.

# JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

## Accounting Policies

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

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

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation 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 net assets related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

Property, plant and equipment are depreciated over their expected useful lives to their estimated residual value. The depreciation charge for each period is recognised in surplus or deficit.

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

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

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

Assets of the municipality 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.

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 2841).

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

### 1.6 Intangible assets

An asset is identifiable if it either:

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

# JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

## Accounting Policies

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### 1.6 Intangible assets (continued)

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

An intangible asset is recognised when:

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

Intangible assets are initially measured at cost.

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

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets to their residual values. The amortisation charge for each period is recognised in surplus or deficit.

The useful lives of items of intangible assets have been assessed as follows:

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Item	Depreciation method	Average useful life
Computer software	Straight line	5 - 10 years

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Intangible assets are derecognised:

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

The gain or loss arising from the derecognition of an intangible assets are included in surplus or deficit when the asset is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

### 1.7 Heritage assets

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

The municipality recognises heritage assets 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 can be measured reliably.

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

Heritage assets are initially measured at cost.

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

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

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

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

# JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

## Accounting Policies

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### 1.7 Heritage assets (continued)

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

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

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

The municipality separately discloses expenditure to repair and maintain heritage assets in the notes to the financial statements (see note 28).

### 1.8 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.

Criteria developed by the municipality to distinguish cash-generating assets from non-cash-generating assets are as follow: .

- The asset is used to produce goods or services which the municipality would sell to consumers; and
- The asset is not interchangeable with an asset which is used for purely administrative purposes.

#### Identification

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

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

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

#### Value in use

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

#### Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

#### Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

# JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

## Accounting Policies

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

#### 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).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality uses management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the municipality does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

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

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

#### Reversal of impairment loss

The municipality assesses 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 municipality estimates the recoverable amount of that asset.

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

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

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

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



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

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

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

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

### 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.

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

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

Criteria developed by the municipality to distinguish non-cash-generating assets from cash-generating assets are as follow: as the municipality is a district municipality, it does not hold assets which are specifically used to generate revenue (e.g. infrastructure relating to utilities). Revenue generated by the municipality is in exchange for services provided, for which there related assets (furniture, office equipment, etc.), are interchangeable with the assets used for non-cash generating activities.

### 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.

### 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 are determined on an "optimised" basis. The rationale is that the municipality will not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an oversized or overcapacity asset. Oversized 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.

# JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

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

#### 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.

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

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

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

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.

### 1.10 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.

#### Classification

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

<b>Class</b>	<b>Category</b>
Cash and cash equivalents	Financial asset measured at amortised cost
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost

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

<b>Class</b>	<b>Category</b>
Bank overdraft	Financial liability measured at amortised cost

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# JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

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## Accounting Policies

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### 1.10 Financial instruments (continued)

Finance lease obligations	Financial liability measured at amortised cost
Other financial liabilities	Financial liability measured at amortised cost
Payables from exchange transactions	Financial liability measured at amortised cost
Unspent conditional grants	Financial liability measured at amortised cost

#### Initial recognition

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

The municipality recognises financial assets using trade date accounting.

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

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

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

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

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

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

#### Fair value measurement considerations

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

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

#### Gains and losses

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

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

# JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

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### 1.10 Financial instruments (continued)

#### Impairment and uncollectibility of financial assets

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

Financial assets measured at amortised cost:

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

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting an allowance account. The reversal does not result in the 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.

#### Derecognition

##### Financial assets

The municipality derecognises financial assets using trade date accounting.

The municipality derecognises a financial asset only when:

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

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

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

##### Financial liabilities

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

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

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

# JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

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### 1.11 Statutory receivables

#### Identification

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

#### Recognition

The municipality recognises statutory receivables as follows:

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

# JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

## Accounting Policies

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### 1.11 Statutory receivables (continued)

#### Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

#### Subsequent measurement

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

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

#### Accrued interest

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

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

#### Other charges

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

#### Impairment losses

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

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

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

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

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

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

#### Derecognition

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

- the rights to the cash flows from the receivable are settled, expire or are waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable; or

# JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

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## Accounting Policies

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### 1.11 Statutory receivables (continued)

- the municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable to another party and the other party has the practical ability to sell the receivable in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the municipality:
  - derecognises the receivable; and
  - recognises separately any rights and obligations created or retained in the transfer.

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

### 1.12 Inventories

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

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

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

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

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

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

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

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

The cost of inventories that are ordinarily interchangeable is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

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.

### 1.13 Value-added Tax (VAT)

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

# JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

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## Accounting Policies

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### 1.14 Employee benefits

#### Short-term employee benefits

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

Short-term employee benefits include:

- 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 municipality during a reporting period, the municipality 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 municipality recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

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

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

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

Defined contribution plans are post-employment benefit plans under which the municipality 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 municipality during a reporting period, the municipality recognises the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, the municipality recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the 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 municipality recognises actuarial gains and losses in surplus or deficit in the reporting period in which they occur.



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### 1.14 Employee benefits (continued)

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.

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

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

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

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

- current service cost;
- interest cost;
- actuarial gains and losses;
- past service cost;

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

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

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

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

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

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

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

# JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

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## Accounting Policies

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### 1.14 Employee benefits (continued)

#### Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

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

#### Other long-term employee benefits

The municipality has an obligation to provide other long-term service allowance benefits to long-serving employees.

The municipality's liability is based on an actuarial valuation. The Projected Unit Credit Method to determine the present value of the obligations.

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

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

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

- current service cost;
- interest cost;
- actuarial gains and losses, which shall all be recognised immediately;

### 1.15 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

# JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

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## Accounting Policies

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### 1.15 Provisions and contingencies (continued)

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

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

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

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

Provisions are not recognised for future operating deficits.

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

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

A contingent liability is a:

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

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

### 1.16 Accumulated surplus

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

### 1.17 Revaluation reserve

The surplus arising from the revaluation of property, plant and equipment is credited to a non-distributable reserve.

On disposal, the net revaluation surplus is transferred to the accumulated surplus / deficit while gains or losses on disposal, based on revalued amounts, are credited or charged to the statement of financial performance.

### 1.18 Accounting by principals and agents

#### Identification

A principal-agent arrangement results from a binding arrangement in which one entity (an agent), undertakes transactions with third parties on behalf, and for the benefit of, another entity (the principal).

#### Identifying whether an entity is a principal or an agent

The assessment of whether the municipality is a principal or an agent requires the municipality to assess whether the transactions it undertakes with third parties are for the benefit of another entity or for its own benefit.

# JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

## Accounting Policies

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### 1.18 Accounting by principals and agents (continued)

#### Binding arrangement

The municipality assesses whether it is an agent or a principal by assessing the rights and obligations of the various parties established in the binding arrangement.

Where the terms of a binding arrangement are modified, the municipality re-assesses whether it act as a principal or an agent.

#### Assessing which entity benefits from the transactions with third parties

The municipality is an agent when, in relation to transactions with third parties, all three of the following criteria are present:

- It does not have the power to determine the significant terms and conditions of the transaction.
- It does not have the ability to use all, or substantially all, of the resources that result from the transaction for its own benefit.
- It is not exposed to variability in the results of the transaction.

Where the municipality has been granted specific powers in terms of legislation to direct the terms and conditions of particular transactions, it is not required to consider the criteria of whether it does not have the power to determine the significant terms and conditions of the transaction, to conclude that is an agent. The municipality applies judgement in determining whether such powers exist and whether they are relevant in assessing whether the municipality is an agent.

#### Recognition

The municipality, as a principal, recognises revenue and expenses that arise from transactions with third parties in a principal-agent arrangement in accordance with the requirements of the relevant Standards of GRAP.

The municipality, as an agent, recognises only that portion of the revenue and expenses it receives or incurs in executing the transactions on behalf of the principal in accordance with the requirements of the relevant Standards of GRAP.

The municipality recognises assets and liabilities arising from principal-agent arrangements in accordance with the requirements of the relevant Standards of GRAP.

### 1.19 Revenue from exchange transactions

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

#### Measurement

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

#### 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.

# JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

## Accounting Policies

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### 1.19 Revenue from exchange transactions (continued)

#### Rendering of services

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

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

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

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

#### Interest and dividends

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

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

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

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

### 1.20 Revenue from non-exchange transactions

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

#### Recognition

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

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

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

#### Measurement

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

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

# JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

## Accounting Policies

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

#### Property rates

The municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

The municipality analyses the taxation laws to determine what the taxable events are for the various taxes levied.

The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

Taxation revenue is determined at a gross amount. It is not reduced for expenses paid through the tax system.

#### Transfers

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

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

#### Debt forgiveness and assumption of liabilities

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

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

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

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

#### Services in-kind

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

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

#### Concessionary loans received

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

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

# JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

## Accounting Policies

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

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

### 1.21 Investment income

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

### 1.22 Borrowing costs

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

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

### 1.23 Leases

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

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

#### Finance leases - lessor

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

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

#### Finance leases - lessee

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

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

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

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

#### Operating leases - lessor

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

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

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

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

# JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

## Accounting Policies

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### 1.23 Leases (continued)

#### 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.

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

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

### 1.24 Grant in aid

The municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the municipality does not:

- receive any goods or services directly in return, as would be expected in a purchase of sale transaction;
- expect to be repaid in future; or
- expect a financial return, as would be expected from an investment.

These transfers are recognised in the statement of financial performance as expenses in the period that the events given raise to the transfer occurred.

### 1.25 Comparative figures

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

### 1.26 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation 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 municipality – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

### 1.27 Unauthorised expenditure

Unauthorised expenditure means:

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

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

### 1.28 Fruitless and wasteful expenditure

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

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



# JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

## Accounting Policies

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### 1.29 Irregular expenditure

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

Irregular expenditure excludes unauthorised expenditure. 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.

### 1.30 Budget information

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

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

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

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

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

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

# JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

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### 2. New standards and interpretations

#### 2.1 Standards and interpretations effective and adopted in the current year

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

##### GRAP 16 (as revised 2015) Investment Property

Amendments made to the standard are:

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

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

The municipality has adopted the amendment for the first time in the 2017 annual financial statements.

The adoption of this amendment has not had a material impact on the results of the municipality, but has resulted in more disclosure than would have previously been provided in the annual financial statements.

##### GRAP 17 (as revised 2015) Property, Plant and Equipment

Amendments made to the standard are:

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

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

The municipality has adopted the amendment for the first time in the 2017 annual financial statements.

The adoption of this amendment has not had a material impact on the results of the municipality, but has resulted in more disclosure than would have previously been provided in the annual financial statements.

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

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

##### GRAP 34: Separate Financial Statements

The objective of this Standard is to prescribe the accounting and disclosure requirements for investments in controlled entities, joint ventures and associates when an entity prepares separate financial statements.

It furthermore covers: definitions, preparation of separate financial statements, 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.

# JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

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

The impact of this standard is currently being assessed.

#### **GRAP 35: Consolidated Financial Statements**

The objective of this Standard is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.

To meet this objective, the Standard:

- requires an entity (the controlling entity) that controls one or more other entities (controlled entities) to present consolidated financial statements;
- defines the principle of control, and establishes control as the basis for consolidation;
- sets out how to apply the principle of control to identify whether an entity controls another entity and therefore must consolidate that entity;
- sets out the accounting requirements for the preparation of consolidated financial statements; and
- defines an investment entity and sets out an exception to consolidating particular controlled entities of an investment entity.

It furthermore covers: definitions, control, accounting requirements, investment entities: fair value requirement, 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.

The impact of this standard is currently being assessed.

#### **GRAP 36: Investments in Associates and Joint Ventures**

The objective of this Standard is to prescribe the accounting for investments in associates and joint ventures and to set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.

It furthermore covers: definitions, significant influence, equity method, application of the equity method, separate financial statements, 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.

The impact of this standard is currently being assessed.

#### **GRAP 37: Joint Arrangements**

The objective of this Standard is to establish principles for financial reporting by entities that have an interest in arrangements that are controlled jointly (i.e. joint arrangements).

To meet this objective, the Standard defines joint control and requires an entity that is a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations and to account for those rights and obligations in accordance with that type of joint arrangement.

It furthermore covers: definitions, joint arrangements, financial statements and parties to a joint arrangement, separate financial statements, 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.

The impact of this standard is currently being assessed.

## Notes to the Annual Financial Statements

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

#### GRAP 38: Disclosure of Interests in Other Entities

The objective of this Standard is to require an entity to disclose information that enables users of its financial statements to evaluate:

- the nature of, and risks associated with, its interests in controlled entities, unconsolidated controlled entities, joint arrangements and associates, and structured entities that are not consolidated; and
- the effects of those interests on its financial position, financial performance and cash flows.

It furthermore covers: definitions, disclosing information about interests in other entities, significant judgements and assumptions, investment entity status, interests in controlled entities, interests in joint arrangements and associates, interests in structured entities that are not consolidated, non-qualitative ownership interests, controlling interests acquired with the intention of disposal, 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.

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

#### GRAP 110: Living and Non-living Resources

The objective of this Standard is to prescribe the:

- recognition, measurement, presentation and disclosure requirements for living resources; and
- disclosure requirements for non-living resources.

It furthermore covers: definitions, recognition, measurement, depreciation, impairment, compensation for impairment, transfers, derecognition, 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.

The impact of this standard is currently being assessed.

#### IGRAP 18: Interpretation of the Standard of GRAP on Recognition and Derecognition of Land

This Interpretation of the Standards of GRAP applies to the initial recognition and derecognition of land in an entity's financial statements. It also considers joint control of land by more than one entity.

When an entity concludes that it controls the land after applying the principles in this Interpretation of the Standards of GRAP, it applies the applicable Standard of GRAP, i.e. the Standard of GRAP on Inventories, Investment Property (GRAP 16), Property, Plant and Equipment (GRAP 17) or Heritage Assets (GRAP 103). As this Interpretation of the Standards of GRAP does not apply to the classification, initial and subsequent measurement, presentation and disclosure requirements of land, the entity applies the applicable Standard of GRAP to account for the land once control of the land has been determined. An entity also applies the applicable Standards of GRAP to the derecognition of land when it concludes that it does not control the land after applying the principles in this Interpretation of the Standards of GRAP.

In accordance with the principles in the Standards of GRAP, buildings and other structures on the land are accounted for separately. These assets are accounted for separately as the future economic benefits or service potential embodied in the land differs from those included in buildings and other structures. The recognition and derecognition of buildings and other structures are not addressed in this Interpretation of the Standards of GRAP.

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

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

The impact of this interpretation is currently being assessed.

# JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

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

#### **GRAP 12 (as amended 2016): Inventories**

Amendments to the Standard of GRAP on Inventories resulted from inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 12 on Inventories (IPSAS 12) as a result of the IPSASB's Improvements to IPSASs 2015 issued in March 2016.

The most significant changes to the Standard are:

- General improvements: to clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12).
- IPSASB amendments: to align terminology in GRAP 12 with that in IPSAS 12. The term "ammunition" in IPSAS 12 was replaced with the term "military inventories" and provides a description of what it comprises in accordance with Government Finance Statistics terminology.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2018 annual financial statements.

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

#### **GRAP 16 (as amended 2016): Investment Property**

Amendments to the Standard of GRAP on Investment Property resulted from editorial changes to the original text and inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IAS 40 on Investment Property (IAS 40) as a result of the IASB's amendments on Annual Improvements to IFRSs 2011 – 2013 Cycle issued in December 2013.

The most significant changes to the Standard are:

- General improvements: to clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12); and to clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets.
- IASB amendments: to clarify the interrelationship between the Standards of GRAP on Transfer of Functions Between Entities Not Under Common Control and Investment Property when classifying investment property or owner-occupied property.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2018 annual financial statements.

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

#### **GRAP 17 (as amended 2016): Property, Plant and Equipment**

Amendments to the Standard of GRAP on Property, Plant and Equipment resulted from editorial changes to the original text and inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 17 on Property, Plant and Equipment (IPSAS 17) as a result of the IPSASB's Improvements to IPSASs 2014 issued in January 2015 and Improvements to IPSASs 2015 issued in March 2016.

The most significant changes to the Standard are:

- General improvements: to clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12); and to clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets.

## Notes to the Annual Financial Statements

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

- IPSASB amendments: to clarify the revaluation methodology of the carrying amount and accumulated depreciation when an item of property, plant, and equipment is revalued; To clarify acceptable methods of depreciating assets; to align terminology in GRAP 17 with that in IPSAS 17. The term “specialist military equipment” in IPSAS 17 was replaced with the term “weapon systems” and provides a description of what it comprises in accordance with Government Finance Statistics terminology; and to define a bearer plant and include bearer plants within the scope of GRAP 17, while the produce growing on bearer plants will remain within the scope of GRAP 27.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2018 annual financial statements.

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

### GRAP 27 (as amended 2016): Agriculture

Amendments to the Standard of GRAP on Agriculture resulted from changes made to IPSAS 27 on Agriculture (IPSAS 27) as a result of the IPSASB's Improvements to IPSASs 2015 issued in March 2016.

The most significant changes to the Standard are:

- IPSASB amendments: To define a bearer plant and include bearer plants within the scope of GRAP 17, while the produce growing on bearer plants will remain within the scope of GRAP 27. In addition to the changes made by the IPSASB, a consequential amendment has been made to GRAP 103 on Heritage Assets. The IPSASB currently does not have a pronouncement on this topic.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2018 annual financial statements.

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

### GRAP 21 (as amended 2016): Impairment of non-cash-generating assets

Amendments to the Standard of GRAP on Impairment of Non-cash Generating Assets resulted from changes made to IPSAS 21 on Impairment of Non-Cash-Generating Assets (IPSAS 21) as a result of the IPSASB's Impairment of Revalued Assets issued in March 2016.

The most significant changes to the Standard are:

- IPSASB amendments: to update the Basis of conclusions and Comparison with IPSASs to reflect the IPSASB's recent decision on the impairment of revalued assets.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2018 annual financial statements.

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

### GRAP 26 (as amended 2016): Impairment of cash-generating assets

Amendments Changes to the Standard of GRAP on Impairment of Cash Generating Assets resulted from changes made to IPSAS 26 on Impairment of Cash-Generating Assets (IPSAS 26) as a result of the IPSASB's Impairment of Revalued Assets issued in March 2016.

The most significant changes to the Standard are:

- IPSASB amendments: to update the Basis of conclusions and Comparison with IPSASs to reflect the IPSASB's recent decision on the impairment of revalued assets.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2018 annual financial statements.

# JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

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

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

#### **GRAP 31 (as amended 2016): Intangible Assets**

Amendments to the Standard of GRAP on Intangible Assets resulted from inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 31 on Intangible Assets (IPSAS 31) as a result of the IPSASB's Improvements to IPSASs 2014 issued in January 2015.

The most significant changes to the Standard are:

- General improvements: to add the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12); and to clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets.
- IPSASB amendments: to clarify the revaluation methodology of the carrying amount and accumulated depreciation when an item of intangible assets is revalued; and to clarify acceptable methods of depreciating assets.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2018 annual financial statements.

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

#### **GRAP 103 (as amended 2016): Heritage Assets**

Amendments to the Standard of GRAP on Heritage Assets resulted from inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from editorial changes to the original text.

The most significant changes to the Standard are:

- General improvements: to clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12); and to clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2018 annual financial statements.

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

#### **GRAP 106 (as amended 2016): Transfers of functions between entities not under common control**

Amendments to the Standard of GRAP on Transfer of Functions Between Entities Not Under Common Control resulted from changes made to IFRS 3 on Business Combinations (IFRS 3) as a result of the IASB's amendments on Annual Improvements to IFRSs 2010 – 2012 Cycle issued in December 2013.

The most significant changes to the Standard are:

- IASB amendments: to require contingent consideration that is classified as an asset or a liability to be measured at fair value at each reporting period.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2018 annual financial statements.

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

## Notes to the Annual Financial Statements

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

#### 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.

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
  - 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.



# JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

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

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

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

#### **GRAP 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 principal-agent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement. The Standard does not introduce new recognition or measurement requirements for revenue, expenses, assets and/or liabilities that result from principal-agent arrangements. The Standard does however provide guidance on whether revenue, expenses, assets and/or liabilities should be recognised by an agent or a principal, as well as prescribe what information should be disclosed when 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.

#### **GRAP 32: Service Concession Arrangements: Grantor**

The objective of this Standard is: to prescribe the accounting for service concession arrangements by the grantor, a public sector entity.

It furthermore covers: definitions, recognition and measurement of a service concession asset, recognition and measurement of liabilities, other liabilities, contingent liabilities, and contingent assets, other revenues, presentation and disclosure, transitional provisions, as well as the effective date.

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

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

#### **GRAP 108: Statutory Receivables**

The objective of this Standard is: to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.

It furthermore covers: definitions, recognition, derecognition, measurement, presentation and disclosure, transitional provisions, as well as the 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.

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

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

# JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

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

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

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

A consensus is reached, in this Interpretation of the Standards of GRAP, on the recognition of the performance obligation and the right to receive a significant interest in a service concession asset.

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

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

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

### 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 the budget documentation will usually reflect the segments for which a municipality reports information to management.

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

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

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

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

# JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

Figures in Rand	2017	2016
<b>3. Cash and cash equivalents</b>		
Cash and cash equivalents consist of:		
Cash on hand	1 000	1 229
Bank balances	136 435	601 849
Short-term deposits	10 360	319 815
	<b>147 795</b>	<b>922 893</b>

The municipality had the following bank accounts and cash on hand:

Account number / description	Bank statement balances			Cash book balances		
	30 June 2017	30 June 2016	30 June 2015	30 June 2017	30 June 2016	30 June 2015
Standard Bank Limited - current account - 024-0923-804	136 971	613 005	2 986 795	136 435	601 849	2 895 688
First National Bank - call account - 62016341208	1 294	285 492	272 044	1 294	285 492	272 044
First National Bank - call account - 62047254272	2 261	2 187	1 736	2 261	2 187	1 736
ABSA Bank Limited - call account - 92-9707-2891	-	-	281 978	-	-	281 978
ABSA Bank Limited - call account - 93-1699-1956	-	1 001	-	-	1 001	-
Standard Bank Limited - call account - 508871603-002	-	2 086	2 017	-	2 086	2 017
Standard Bank Limited - call account - 508871603-007	-	23 280	-	-	23 280	-
Standard Bank Limited - call account - 508871603-011	787	-	-	787	-	-
Nedbank Limited - 32 day deposit	-	-	6 168 529	-	-	6 168 529
First National Bank - medium term deposit - 7100-2746-116	6 018	5 769	5 552	6 018	5 769	5 552
First National Bank - 7454-0924-096	-	-	8 258 485	-	-	8 258 485
Cash on hand	1 000	1 229	1 750	1 000	1 229	1 750
<b>Total</b>	<b>148 331</b>	<b>934 049</b>	<b>17 978 886</b>	<b>147 795</b>	<b>922 893</b>	<b>17 887 779</b>

#### 4. Receivables from exchange transactions

Deposits	348	348
Irregular expenditure to be recovered	250 929	826 850
Trade receivables	12 457 555	16 248 660
Balance of housing projects activities	158 132	158 132
	<b>12 866 964</b>	<b>17 233 990</b>

The irregular expenditure to be recovered has not yet been recovered, however the receivable has been impaired for those councillors who are no longer at the municipality.

#### Trade and other receivables pledged as security

Trade and other receivables were not pledged as security.

# JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

Figures in Rand 2017 2016

### 4. Receivables from exchange transactions (continued)

Trade receivables - ageing	2017	2016
Current (0 - 30 days)	936 473	5 291 134
31 - 60 Days	1 194 724	135 002
61 - 90 Days	229 156	307 169
+ 90 Days	10 342 855	10 618 991
Allowance for impairment	(245 653)	(103 636)
	<b>12 457 555</b>	<b>16 248 660</b>

Summary of receivables by customer classification	Other	Organs of state	Total
<b>30 June 2017</b>			
Current (0 - 30 days)	26 818	909 655	936 473
31 - 60 Days	10 970	1 183 754	1 194 724
61 - 90 Days	148 060	81 096	229 156
+ 90 Days	184 145	10 158 712	10 342 857
Allowance for impairment	(245 655)	-	(245 655)
	<b>124 338</b>	<b>12 333 217</b>	<b>12 457 555</b>

Summary of receivables by customer classification	Other	Organs of state	Total
<b>30 June 2016</b>			
Current (0 - 30 days)	8 229	5 282 905	5 291 134
31 - 60 Days	4 522	130 480	135 002
61 - 90 Days	851	306 318	307 169
+ 90 Days	103 345	10 515 646	10 618 991
Allowance for impairment	(103 636)	-	(103 636)
	<b>13 311</b>	<b>16 235 349</b>	<b>16 248 660</b>

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

### Credit quality of trade and other receivables

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

### Trade and other receivables past due but not impaired

Impairment is provided for on all residential accounts which are more than 1 month past due; if these are identified as being high risk current amounts may be impaired. National and provincial government accounts are not impaired. At 30 June 2017, R 11 423 562 (2016: R10 952 446) were past due but not impaired.

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

1 month past due	1 183 754	130 480
2 months past due	81 096	306 319
3 months or more past due	10 158 712	10 515 647

# JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

Figures in Rand 2017 2016

### 4. Receivables from exchange transactions (continued)

#### Receivables from exchange transactions impaired

The amount of the allowance for impairment was R245 655 as of 30 June 2017 (2016: R 103 636).

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

Current (0 - 30 days)	18 336	847
31 - 60 Days	10 970	1 030
61 - 90 Days	148 060	847
+ 90 Days	185 353	103 198

#### Reconciliation of allowance for impairment of receivables from exchange transactions

Opening balance	103 636	76 711
Allowance for impairment	142 019	26 925
	<u>245 655</u>	<u>103 636</u>

### 5. VAT receivable

VAT	<u>1 147 553</u>	<u>138 972</u>
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The municipality is registered for VAT on the invoice basis.

### 6. Inventories

Properties to be transferred	<u>11 552 959</u>	<u>11 552 959</u>
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The inventory is made up of properties which are to be transferred to local municipalities.

#### Inventory pledged as security

Inventory was not pledged as security.

### 7. Biological assets

	2017			2016		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Biological assets - game	5 461 827	-	5 461 827	1 774 500	-	1 774 500

#### Reconciliation of biological assets - 2017

	Opening balance	Gains or losses arising from changes in fair value	Total
Biological assets - game	1 774 500	3 687 327	<u>5 461 827</u>

# JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

Figures in Rand 2017 2016

### 7. Biological assets (continued)

#### Reconciliation of biological assets - 2016

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

#### Non - Financial information

##### Quantities of each biological asset

Blesbok		15	17
Blue wildebeest		494	239
Duiker		5	3
Eland		47	26
Gemsbok		178	123
Ibex		6	13
Ostrich		17	17
Red hartebeest		49	47
Springbuck		37	84
Warthog		2	6
Waterbuck		-	1
Zebra		41	27
		<b>891</b>	<b>603</b>

The biological assets were valued on 12 August 2017 by JBFE Consulting (Pty) Ltd.

Game is valued using officially listed and publicised game auction data and numbers. An active market exists for game but some species have no commercial value and are counted but not valued for trading. These are not reflected in the listing above.

The key assumption in the valuation method used is that genetic variation in species are excluded from the valuation. This means that rare species types sales values are excluded as their pricing is not a fair reflection of the game populations value.

In the current financial year, game growth was attributed to breeding, and losses to natural age related deaths.

In the prior year, Duiker and Ibex were excluded as no commercial value had been established; however, this would not have been material as the numbers have been consistently low.

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

#### Pledged as security

The biological assets are not pledged as security.

#### Methods and assumptions used in determining fair value

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

# JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

Figures in Rand 2017 2016

### 8. Investment property

	2017			2016		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land and buildings	6 664 000	-	6 664 000	5 080 000	-	5 080 000

#### Reconciliation of investment property - 2017

	Opening balance	Fair value adjustments	Total
Investment property	5 080 000	1 584 000	6 664 000

#### Reconciliation of investment property - 2016

	Opening balance	Fair value adjustments	Total
Investment property	4 770 000	310 000	5 080 000

#### Pledged as security

The investment property is not pledged as security.

#### Details of property

##### Erf 2617 - Kuruman Campus

Freehold ownership property in the Kuruman registration division. Site area is 1190m<sup>2</sup>. Title deed No. T610/1978. Registration date is 15 June 1978 with conditions and servitudes in accordance with Erf 2617 which is a consolidation of erven 1105 and 1106.

- Valuation since purchase 3 200 000 2 600 000

##### Erf 938 Kuruman

Property in the Northern Cape province with title deed number T416/1996. Site area is 1190m<sup>2</sup>.

- Purchase price: 1 December 2008 182 400 182 400  
 - Additions since purchase or valuation 1 917 600 1 617 600  
**2 100 000 1 800 000**

##### Erf 4439 Kuruman

Property in the Northern Cape province with title deed number T25/2011. Site area is 17052m<sup>2</sup>.

- Valuation since purchase 1 364 000 680 000

# JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

Figures in Rand 2017 2016

### 8. Investment property (continued)

#### Details of valuation

Revaluations were performed by an independent valuer, DDP Valuers August 2017. DDP Valuers is not connected to the municipality and has recent experience in location and category of the investment property being valued.

The market value of erven 2617, 938, was determined using the capitalisation method of valuation to discount market related rentals using a capitalisation rate of 10%.

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

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

### 9. Property, plant and equipment

	2017			2016		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Buildings	21 285 270	(6 437)	21 278 833	19 960 367	(1 928 965)	18 031 402
Community assets - buildings	910 000	-	910 000	560 000	(56 001)	503 999
Community assets - land	38 590 000	-	38 590 000	33 840 000	-	33 840 000
Disaster unit - building	2 536 834	-	2 536 834	2 278 958	-	2 278 958
Disaster unit - land	580 000	-	580 000	521 042	-	521 042
Furniture and fixtures	4 796 750	(1 900 097)	2 896 653	4 787 891	(1 555 079)	3 232 812
IT equipment	5 881 675	(3 529 439)	2 352 236	5 669 363	(3 047 954)	2 621 409
Land	2 680 000	-	2 680 000	1 494 000	-	1 494 000
Leased assets	699 406	(679 327)	20 079	699 406	(446 517)	252 889
Motor vehicles	8 211 402	(4 714 733)	3 496 669	8 211 402	(3 814 713)	4 396 689
Office equipment	418 365	(241 578)	176 787	578 474	(281 249)	297 225
Other property, plant and equipment	111 673	(35 262)	76 411	111 893	(20 700)	91 193
<b>Total</b>	<b>86 701 375</b>	<b>(11 106 873)</b>	<b>75 594 502</b>	<b>78 712 796</b>	<b>(11 151 178)</b>	<b>67 561 618</b>



# JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

Figures in Rand

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

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

	Opening balance	Additions	Assets no longer in use	Revaluations	Depreciation	Total
Buildings	18 031 402	8 631	-	3 909 189	(670 380)	21 278 842
Community assets - buildings	504 000	-	-	424 662	(18 667)	909 995
Community assets - land	33 840 000	-	-	4 750 000	-	38 590 000
Disaster unit - building	2 278 958	-	-	342 282	(84 406)	2 536 834
Disaster unit - land	521 042	-	-	58 958	-	580 000
Furniture and fixtures	3 232 812	103 360	(46 086)	-	(393 433)	2 896 653
IT equipment	2 621 408	517 648	(120 037)	-	(666 783)	2 352 236
Land	1 494 000	-	-	1 186 000	-	2 680 000
Leased assets	252 888	-	-	-	(232 809)	20 079
Motor vehicles	4 396 689	-	-	-	(900 020)	3 496 669
Office equipment	297 225	-	(70 221)	-	(50 217)	176 787
Other property, plant and equipment	91 192	-	(41)	-	(14 740)	76 411
	<b>67 561 616</b>	<b>629 639</b>	<b>(236 385)</b>	<b>10 671 091</b>	<b>(3 031 455)</b>	<b>75 594 506</b>

# JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

Figures in Rand

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

#### Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	Assets no longer in use	Transfers	Revaluations	Depreciation	Impairment loss	Total
Buildings	18 226 899	465 247	-	-	-	(660 744)	-	18 031 402
Community assets - buildings	522 667	-	-	-	-	(18 667)	-	504 000
Community assets - land	33 840 000	-	-	-	-	-	-	33 840 000
Disaster unit - building	2 189 428	-	-	-	162 511	(72 981)	-	2 278 958
Disaster unit - land	500 572	-	-	-	20 470	-	-	521 042
Furniture and fixtures	3 297 298	333 183	(12 157)	(871)	-	(340 711)	(43 930)	3 232 812
IT equipment	2 501 286	767 674	(50 370)	22 447	-	(574 493)	(45 136)	2 621 408
Land	1 494 000	-	-	-	-	-	-	1 494 000
Leased assets	485 699	-	-	-	-	(232 811)	-	252 888
Motor vehicles	5 686 778	-	-	-	-	(1 290 089)	-	4 396 689
Office equipment	265 141	114 757	(126)	4 628	-	(50 697)	(36 478)	297 225
Other property, plant and equipment	35 627	95 000	(1 003)	(26 204)	-	(12 228)	-	91 192
	<b>69 045 395</b>	<b>1 775 861</b>	<b>(63 656)</b>	<b>-</b>	<b>182 981</b>	<b>(3 253 421)</b>	<b>(125 544)</b>	<b>67 561 616</b>

#### Pledged as security

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

#### Assets subject to finance lease (net carrying amount)

Office equipment	<u>20 072</u>	<u>252 888</u>
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# JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

Figures in Rand 2017 2016

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

#### Revaluations

The effective date of the revaluations was 30 June 2017. Revaluations were performed by independent valuer, DDP Valuers.

Per the policy, land and buildings are re-valued independently every 5 years, however, the current valuation was performed sooner as it was managements understanding that the actual values might be materially different from the recorded values, which proved to be the case.

The valuations were performed with reference to similar recent sales in the area, and used a 10% discount rate.

These assumptions were based on current market conditions.

#### Other information

##### Details of properties

##### Farm Surprise No. 33

Surprise 33/0 in extent 3102.0849 hectares, Kuruman Rd, Northern Cape Province. Title Deed T2848/2007

The farm is situated in the John Taolo Municipal District, adjacent to the town Van Zyls Rus.

The value of the land is estimated at R10 240 000.

- Opening balance	8 959 000	8 972 667
- Revaluation	1 954 667	-
- Depreciation	(13 667)	(13 667)
	<u>10 900 000</u>	<u>8 959 000</u>

##### Farm Ptn 70 of Kalahari-Oos No. 410

Farm Ptn 70 of Kalahari-Oos no. 410 in extent 6808.2158 hectares, Kuruman RD, Northern Cape Province. Title Deed T4150/2005

The farm is situated in the John Taolo Municipal District, about 40km from Van Zyls Rus towards Hotazel and Kuruman.

The value of the land is estimated at R 23 150 000.

- Purchase price	21 185 000	21 190 000
- Revaluation	2 220 000	-
- Depreciation	(5 000)	(5 000)
	<u>23 400 000</u>	<u>21 185 000</u>

##### Farm of Chakwana No. 200

Farm of Chakwana no. 200 in extent 959.5054 hectares, Kuruman Rd, Northern Cape Province. Title Deed T3507/2002

The farm is situated in Kuruman Rural District about 80km from Kuruman towards Vryburg.

The value of the land is estimated at R5 200 000.

- Opening balance	4 200 000	4 200 000
- Revaluation	1 000 000	-
	<u>5 200 000</u>	<u>4 200 000</u>

# JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

Figures in Rand 2017 2016

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

#### Erf 1973 - District Municipal Workshop

Freehold ownership property in the Kuruman registration division. Site area is 8565sqm. Title deed No. T504/1947. Registration date was 4 June 1947 with conditions and servitudes in accordance with I454/1956.

The value of the land is estimated at R 1 030 000.

- Opening balance	3 867 800	3 995 200
- Revaluation	(475 435)	-
- Depreciation	(127 403)	(127 400)
	<b>3 264 962</b>	<b>3 867 800</b>

#### Erf 4471 - District Municipal offices

Freehold ownership property in the Kuruman registration division. Site area is 4760sqm. Title deed No. T4295/2005. Registration date was September 2005 with condition and servitudes in accordance with Erf 4471 which is a consolidation of erven 943 and 2595.

The value of the land is estimated at R1 066 000.

- Opening balance:	15 540 647	15 725 699
- Additions	8 631	348 019
- Depreciation	(536 822)	(533 071)
- Revaluation	5 570 619	-
	<b>20 583 075</b>	<b>15 540 647</b>

#### Erf 940 - Disaster Unit

Freehold ownership property in the Kuruman registration division. Site area is 833sqm. Title deed No. T416/1996. Registration date was 5 March 1996.

This property was formerly classified as investment property, however it is owner occupied.

The value of the land is estimated at R 580 000.

- Opening Balance	2 800 000	2 690 000
- Revaluation	401 240	182 981
- Depreciation	(84 406)	(72 981)
	<b>3 116 834</b>	<b>2 800 000</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.

### 10. Intangible assets

	2017			2016		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	1 606 125	(1 129 636)	476 489	1 450 778	(961 288)	489 490

# JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

Figures in Rand 2017 2016

### 10. Intangible assets (continued)

#### Reconciliation of intangible assets - 2017

	Opening balance	Additions	Assets not in use	Amortisation	Total
Computer software	489 490	171 891	(16 544)	(168 348)	476 489

#### Reconciliation of intangible assets - 2016

	Opening balance	Additions	Amortisation	Total
Computer software	365 714	257 412	(133 636)	489 490

#### Pledged as security

The intangible assets are not pledged as security.

#### Other information

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

### 11. Heritage assets

	2017			2016		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Council regalia	19 750	-	19 750	19 750	-	19 750

# JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

Figures in Rand

	2017	2016
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### 11. Heritage assets (continued)

#### Reconciliation of heritage assets 2017

	Opening balance	Total
Council regalia	19 750	19 750

#### Reconciliation of heritage assets 2016

	Opening balance	Total
Council regalia	19 750	19 750

#### Pledged as security

The heritage assets are not pledged as security.

#### Other information

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

### 12. Payables from exchange transactions

Accrued bonus	1 256 630	1 205 483
Accrued expenses	222 238	113 985
Accrued leave pay	3 486 133	3 727 401
Debtors with credit balances	955	886
Deposits received in advance	38 000	583 053
Fleet card	46 284	68 410
Payments received in advanced - contract in process	1 107 851	714 537
Payroll related liabilities at year end	2 092 136	59 304
Retention creditors	14 027	14 027
Trade payables	5 175 052	4 524 258
Water monitoring	86 054	119 804
	<b>13 525 360</b>	<b>11 131 148</b>

Payables are recognised net of any discounts.

Payables are being paid within 30 days as prescribed by the MFMA. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other payables on initial recognition is not deemed necessary.

# JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

Figures in Rand	2017	2016
<b>13. Finance lease obligation</b>		
<b>Minimum lease payments due</b>		
- within one year	22 322	267 869
- in second to fifth year inclusive	-	22 322
	<u>22 322</u>	<u>290 191</u>
less: future finance charges	(170)	(15 073)
<b>Present value of minimum lease payments</b>	<u><b>22 152</b></u>	<u><b>275 118</b></u>
<b>Present value of minimum lease payments due</b>		
- within one year	22 152	252 966
- in second to fifth year inclusive	-	22 152
	<u><b>22 152</b></u>	<u><b>275 118</b></u>
Non-current liabilities	-	22 152
Current liabilities	22 152	252 966
	<u><b>22 152</b></u>	<u><b>275 118</b></u>
It is municipality policy to lease certain office equipment under finance leases.		
The average period of the leases is 3 years.		
<b>14. Other financial liabilities</b>		
<b>At amortised cost</b>		
DBSA loan	1 735 806	1 768 102
The loan accrues interest at a fixed rate of 9.64% (2015: 9.64%), and is repayable in 30 bi-annual instalments of R197 561 over 15 years.		
<b>Non-current liabilities</b>		
At amortised cost	<u>1 285 538</u>	<u>1 538 088</u>
<b>Current liabilities</b>		
At amortised cost	<u>450 268</u>	<u>230 014</u>
<b>15. Unspent conditional grants and receipts</b>		
<b>Unspent conditional grants and receipts comprises of:</b>		
Expanded public works programme - brick making	2 620	254 670
Fire grant	584 177	584 177
HIV and AIDS council	290 273	243 950
Housing accreditation grant	-	-
Infrastructure skill development grant	-	2 788 327
Khotso Pula Nala	31 619	31 619
Near grant	238 050	98 193
Rural road asset management grant	-	10 673
Vanzylsrus sportfield grant	26 057	85 262
	<u><b>1 172 796</b></u>	<u><b>4 096 871</b></u>

# JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

Figures in Rand 2017 2016

### 16. Employee benefit obligations

The employee benefit obligations relate to post-retirement medical aid benefits provided and long service awards.

#### Post-retirement medical aid benefit:

The municipality provides post-employment medical aid benefits upon retirement to some retirees. The entitlement to post-employment medical aid benefits is based on special resolution by the council, or the terms of employment prevailing at the time the employees retired. The municipality operates an unfunded defined benefit plan for these qualifying individuals. No other post-retirement benefit are provided to these individuals.

The actuarial valuation of the present value of the obligation at 30 June 2017 was carried out by Arch Actuarial Consulting in August 2017. The present value of the obligation, the related current service cost and past service cost, were measured using the projected unit credit method.

Present value of unfunded obligation at the beginning of the year	4 053 010	5 077 446
Net actuarial gains or losses	(2 147 945)	(936 487)
Difference between expected and actual current service costs	(261 320)	(483 193)
Interest cost	334 412	395 244
	<u>1 978 157</u>	<u>4 053 010</u>
Non-current liabilities	1 758 005	3 791 690
Current liabilities	220 152	261 320
	<u>1 978 157</u>	<u>4 053 010</u>

#### Key assumptions used

Assumptions used at the reporting date:

Discount rates used	8.61 %	8.52 %
Health care cost inflation rate	6.91 %	7.71 %
Net effective discount rate	1.59 %	0.75 %

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

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

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



# JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

Figures in Rand 2017 2016

### 16. Employee benefit obligations (continued)

#### Other assumptions

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

	One percentage point increase	One percentage point decrease
Health care inflation	2 123 000	1 848 000
Discount rate	1 851 000	2 122 000

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

	2017 R	2016 R	2015 R	2014 R	2013 R
Continuation members	1 978 157	4 053 010	5 077 446	4 899 789	-

The basis of the valuation of the liability was reperformed in 2015/16 after it was found to be based on incorrect assumptions. The valuation was revalued at June 2015 and June 2014 as well for comparative information - it was not considered practical to extend the valuation back further than this. The 2013 figures previously reported reflect the old assumptions and, therefore, were materially misstated; it was not considered appropriate to reflect these in the table above.

#### Long service awards

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

The actuarial valuation of the present value of the obligation at 30 June 2016 was carried out by Arch Actuarial Consulting CC on 30 August 2017. The present value of the obligation, the related current service cost and past service cost, were measured using the projected unit credit method.

Present value of unfunded obligation at the beginning of the year	2 342 265	2 318 126
Net actuarial gains or losses	(70 528)	(265 624)
Difference between expected and actual current service costs	138 071	112 660
Interest cost	191 739	177 103
	<b>2 601 547</b>	<b>2 342 265</b>
Non-current liabilities	2 286 202	2 152 324
Current liabilities	315 345	189 941
	<b>2 601 547</b>	<b>2 342 265</b>

# JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

Figures in Rand 2017 2016

### 16. Employee benefit obligations (continued)

#### Net expense recognised in the statement of financial performance

Actuarial (gains) losses	(70 528)	(265 624)
Current service cost	328 012	341 204
Interest cost	191 739	177 103

#### Key assumptions used

Discount rates used	8.29%	8.52%
General salary inflation (long term)	6.11%	7.18%
Net effective discount rate	2.05%	1.25%

The discount rate is derived by using a liability-weighted average of the yields corresponding to the average term until payment of long service awards, for each employee. The corresponding liability-weighted index-linked yield is 2.55%. These rates do not reflect any adjustment for taxation. These rates were deduced from the Johannesburg Stock Exchange (JSE) Zero Coupon bond yield after the market close on 30 June 2017.

The liability-weighted average term of the total liability is 6.19 years.

#### Other assumptions

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

	Increase	Decrease
General salary inflation	2 750 000	2 467 000
Discount rate	2 461 000	2 759 000

	2017	2016	2015	2014	2013
Eligible employees	<u>2 601 547</u>	<u>2 342 265</u>	<u>2 318 126</u>	<u>2 003 272</u>	<u>1 834 488</u>

### 17. Provisions

#### Reconciliation of provisions - 2017

	Opening Balance	Additions	Total
Compensation for occupational injuries and disease	1 756 535	337 178	<u>2 093 713</u>

#### Reconciliation of provisions - 2016

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

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

### 18. Revaluation reserve

Opening balance	44 715 529	44 532 548
Change during the year	10 671 091	182 981
	<u>55 386 620</u>	<u>44 715 529</u>

# JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

Figures in Rand	2017	2016
<b>18. Revaluation reserve (continued)</b>		
The revaluation reserve is created by surplus arising from the revaluation of property, plant and equipment.		
<b>19. Administration and management fees received</b>		
Product related services	1 941 946	6 095 596
Refunds	338 246	281 558
Telephone	53 522	67 247
Training	100 845	80 195
District planning tribunal	225 000	225 000
	<b>2 659 559</b>	<b>6 749 596</b>
<b>20. Interest received</b>		
<b>Interest revenue</b>		
Bank	268 754	1 252 914
Receivables from exchange transactions	1 539 751	999 113
	<b>1 808 505</b>	<b>2 252 027</b>
<b>21. Rental of facilities and equipment</b>		
Premises	89 515	85 386
<b>22. Government grants and subsidies</b>		
<b>Operating grants</b>		
Equitable share	66 326 000	64 383 000
Expanded public works programme - brick making	252 049	968 898
Expanded public works programme incentive grant	1 000 000	1 006 337
Financial management grant	1 250 000	1 351 099
Fire grant	-	259 995
HIV and AIDS council	203 677	347 880
Housing accreditation grant	700 000	820 000
Infrastructure skill development grant	3 000 000	2 999 792
Khotso Pula Nala	-	1 968 381
Municipal systems improvement grant	-	930 000
Near grant	210 142	251 807
Rural road asset management grant	1 823 000	1 755 000
Vanzylsrus Sportfield	59 205	394 700
	<b>74 824 073</b>	<b>77 436 889</b>
<b>Reconciliation of grants from National / Provincial Government</b>		
<b>Operating grants</b>		
National government	73 399 000	73 160 812
Provincial government	1 425 073	4 276 077
	<b>74 824 073</b>	<b>77 436 889</b>
<b>Revenue recognised per vote as required by Section 123 (c) of the MFMA:</b>		
Equitable share	66 326 000	64 383 000
Executive and council	203 677	1 277 880
Budget and treasury	1 250 000	1 351 099
Community and social services	210 142	511 802

# JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

Figures in Rand	2017	2016
<b>22. Government grants and subsidies (continued)</b>		
Housing	700 000	820 000
Basic services and infrastructure	6 134 254	9 093 108
	<b>74 824 073</b>	<b>77 436 889</b>

# JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

Figures in Rand	2017	2016
<b>22. Government grants and subsidies (continued)</b>		
<b>Equitable share</b>		
Current-year receipts	63 527 000	64 383 000
Prior year unspent amounts forfeited	2 799 000	-
Transferred to revenue	(66 326 000)	(64 383 000)
<b>Net of unspent grants</b>	<b>-</b>	<b>-</b>

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

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

### Expanded public works programme - brick making

Balance unspent at beginning of year	254 670	1 223 568
Conditions met - transferred to revenue	(252 049)	(968 898)
<b>Net of unspent grants</b>	<b>2 621</b>	<b>254 670</b>

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

### Expanded public works programme - incentive grant

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

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

### Financial management grant

Balance unspent at beginning of year	-	101 099
Current-year receipts	1 250 000	1 250 000
Conditions met - transferred to revenue	(1 250 000)	(1 351 099)
<b>Net of unspent grants</b>	<b>-</b>	<b>-</b>

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

### Fire grant

Balance unspent at beginning of year	584 177	494 172
Current-year receipts	-	350 000
Conditions met - transferred to revenue	-	(259 995)
<b>Net of unspent grants</b>	<b>584 177</b>	<b>584 177</b>

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

# JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

Figures in Rand	2017	2016
<b>22. Government grants and subsidies (continued)</b>		
<b>Housing accreditation grant</b>		
Balance unspent at beginning of year	-	(141 668)
Current-year receipts	700 000	820 000
Conditions met - transferred to revenue	(700 000)	(820 000)
Impairment of prior year receivable.	-	141 668
<b>Net of unspent/(receivable) grants</b>	<b>-</b>	<b>-</b>
The housing grant was utilised for the development of erven and the erection of top structures.		
During the course of the financial year, through correspondence with the department, it became apparent that the grant amount shown as receivable would not be forthcoming. This amount was impaired, and is to be presented to council in the new financial year for write-off.		
<b>HIV and AIDS council</b>		
Balance unspent at beginning of year	243 950	591 830
Current-year receipts	250 000	-
Conditions met - transferred to revenue	(203 677)	(347 880)
<b>Net of unspent grants</b>	<b>290 273</b>	<b>243 950</b>
The grant was used for HIV and AIDS awareness programmes.		
<b>Infrastructure skill development grant</b>		
Balance unspent at beginning of year	2 788 327	2 788 119
Current-year receipts	3 000 000	3 000 000
Conditions met - transferred to revenue	(3 000 000)	(2 999 792)
Withheld from the equitable share	(2 788 327)	-
<b>Net of unspent grants</b>	<b>-</b>	<b>2 788 327</b>
The grant will be used to employ interns for training in civil engineering, building inspections and town planning.		
<b>Khotso Pula Nala</b>		
Balance unpaid at beginning of year	31 619	-
Current-year receipts	-	2 000 000
Conditions met - transferred to revenue	-	(1 968 381)
<b>Net of unpaid grants</b>	<b>31 619</b>	<b>31 619</b>
<b>Municipal systems improvement grant</b>		
Current-year receipts	-	930 000
Conditions met - transferred to revenue	-	(930 000)
<b>Net of unspent grants</b>	<b>-</b>	<b>-</b>

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

# JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

Figures in Rand	2017	2016
<b>22. Government grants and subsidies (continued)</b>		
<b>Near grant</b>		
Balance unspent at beginning of year	98 193	-
Current-year receipts	350 000	350 000
Conditions met - transferred to revenue	(210 143)	(251 807)
<b>Net of unspent grants</b>	<b>238 050</b>	<b>98 193</b>
The grant is used to maintain the disaster management centre.		
<b>Rural road asset management grant</b>		
Balance unspent at beginning of year	10 673	10 673
Current-year receipts	1 823 000	1 755 000
Conditions met - transferred to revenue	(1 823 000)	(1 755 000)
Withheld against the equitable share	(10 673)	-
	<b>-</b>	<b>10 673</b>
This grant is gazetted in the DORA to establish a road asset management system.]		
<b>Vanzylsrus sportfield grant</b>		
Balance unspent at beginning of year	85 262	479 962
Conditions met - transferred to revenue	(59 205)	(394 700)
<b>Net of unspent grants</b>	<b>26 057</b>	<b>85 262</b>
The grant was used to build a sportfield at Vanzylsrus.		
<b>Total Grants</b>		
Balance unspent at beginning of year	4 096 870	5 554 091
Current-year receipts	71 900 000	75 838 000
Conditions met - transferred to revenue	(74 824 074)	(77 436 889)
Impairment of grant receivable	-	141 668
<b>Net of unspent grants</b>	<b>1 172 796</b>	<b>4 096 870</b>

### Changes in level of government grants

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

# JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

Figures in Rand	2017	2016
<b>23. Employee related costs</b>		
Acting allowance	1 777 700	1 572 144
Basic	34 161 339	36 227 620
Bonus	1 915 453	1 839 665
Cellular phone allowance	250 025	263 454
Change in valuation of employee benefit obligations	(2 341 722)	(1 572 644)
COIDA contribution	337 178	333 535
Contribution industrial council	8 447	7 482
Contribution pension fund	4 525 155	4 491 510
Contribution provident fund	283 051	272 792
Housing benefits and allowances	1 584 630	1 744 660
Inconvenience allowance	65 578	70 549
Leave pay provision charge	1 605 740	3 191 015
Medical aid - company contributions	2 578 875	3 010 780
Nightshift allowance	191 329	41 042
Performance bonus	47 842	-
Skills development levy	470 143	496 438
Travel allowance	2 072 153	2 367 524
Unemployment insurance fund	190 785	199 099
	<b>49 723 701</b>	<b>54 556 665</b>

### Remuneration of municipal manager: M.P.Bokgwathile

Annual remuneration	180 319	1 063 865
Car allowance	14 000	84 000
Cellular phone allowance	3 200	19 200
Contributions to unemployment insurance fund, medical and pension funds	297	1 785
Back pay	-	18 049
Leave paid out	176 923	-
	<b>374 739</b>	<b>1 186 899</b>

Ms M.P. Bokgwathile vacated the position of municipal manager on 31 August 2016.

### Remuneration of chief finance officer: G.P. Moroane

Annual remuneration	838 359	-
Car allowance	56 000	-
Cellular phone allowance	18 400	-
Contributions to unemployment insurance fund, medical and pension funds	446	-
	<b>913 205</b>	<b>-</b>

Ms G.P. Moroane was appointed CFO from 18 July 2016.



# JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

Figures in Rand 2017 2016

### 23. Employee related costs (continued)

#### Remuneration of acting chief finance officer: S.S. French-Sulliman

Annual Remuneration	-	444 482
Car Allowance	-	59 970
Cellular phone allowance	-	8 800
Housing allowance	-	16 742
Contributions to UIF, Medical and Pension Funds	-	116 801
Back pay	-	13 108
Acting allowance	-	441 198
	<u>-</u>	<u>1 101 101</u>

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

Ms G.P. Moroane was subsequently appointed as CFO.

#### Remuneration of acting chief financial officer: T. Motlhanke

Annual Remuneration	24 127	36 571
Car Allowance	3 530	5 126
Cellular phone allowance	486	800
Housing allowance	924	1 522
Contributions to unemployment insurance fund, medical and pension funds	6 219	8 835
Acting allowance	17 663	107 875
	<u>52 949</u>	<u>160 729</u>

In 2016/17, Mr T.Motlhanke was acting CFO from 8 February to 24 February 2017. The remuneration reflected above is pro-rated for 17 days of 28, except for the acting allowance.

In 2015/16, Mr T. Motlhanke was acting as CFO from 1 July 2015 to 31 July 2015; the remuneration reflected above is for this period only.

Ms S.S. French-Sulliman was subsequently appointed to act in the position of CFO.

#### Remuneration of director of infrastructure: M.W. Molusi

Annual remuneration	787 561	744 368
Car allowance	120 000	120 000
Cellular phone allowance	19 200	19 200
Contributions to unemployment insurance fund, medical and pension funds	1 785	1 785
Back pay	51 226	13 477
Leave paid out	-	63 352
Acting allowance	221 548	-
	<u>1 201 320</u>	<u>962 182</u>

Mr M. Molusi was acting in the position of municipal manager from 1 March 2017.

Previously, Mr M. Eilerd was acting in the position of municipal manager.

# JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

Figures in Rand 2017 2016

### 23. Employee related costs (continued)

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

Annual remuneration	150 645	616 512
Car allowance	16 453	66 160
Cellular phone allowance	2 400	10 400
Housing allowance	4 566	13 698
Contributions to unemployment insurance fund, medical and pension funds	446	446
Back pay	-	8 372
Leave paid out	39 067	169 920
	<u>213 577</u>	<u>885 508</u>

Mr S.D. Sethibe vacated the position of head of internal audit on 30 September 2016; this post has not been filled.

#### Remuneration of director of corporate and human resources (corporate services): M. Eilerd

Annual remuneration	780 288	734 502
Car allowance	180 000	180 000
Cellular phone allowance	19 200	19 200
Contributions to unemployment insurance fund, medical and pension funds	1 877	1 871
Back pay	52 500	15 886
Leave paid out	-	46 799
Acting allowance	315 934	26 119
	<u>1 349 799</u>	<u>1 024 377</u>

Mr M. Eilerd was acting in the position of municipal manager from 1 September 2016 to 28 February 2017.

Mr M. Molusi was subsequently appointed to act in the position of municipal manager.

#### Remuneration of director of community services: T.H. Matlhare

Annual remuneration	744 803	740 708
Car allowance	100 800	100 800
Cellular phone allowance	19 200	19 200
Back pay	30 000	14 950
Leave paid out	-	159 237
Acting allowance	9 452	-
	<u>904 255</u>	<u>1 034 895</u>

#### Remuneration of director of finance and economics development: K.K. Teise

Annual remuneration	790 924	746 537
Car allowance	140 964	140 964
Cellular phone allowance	19 200	19 200
Contributions to unemployment insurance fund, medical and pension funds	1 785	1 785
Back pay	51 813	13 850
Leave paid out	62 715	49 683
	<u>1 067 401</u>	<u>972 019</u>

# JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

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## Notes to the Annual Financial Statements

Figures in Rand	2017	2016
<b>23. Employee related costs (continued)</b>		
<b>Remuneration of director of corporate and human resources (corporate services): G. van der Westhuisen</b>		
Annual Remuneration	178 034	-
Car Allowance	17 878	-
Cellular phone allowance	2 400	-
Housing allowance	4 566	-
Contributions to unemployment insurance fund, medical and pension funds	31 656	-
Acting allowance	107 998	-
	<b>342 532</b>	<b>-</b>

Mr G.van der Westhuisen was acting in the position of director of corporate and human resources from 1 September to 31 November 2016.

### 24. Remuneration of councillors

Executive mayor	729 403	856 453
Speaker	595 455	693 858
Mayoral committee members	1 630 570	2 122 106
Councillors	1 058 216	1 202 201
Irregular expenditure	(169 115)	(332 359)
	<b>3 844 529</b>	<b>4 542 259</b>

During the year, councillors received R169 115 (2016: R332 359) in excess of the prescribed limits for the remuneration of councillors; this has been recorded as irregular expenditure, which is to be recovered from the affected councillors.

Note, the table above combines the remuneration of all council members who were active during the year, including members of the out-going council who were not re-appointed.

# JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

Figures in Rand

	2017	2016
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### 24. Remuneration of councillors (continued)

#### In-kind benefits

The executive mayor, speaker and mayoral committee members are full-time. Each is provided with an office and secretarial support at the cost of the council.

The executive mayor has use of a council owned vehicle for official duties.

#### Executive mayor: S. Mosikatsi

Councillor allowance	462 040	565 199
Transport allowance	178 952	186 507
Municipal contribution	63 943	80 279
Cellphone allowance	20 868	20 868
Mobile data allowance	3 600	3 600
	<b>729 403</b>	<b>856 453</b>

#### Speaker: S.B. Gaobusiwe

Councillor allowance	57 092	455 962
Transport allowance	24 868	149 205
Municipal contribution - pension fund	4 865	64 223
Cellphone allowance	3 478	20 868
Mobile data allowance	600	3 600
	<b>90 903</b>	<b>693 858</b>

#### Speaker: P.Q. Mogatle

Councillor allowance	420 284	-
Transport allowance	63 879	-
Cellphone allowance	17 390	-
Mobile data allowance	3 000	-
	<b>504 553</b>	<b>-</b>

#### Member of the mayoral committee: G.C. Assegai

Councillor allowance	278 335	372 819
Cellphone allowance	7 825	-
Mobile data allowance	1 350	-
	<b>287 510</b>	<b>372 819</b>

#### Member of the mayoral committee: O.E. Hantise

Councillor allowance	265 721	340 974
Transport allowance	14 477	86 861
Cellphone allowance	7 825	-
Mobile data allowance	1 350	-
	<b>289 373</b>	<b>427 835</b>

#### Member of the mayoral committee: M.E. Mochwari

Councillor allowance	53 524	427 528
Transport allowance	23 313	139 881
Municipal contribution - pension fund	4 561	60 209
Cellphone allowance	3 478	20 868
Mobile data allowance	600	3 600

# JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

Figures in Rand	2017	2016
<b>24. Remuneration of councillors (continued)</b>		
	<b>85 476</b>	<b>652 086</b>
<b>Member of the mayoral committee: O.C. Mogodi</b>		
Councillor allowance	53 524	427 528
Transport allowance	23 313	139 881
Municipal contribution - medical and pension funds	7 441	77 489
Cellphone allowance	3 478	20 868
Mobile data allowance	600	3 600
	<b>88 356</b>	<b>669 366</b>
<b>Member of the mayoral committee: K.F. Masilabele</b>		
Councillors allowance	419 537	-
Cellphone allowance	17 390	-
Mobile data allowance	3 000	-
	<b>439 927</b>	<b>-</b>
<b>Member of the mayoral committee: O.G. Monaki</b>		
Councillors allowance	419 537	-
Cellphone allowance	17 390	-
Mobile data allowance	3 000	-
	<b>439 927</b>	<b>-</b>
<b>Chairperson of MPAC: V. Makoke (part-time)</b>		
Councillor allowance	27 475	227 425
Transport allowance	11 968	71 805
Municipal contribution - pension fund	2 341	30 908
Cellphone allowance	3 478	20 868
Mobile data allowance	600	3 600
	<b>45 862</b>	<b>354 606</b>
<b>Councillor - A. Mwembo</b>		
Councillor allowance	24 621	203 168
Transport allowance	9 325	55 952
Cellphone allowance	3 478	20 868
Mobile data allowance	600	3 600
	<b>38 024</b>	<b>283 588</b>
<b>Councillor: J. Rakoi</b>		
Councillor allowance	24 671	203 168
Transport allowance	8 798	52 785
Cellphone allowance	3 478	20 868
Mobile data allowance	600	3 600
	<b>37 547</b>	<b>280 421</b>
<b>Councillor: A. Van Der Westhuizen</b>		
Councillor allowance	161 688	203 168
Transport allowance	53 896	55 952
Cellphone allowance	20 868	20 868
Mobile data allowance	3 600	3 600

# JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

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## Notes to the Annual Financial Statements

Figures in Rand	2017	2016
<b>24. Remuneration of councillors (continued)</b>		
	<b>240 052</b>	<b>283 588</b>
<b>Councillor: T.G. Anthony</b>		
Councillors allowance	200 255	-
Cellphone allowance	17 390	-
Mobile data allowance	3 000	-
	<b>220 645</b>	<b>-</b>
<b>Councillor: O.H. Kgopodithata</b>		
Councillors allowance	47 644	-
Cellphone allowance	7 826	-
Mobile data allowance	1 350	-
	<b>56 820</b>	<b>-</b>
<b>Councillor: T.F. Molwagae</b>		
Councillors allowance	189 268	-
Cellphone allowance	17 390	-
Mobile data allowance	3 000	-
	<b>209 658</b>	<b>-</b>
<b>Councillor: P.T. Ohentswe</b>		
Councillors allowance	189 268	-
Cellphone allowance	17 390	-
Mobile data allowance	3 000	-
	<b>209 658</b>	<b>-</b>
<b>25. Depreciation, amortisation and impairment</b>		
Property, plant and equipment	3 031 457	3 253 421
Property, plant and equipment - impairment	-	125 543
Intangible assets - amortisation	168 348	133 636
	<b>3 199 805</b>	<b>3 512 600</b>
<b>26. Finance costs</b>		
Non-current borrowings	180 167	214 428
Interest on employee benefit obligations	526 151	572 347
	<b>706 318</b>	<b>786 775</b>
<b>27. Debt impairment</b>		
Impairment of Irregular expenditure to be recovered	745 037	-
Impairment of Trade receivables	142 019	168 593
Additional amount to be written off	33 411	-
	<b>920 467</b>	<b>168 593</b>

The Additional amount to be written off refers to amounts written off by council where additional interest was charged between the time of the resolution and the actual adjustment being proposed. This amount will be referred to council to be formally written off.

# JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

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## Notes to the Annual Financial Statements

Figures in Rand	2017	2016
<b>28. Repairs and maintenance</b>		
<b>Property plant and equipment</b>		
-Amounts paid to service providers	199 165	628 599
No expenditure was incurred on the repair and maintenance of investment property, as the tenants are required to pay this in terms of their leases.		
<b>29. General expenses</b>		
Advertising	49 712	1 091 319
Assessment rates and municipal charges	202 396	197 582
Auditors remuneration	2 866 133	2 465 525
Bad debt written off	1 612 507	7 000
Bank charges	79 483	126 553
Capacity building	-	210 189
Catering	124 447	327 671
Community development and training	255 660	759 457
Communications	340 745	330 004
Conferences and seminars	60 902	176 248
Consulting and professional fees	2 510 113	6 842 856
Contributions to SMME development	-	35 531
Donations	15 500	-
Electricity	900 973	820 799
Fleet	571 389	1 147 812
Fuel and oil	-	70 683
Health and occupational awareness	18 922	80 072
HIV and AIDS council	-	8 832
Imbizo events	47 900	1 111 015
Insurance	317 791	378 565
IT expenses	39 215	-
Magazines, books and periodicals	-	55 659
Membership fees	628 301	576 059
Postage and courier	4 645	5 432
Printing and stationery	203 672	363 698
Project maintenance costs	10 402 138	9 063 685
Records management	4 400	7 917
Security services	580 000	924 964
Software expenses	-	563 132
Staff welfare	40 238	683 688
Study assistance	-	50 624
Tea and cleaning	109 130	131 863
Telephone and fax	628 971	716 829
Tourism events	1 865	187 841
Training	257 539	2 354 140
Travel, subsistence and accommodation	1 871 327	3 987 343
Uniforms	25 734	40 804
Water	86 048	61 945
	<b>24 857 796</b>	<b>35 963 336</b>
<b>30. Fair value adjustments</b>		
Investment property (fair value model)	1 584 000	310 000
Biological assets - (fair value model)	3 687 552	(1 963 240)
	<b>5 271 552</b>	<b>(1 653 240)</b>

# JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

Figures in Rand	2017	2016
<b>31. Cash generated from (used in) operations</b>		
Surplus (deficit)	780 093	(16 253 275)
<b>Adjustments for:</b>		
Depreciation, amortisation and impairment	3 199 805	3 512 600
Gain on sale of assets and liabilities	252 931	965 106
Finance costs	180 167	214 428
Fair value adjustments	(5 271 552)	1 653 240
Debt impairment	920 467	168 593
Movements in retirement benefit assets and liabilities	(1 815 571)	(1 000 297)
Movements in provisions	337 178	333 535
<b>Changes in working capital:</b>		
Receivables from exchange transactions	3 446 560	(4 583 025)
Payables from exchange transactions	2 394 439	1 324 665
VAT	(1 008 581)	534 125
Unspent conditional grants and receipts	(2 924 075)	(1 598 889)
	<b>491 861</b>	<b>(14 729 194)</b>



# JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

Figures in Rand	2017	2016
<b>32. Related parties</b>		
Members of key management	Refer to note 23	
Councillors	Refer below and to note 24	
Subject to significant degree of control by a member of key management	John Taolo Gaetsewe Development Trust	
<b>Related party balances</b>		
<b>Amounts included in Receivables from exchange transactions regarding related parties</b>		
John Taolo Gaetsewe Development Trust	4 040	3 672
<b>Irregular expenditure recoverable from councillors</b>		
T.G Anthony	2 281	-
G.C Assegaai	12 542	-
S.B. Gaobusiwe	140 955	118 528
O.E. Hantise	123 862	109 552
E.V. Makoke	68 154	56 644
M.E. Mochwari	148 077	126 965
C. Mogodi	150 998	128 911
S Mosikatsi	174 169	146 480
A. Mwembo	59 224	48 564
J. Rakoi	53 768	43 286
A. van der Westhuizen	62 580	48 564

The municipality leases one of its buildings to the John Taolo Gaetsewe Development Trust; interest is charged on overdue amounts, however this is negligible. The total value of amounts charged for the period was R42 069 (2016: R37 774).

# JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

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### 32. Related parties (continued)

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

#### Councillors:

G.C. Assegaai	Gadikgadi; Bomme-Sejo Services and Supply Co-operative Limited; Self-Propelled Trading and Projects
S.N. Bloem	Bomme Fefo
B. Gaobusiwe	Seweditse General Dealer; Market Demand Trading
O.E. Hantise	Gamagara Close Corporation; Olifantshoek Cooperative
V. Jordaan	Moshaweng Integrated Energy
J. Kaars	Majakathata Transport; Kgatelopele Construction
L.L. Kaebis	Sepoane Trading Enterprise
O.H. Kgopodithata	Dipudi Faraway Project
V. Makoke	Far West Diamond Mining; Boikakatlalo General Trading, John Taolo Gaetsewe Development Trust
K. Makwati	Kgalagadi Brick Company
B.P. Matlhomantshu	BOL Building and Construction
O.G. Mokweni	Batlharoi Agricultural Corporation
O.C. Mogodi	South African Women in Mining; Manyeding Cash Store; Moeding Liquor Store; Ntsimbintle Mining; Sishen Iron Ore Development Trust; Tshipi E Entle Manganese Mining (Pty) Ltd; John Taolo Gaetsewe Development Trust
S. Mosikatsi	Gamagara Close Corporation, John Taolo Gaetsewe Development Trust
A.K. Mwembo	Retlafithlelela Primary Cooperative; Evening Star Trading 594
M.J. Rakoi	Phatsimo Traders; Bothshelo Rakoi Funeral Parlor; Gamotinye Investment Holdings; Gamagara Ontwikkelingsforum; Kuassaffi Mining Business; Lerethabetse Mining; Temba Organic
A.B. van der Westhuizen	ACSB Reaction and PI Services; Kuruman Fotolab; Taylor and Nager Attorneys.

#### Senior management (including acting senior managers):

M.P. Bokgwathile	Omphile Tumelo Transport and Protection services
L.F. Molale	Khoref Dynamic Enterprise
M.W. Molusi	Bom Transportation Services
T. Motlanke	Maitsa General Trading
K. Teise	Strong Team Construction; Protect 8, Kuruman Development Corporation, United Power Construction

No transactions were entered in to with these entities during the 2017 year; however an amount of R11 000 was awarded to the Aleta Melokwe Trading, the director of which is Okgethile Frankie Frans. Okgethile Frankie Frans is one of the members of Gadikgadi and as a result is the business partner of G.C. Assegaai in that business.

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

Councillors seconded from local municipalities:

Gamagara Local Municipality

H. Du Plessis  
O.E. Hantise

Ga-segonyana Local Municipality

G.C. Assegaai  
S.N. Bloem  
K. Makwati  
O. Mathibe  
N.G. Thupaemang  
O.A. Leserwane

# JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

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## Notes to the Annual Financial Statements

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### 32. Related parties (continued)

Joe Morolong Local Municipality

L. Gwai  
V. Jordaan  
L.L. Kaebis  
G. Kaotsane  
O.H. Kgopodithata  
O.G. Mokweni

### 33. Going concern

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

- not all suppliers are paid within the legislative 30 days;
- unspent conditional grants are not backed by available cash balances;
- employee benefit obligations are unfunded;
- a recent history of deficits in the statement of financial performance; and
- slow collection and low recoverability of outstanding accounts receivable.

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

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

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

### 34. Events after the reporting date

The contract of the Director: Corporate Services and Human Resources concluded on 31/07/2017.

A resolution was taken to dispose of a vehicle after year end, which had a carrying value of R277,691 at year end.

Management is not aware of any other significant events after the reporting date.

### 35. Unauthorised expenditure

Opening balance	16 231 387	6 958 097
Overspending of the total amount appropriated for a vote in the approved budget	2 233 929	9 273 290
Spending of an allocation otherwise than in accordance with any conditions of the allocation	1 025 465	-
	<u>19 490 781</u>	<u>16 231 387</u>

### 36. Fruitless and wasteful expenditure

Opening balance	492 962	1 656 844
Incurred in the current year	62 441	251 625
Recovered	(1 488)	-
Written off	(498 359)	(1 415 507)
	<u>55 556</u>	<u>492 962</u>

# JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

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## Notes to the Annual Financial Statements

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### 37. Irregular expenditure

Opening balance	12 310 905	9 817 095
Add: Irregular Expenditure - current year (councillors remuneration)	169 115	332 359
Add: Irregular expenditure identified in the current year relating to the prior year (incl. councillors remuneration)	-	454 978
Add: Irregular expenditure - current year	8 152 414	1 471 233
Add: Irregular expenditure identified in the current year relating to the prior year	-	235 240
	<b>20 632 434</b>	<b>12 310 905</b>

### Analysis of expenditure awaiting condonation per age classification

2017	8 321 529	-
2016	2 493 810	2 493 810
2015	9 777 582	9 777 582
2014	39 513	39 513
	<b>20 632 434</b>	<b>12 310 905</b>

In 2017, the irregular expenditure above generally related to errors in the advert or bid documents.

The irregular expenditure in 2015 and 2016 includes excess remuneration paid to councillors. In terms of the MFMA, this is recoverable from the councillors concerned.

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

### 38. Deviation from supply chain management regulations

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

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

#### Reason for deviation

Emergency	17 099	30 291
Sole supplier	154 253	608 852
Impractical or impossible to follow procurement process	1 144 164	1 644 677
	<b>1 315 516</b>	<b>2 283 820</b>

### 39. Section 45 of the supply chain management regulations

In terms of section 45 of the supply chain management regulations, the notes to the financial statements of a municipality must disclose particulars of any award of more than R2 000 to a person who is a spouse, child, or parent of a person in the service of the state, or has been in the service of the state in the previous 12 months.

During the year, the following awards were made:

- R10,600 was awarded to Don't Look Away Construction Services and Supplies, which is subject to a significant degree of control by the spouse of D Setshelenyana, who is an employee of John Taolo Gaetsewe District Municipality (not a s57 manager);
- R257,590 was awarded to Trizona IT Systems, which is subject to a significant degree of control by the spouse of LP Chabedi, who is an employee of John Taolo Gaetsewe District Municipality (not a s57 manager); and
- R98,724 was awarded to Valudata, which is subject to a significant degree of control by the spouse of AJ De Klerk, who is an employee of Sol Plaatjie Local Municipality.

# JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

Figures in Rand 2017 2016

### 40. Prior period errors

The irregular expenditure incurred by overpayment to councillors (R827,494) had not been disclosed under the related parties note 32; this is now disclosed.

In note 22, Government grants and subsidies, the housing accreditation grant had been disclosed as capital in nature, however, these funds are applied to cover the operational costs of the unit, therefore, the amount of R820,000 was reallocated to operational grants.

In note 22, Government grants and subsidies, the Total Grants section did not reflect the impairment of the grant receivable for the Housing accreditation grant of R141 668; therefore, the total unspent grants was understated by this amount.

Administration fees relating to the district planning tribunal had been incorrectly offset against the related expenditure. As a result, general expenses and administration and management fees received were understated by R225,000.

A property had been classified as investment property, but was owner occupied; this was reallocated in the current year. As such, investment property was overstated by R2,800,000, and property plant and equipment understated by the same. As this was fair valued in the prior year, the fair value adjustments were overstated by R110,000. Depreciation of R72,981 was provided for, the revaluation reserve was increased by R2,745,381 and historical fair value adjustments (Accumulated surplus) was decreased by R2,562,400

An amount of R223 782 was recognised as grant revenue, however, it was confirmed that this amount had not been rolled forward, and would be withheld from the equitable share in 2016/17. As a result, unspent conditional grants were understated by this amount, and revenue (Government grants and subsidies) was overstated.

An additional ERF, held in the name of the municipality, with an estimated value of R33,537, was identified. As a result, inventory (land held for disposal) and accumulated surplus were understated by R33,537.

Assets written off in prior years, or omitted from the asset register were identified; these had an estimated carrying value of R37,802. As a result, Property, plant and equipment and accumulated surplus were understated by this amount.

Invoices payable to SALGA, originating from before 2015/16 were identified; these had a value of R70,806. As a result, Receivables from exchange transactions (payments in advance) was overstated by R31,021; Payables from exchange transactions was understated by R39,785, and accumulated surplus were overstated by R70,806; .

Additional SALGA invoices, originating in the 2015/16 year, were identified to the value of R11,155. As a result, Payables from exchange transactions and General expenditure were understated by this amount.

It was found that a debtor (from whom employee related costs are recovered) had been over-invoiced to the value of R148,520; as a result, Receivables from exchange transactions were overstated and Employee related costs were understated by this amount.

### Statement of financial position

Receivables from exchange transactions	(179 541)	-
Inventory	33 537	-
Investment property	(2 800 000)	-
Property plant and equipment	2 837 802	-
Unspent conditional grants	(223 782)	-
Payables from exchange transactions	(50 940)	-
Revaluation surplus	(2 745 381)	-
Accumulated surplus	2 561 867	-

### Statement of financial performance

Administration and management fees received	(225 000)	-
Government grants and subsidies	223 782	-
Employee related costs	148 520	-
Depreciation, amortisation and impairment	72 981	-
General expenses	236 155	-
Fair value adjustments	110 000	-

# JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

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### 41. Budget differences

#### Material differences between budget and actual amounts.

##### Statement of financial performance:

41.01 - Interest received was less than anticipated due to depleted cash reserves.

41.02 - The anticipated income from the shared services function was lower than anticipated as the related contracts are being renewed / renegotiated.

41.03 - District planning tribunal fees of R225,000 were received, however, these are shown under administration and management fees received. In addition, due to lower spending on training (cost containment), there were no SETA refunds.

41.04 - Unspent amounts were rolled forward and applied in the current year.

41.05 - Employee related costs were lower than budgetted due to cost containment measures, as well as a significant actuarial gain on the post-employment medical aid.

41.06 - The budget for depreciation and amortisation was based on a prior year's figures, which were not appropriate for the current year.

41.07 - The budget did not account for the interest on post-retirement and long-service awards as these require an expert to calculate and can be very volatile .

41.08 - Debt impairment is not budgetted for. In the current year, the irregular expenditure recoverable from councillors was impaired, which accounts for the majority of the impairment. This was impaired as most of the councillors have left the municipality, following the local government elections.

41.09 - Repairs and maintenance were delayed where possible as a cost containment measure.

41.10 - General expenditure was reduced as part of the cost containment measures put in place.

41.11 - No budget was raised for loss on disposal of assets as this is difficult to predict - this relates to assets which could not be verified, or assets which are not in use at year end.

##### Statement of financial position:

41.12 - There were significant fair value gains on the biological assets, as well as investment property. It is not practical to estimate these as this would require an expert and is volatile in nature.

41.13 - The inventory is due to be transferred, it was anticipated that this would be transferred before year end, however the municipality is still investigating means to do this in a cost efficient manner.

41.14 - Recoveries from debtors have been lower than anticipated.

41.15 - The VAT receivable was higher than anticipated (refer to the negative VAT payable per the budget). This is partly due to the South African Revenue Service (SARS) delaying payments (SARS conducted a VAT audit at year end - please refer to note 42).

41.16 - The budget anticipated that there would be no cash available at year end (an overdraft amount should have been budgetted for), however, due to cost containment measures, the municipality was able to stretch its cash reserves to year end.

41.17 - The biological assets were incorrectly grouped with property, plant and equipment in the budget. The expected value was R4,495,140, however the actual valuation exceeded expectations.

41.18 - The budget did not attempt to predict the outcome of the valuation due to the technical nature of this. The final amount would have been higher, but it was found that one of the investment properties met the definition of property, plant and equipment, and this was transferred.

# JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

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### 41. Budget differences (continued)

41.19 - The budget for Property, plant and equipment was overstated as it included the biological, heritage and intangible assets, as well as duplicating the investment property value. However, the final value was similar due to a transfer of property from Investment property to Property, plant and equipment, as well as revaluations performed on the land and buildings of the municipality.

41.20 - Intangible assets were incorrectly included under Property, plant and equipment; as the amortisation is added to the depreciation, it is not clear what the anticipated value was. Intangibles assets increased in the 2016/17 year due to backup software and the municipal Standard Chart Of Accounts project.

41.21 - Heritage assets are included under PPE in the schedule as the Treasury template does not accommodate this separately. The anticipated value was R19,750.

41.22 - The current portion of the other financial liability was over budgeted for.

41.23 - The finance leases had one month to go at year end, and this should have been budgeted for.

41.24 - The creditors vary with operation activity, however, the third-party payroll liabilities for June 2017 (approximately R2.1m) were only paid in early July due to the limited cash resources available.

41.25 - The Treasury template assumes VAT will be a payable, therefore, the expected receivable was captured as a negative amount. Please refer to 41.15 above.

41.26 - The current portion of the employee benefits obligations is not budgeted for due to the complexity of this. However, the budget for the non-current portion (ref 41.30) is significantly overstated as it was found in 2015/16 that current staff members are not entitled to the benefit, and this was adjusted.

41.27 - The municipality ensured that grants received were appropriately utilised; approximately R2.8m was withheld from the equitable share allocation to settle some of the unspent grants.

41.28 - The provision for COID levies should have been reflected in the budget.

41.29 - The non-current portion of the financial liabilities was correct in the approved budget, and should not have been adjusted.

41.30 - As noted under 41.26, the non-current portion of the employee benefits obligations is significantly overstated in the budget, and reflects incorrect assumptions about the rules and membership of the benefits.

41.31 - The revaluation was due to be conducted in 2017/18, however, management was of the opinion that the value of properties as recorded was no longer a true reflection of their market values, and a valuation was performed which confirmed this.

41.32 - The accumulated surplus figure is incorrectly calculated, resulting in the budget for the statement of financial performance being out of balance.

# JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

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Figures in Rand	2017	2016
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### 41. Budget differences (continued)



# JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

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Figures in Rand

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### 41. Budget differences (continued)

#### Statement of cash flows:

41.33 - A significant long-outstanding debt was received, which had not been provided for in the budget.

41.34 - Approximately R2.8m of unspent grants was withheld from the equitable share.

41.35 - Interest income was expected to be lower as the municipality was expected to deplete its funds sooner.

41.36 - The municipality implemented cost containment measures to cut-back on spending, freeze vacant positions, etc., resulting in significant savings.

41.37 - This category is not applicable to the municipality, and should be included under suppliers and employees.

41.38 - As part of the cost containment, only essential new assets were purchased.

41.39 - The second bi-annual installment for the financial liability was only paid in July 2017.

41.40 - The budget used the incorrect cash at the start of the year.

# JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

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Figures in Rand	2017	2016
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### 42. Contingencies

#### Contingent liabilities:

The disputes disclosed in 2016 with Buhle Buzile, OV Kaketso, DE Mosekiemang, LC Modise, and TJ Ikaneng have been resolved.

The dispute disclosed in 2016 with DTMH Properties over a breach of contract is on-going; the possible financial impact of this for the municipality is R1 276 544 (2015: R 1 136 544) the outcome of this matter is uncertain.

The labour dispute with TS Mathabathe disclosed in 2016 is on-going; the possible financial implication of this for the municipality is R372 000 (2016: R1 500 000).

The following matter has arisen in 2017:

The municipality is involved in a labour related dispute with two employees:

- Rossouw - R 11 790 per month from April 2017 until retirement / termination of services;
- Van Der Westhuizen - R11 778 per month from April 2017 until retirement / termination of services.
- The estimated costs to defend these cases is R150 000.

The South African Revenue Service conducted an audit of the municipality's VAT affairs, and raised penalties and interest to the value of R2,357,740. The municipality has engaged a VAT consultant to investigate and appeal against the findings. The outcome of this process is uncertain.

#### Contingent assets

The municipality considers an amount of R147,231 (2016: R156 060) to be a contingent asset at year end. This relates to an error in the processing of salaries, and is considered to be owed by the affected employees. Management is reviewing the process to recover these - some amounts have been recovered from employees who have ceased to be employed by the municipality.

# JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

Figures in Rand 2017 2016

### 43. Risk management

#### Liquidity risk

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

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

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

At 30 June 2017	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Financial liabilities	592 684	395 122	1 185 367	-
Finance lease obligation	22 322	-	-	-
Unspent conditional grants and receipts	1 172 796	-	-	-
Payables from exchange transactions	13 525 360	-	-	-

  

At 30 June 2016	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Financial liabilities	395 122	395 122	1 185 367	395 122
Finance lease obligations	267 869	22 322	-	-
Unspent conditional grants and receipts	4 096 871	-	-	-
Payables from exchange transactions	11 131 148	-	-	-

#### Credit risk

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

#### Market risk

#### Interest rate risk

The municipality's interest rate risk arises from long-term borrowings at fixed rates, which exposes the municipality to fair value interest rate risk. During 2017 and 2016, the municipality's borrowings at fixed rates were denominated in the Rand.

## Appendix A

June 2017

### Schedule of external loans as at 30 June 2017

Loan Number	Redeemable	Balance at 30 June 2016	Received during the period	Redeemed written off during the period	Balance at 30 June 2017	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand	
		Rand	Rand	Rand	Rand	Rand	Rand	
<b>Development Bank of South Africa</b>								
Fixed interest 9.64%pa Note: the loan was used to convert and rennovate the current municipal offices. As these are carried on the revaluation model,the carrying value of the improvements are no longer separately determinable and the value of property shown is the carrying value for the building as a whole.	NC102567	July 2022	1 768 102	-	32 269	1 735 833	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			<b>1 768 102</b>	<b>-</b>	<b>32 269</b>	<b>1 735 833</b>	<b>-</b>	<b>-</b>
<b>Lease liability</b>								
Office equipment	3500306Y	July 2017	145 611	-	133 797	11 814	-	-
Office equipment	35026404	July 2017	43 169	-	39 666	3 503	-	-
Office equipment	35029325	July 2017	43 169	-	39 666	3 503	-	-
Office equipment	35029255	July 2017	43 169	-	39 666	3 503	-	-
			-	-	-	-	-	-
			<b>275 118</b>	<b>-</b>	<b>252 795</b>	<b>22 323</b>	<b>-</b>	<b>-</b>
Funding facility			-	-	-	-	-	-
Development Bank of South Africa			-	-	-	-	-	-
Bonds			-	-	-	-	-	-



# Appendix B

June 2017

## Analysis of property, plant and equipment as at 30 June 2017

<b>Cost/Revaluation</b>	<b>Accumulated depreciation</b>
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	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Revaluation Rand	Closing Balance Rand	Carrying value Rand
<b>Land and buildings</b>														
Land	2 015 042	-	-	-	1 244 958	-	3 260 000	-	-	-	-	-	-	3 260 000
Landfill Sites (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Quarries (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buildings	22 239 325	8 631	-	-	4 251 461	-	26 499 417	(1 928 965)	-	-	(754 786)	-	(2 683 751)	23 815 666
	<b>24 254 367</b>	<b>8 631</b>	-	-	<b>5 496 419</b>	-	<b>29 759 417</b>	<b>(1 928 965)</b>	-	-	<b>(754 786)</b>	-	<b>(2 683 751)</b>	<b>27 075 666</b>
<b>Infrastructure</b>														
Roads, Pavements & Bridges	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Storm water	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Generation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transmission & Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Street lighting	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dams & Reservoirs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Water purification	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sewerage purification	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transportation (Airports, Car Parks, Bus Terminals and Taxi Ranks)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Waste Management	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gas	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other (fibre optic, WIFI infrastrucur)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other 1	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Community Assets</b>														
Farms - land	33 840 000	-	-	-	4 750 000	-	38 590 000	-	-	-	-	-	-	38 590 000
Farms - building	560 000	-	-	-	424 662	-	984 662	(56 000)	-	-	(18 667)	-	(74 667)	909 995
Swimming pools	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Community halls	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Libraries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Recreational facilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Clinics	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Museums & art galleries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Social rental housing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cemeteries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fire, safety & emergency	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Security and policing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	<b>34 400 000</b>	-	-	-	<b>5 174 662</b>	-	<b>39 574 662</b>	<b>(56 000)</b>	-	-	<b>(18 667)</b>	-	<b>(74 667)</b>	<b>39 499 995</b>

## Appendix B

June 2017

### Analysis of property, plant and equipment as at 30 June 2017

**Cost/Revaluation** **Accumulated depreciation**

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Revaluation Rand	Closing Balance Rand	Carrying value Rand
<b>Heritage assets</b>														
Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	19 750	-	-	-	-	-	19 750	-	-	-	-	-	-	19 750
	<b>19 750</b>	-	-	-	-	-	<b>19 750</b>	-	-	-	-	-	-	<b>19 750</b>
<b>Specialised vehicles</b>														
Refuse	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fire	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Conservancy	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ambulances	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Other assets</b>														
General vehicles	8 211 402	-	-	-	-	-	8 211 402	(3 814 713)	-	-	(900 020)	-	(4 714 733)	3 496 669
Plant & equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Computer Equipment	5 669 363	517 648	(305 336)	-	-	-	5 881 675	(3 047 954)	185 299	-	(666 783)	-	(3 529 438)	2 352 237
Computer Software (part of computer equipment)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Furniture & Fittings	4 787 891	103 360	(94 501)	-	-	-	4 796 750	(1 555 079)	48 415	-	(393 433)	-	(1 900 097)	2 896 653
Office Equipment	578 474	-	(160 109)	-	-	-	418 365	(281 249)	89 888	-	(50 217)	-	(241 578)	176 787
Office Equipment - Leased	699 406	-	-	-	-	-	699 406	(446 516)	-	-	(232 807)	-	(679 323)	20 083
Abattoirs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Markets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Airports	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Security measures	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Civic land and buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other land	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bins and Containers	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Work in progress	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets - Leased	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Surplus Assets - (Investment or Inventory)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing development	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	111 893	-	(220)	-	-	-	111 673	(20 700)	179	-	(14 740)	-	(35 261)	76 412
	<b>20 058 429</b>	<b>621 008</b>	<b>(560 166)</b>	-	-	-	<b>20 119 271</b>	<b>(9 166 211)</b>	<b>323 781</b>	-	<b>(2 258 000)</b>	-	<b>(11 100 430)</b>	<b>9 018 841</b>

## Appendix B

June 2017

### Analysis of property, plant and equipment as at 30 June 2017

#### Cost/Revaluation Accumulated depreciation

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Revaluation Rand	Closing Balance Rand	Carrying value Rand
<b>Total property plant and equipment</b>														
Land and buildings	24 254 367	8 631	-	-	5 496 419	-	29 759 417	(1 928 965)	-	-	(754 786)	-	(2 683 751)	27 075 666
Infrastructure	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Community Assets	34 400 000	-	-	-	5 174 662	-	39 574 662	(56 000)	-	-	(18 667)	-	(74 667)	39 499 995
Heritage assets	19 750	-	-	-	-	-	19 750	-	-	-	-	-	-	19 750
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	20 058 429	621 008	(560 166)	-	-	-	20 119 271	(9 166 211)	323 781	-	(2 258 000)	-	(11 100 430)	9 018 841
	<b>78 732 546</b>	<b>629 639</b>	<b>(560 166)</b>	<b>-</b>	<b>10 671 081</b>	<b>-</b>	<b>89 473 100</b>	<b>(11 151 176)</b>	<b>323 781</b>	<b>-</b>	<b>(3 031 453)</b>	<b>-</b>	<b>(13 858 848)</b>	<b>75 614 252</b>
<b>Agricultural/Biological assets</b>														
Agricultural	1 774 500	-	-	-	3 687 327	-	5 461 827	-	-	-	-	-	-	5 461 827
Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	<b>1 774 500</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3 687 327</b>	<b>-</b>	<b>5 461 827</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5 461 827</b>
<b>Intangible assets</b>														
Computers - software & programming	1 450 778	171 891	(16 544)	-	-	-	1 606 125	(961 288)	-	-	(168 348)	-	(1 129 636)	476 489
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	<b>1 450 778</b>	<b>171 891</b>	<b>(16 544)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1 606 125</b>	<b>(961 288)</b>	<b>-</b>	<b>-</b>	<b>(168 348)</b>	<b>-</b>	<b>(1 129 636)</b>	<b>476 489</b>
<b>Investment properties</b>														
Investment property	5 080 000	-	-	-	1 584 000	-	6 664 000	-	-	-	-	-	-	6 664 000
	<b>5 080 000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1 584 000</b>	<b>-</b>	<b>6 664 000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6 664 000</b>
<b>Total</b>														
Land and buildings	24 254 367	8 631	-	-	5 496 419	-	29 759 417	(1 928 965)	-	-	(754 786)	-	(2 683 751)	27 075 666
Infrastructure	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Community Assets	34 400 000	-	-	-	5 174 662	-	39 574 662	(56 000)	-	-	(18 667)	-	(74 667)	39 499 995
Heritage assets	19 750	-	-	-	-	-	19 750	-	-	-	-	-	-	19 750
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	20 058 429	621 008	(560 166)	-	-	-	20 119 271	(9 166 211)	323 781	-	(2 258 000)	-	(11 100 430)	9 018 841
Agricultural/Biological assets	1 774 500	-	-	-	3 687 327	-	5 461 827	-	-	-	-	-	-	5 461 827
Intangible assets	1 450 778	171 891	(16 544)	-	-	-	1 606 125	(961 288)	-	-	(168 348)	-	(1 129 636)	476 489
Investment properties	5 080 000	-	-	-	1 584 000	-	6 664 000	-	-	-	-	-	-	6 664 000
	<b>87 037 824</b>	<b>801 530</b>	<b>(576 710)</b>	<b>-</b>	<b>15 942 408</b>	<b>-</b>	<b>103 205 052</b>	<b>(12 112 464)</b>	<b>323 781</b>	<b>-</b>	<b>(3 199 801)</b>	<b>-</b>	<b>(14 988 484)</b>	<b>88 216 568</b>



## Appendix B

### Analysis of property, plant and equipment as at 30 June 2016

<b>Cost/Revaluation</b>	<b>Accumulated depreciation</b>
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	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Revaluations Rand	Closing Balance Rand	Carrying value Rand
<b>Land and buildings</b>														
Land	1 994 572	-	-	-	20 470	-	2 015 042	-	-	-	-	-	-	2 015 042
Landfill Sites (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Quarries (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buildings	21 611 567	465 247	-	-	162 511	-	22 239 325	(1 268 221)	-	-	(733 725)	72 981	(1 928 965)	20 310 360
	<b>23 606 139</b>	<b>465 247</b>	-	-	<b>182 981</b>	-	<b>24 254 367</b>	<b>(1 268 221)</b>	-	-	<b>(733 725)</b>	<b>72 981</b>	<b>(1 928 965)</b>	<b>22 325 402</b>
<b>Infrastructure</b>														
Roads, Pavements & Bridges	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Storm water	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Generation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transmission & Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Street lighting	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dams & Reservoirs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Water purification	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sewerage purification	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transportation (Airports, Car Parks, Bus Terminals and Taxi Ranks)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Waste Management	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gas	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other (fibre optic, WIFI infrastrucur)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other 1	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Community Assets</b>														
Farms - land	33 840 000	-	-	-	-	-	33 840 000	-	-	-	-	-	-	33 840 000
Farms - building	560 000	-	-	-	-	-	560 000	(37 333)	-	-	(18 667)	-	(56 000)	504 000
Swimming pools	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Community halls	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Libraries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Recreational facilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Clinics	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Museums & art galleries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Social rental housing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cemeteries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fire, safety & emergency	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Security and policing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	<b>34 400 000</b>	-	-	-	-	-	<b>34 400 000</b>	<b>(37 333)</b>	-	-	<b>(18 667)</b>	-	<b>(56 000)</b>	<b>34 344 000</b>

## Appendix B

June 2017

### Analysis of property, plant and equipment as at 30 June 2016

**Cost/Revaluation** **Accumulated depreciation**

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Revaluations Rand	Closing Balance Rand	Carrying value Rand
<b>Heritage assets</b>														
Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	19 750	-	-	-	-	-	19 750	-	-	-	-	-	-	19 750
	<b>19 750</b>	-	-	-	-	-	<b>19 750</b>	-	-	-	-	-	-	<b>19 750</b>
<b>Specialised vehicles</b>														
Refuse	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fire	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Conservancy	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ambulances	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Other assets</b>														
General vehicles	8 211 402	-	-	-	-	-	8 211 402	(2 524 624)	-	-	(1 290 089)	-	(3 814 713)	4 396 689
Plant & equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IT equipment	4 929 612	767 674	(50 370)	22 447	-	-	5 669 363	(2 428 325)	-	-	(619 629)	-	(3 047 954)	2 621 409
Computer Software (part of computer equipment)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Furniture & Fixtures	4 467 736	333 183	(12 157)	(871)	-	-	4 787 891	(1 170 438)	-	-	(384 641)	-	(1 555 079)	3 232 812
Office Equipment	459 215	114 757	(126)	4 628	-	-	578 474	(194 074)	-	-	(87 175)	-	(281 249)	297 225
Office Equipment - Leased	699 406	-	-	-	-	-	699 406	(213 706)	-	-	(232 810)	-	(446 516)	252 890
Abattoirs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Markets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Airports	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Security measures	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Civic land and buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other land	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bins and Containers	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Work in progress	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets - Leased	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Surplus Assets - (Investment or Inventory)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing development	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	44 100	95 000	(1 003)	(26 204)	-	-	111 893	(8 472)	-	-	(12 228)	-	(20 700)	91 193
	<b>18 811 471</b>	<b>1 310 614</b>	<b>(63 656)</b>	-	-	-	<b>20 058 429</b>	<b>(6 539 639)</b>	-	-	<b>(2 626 572)</b>	-	<b>(9 166 211)</b>	<b>10 892 218</b>

## Appendix B

June 2017

### Analysis of property, plant and equipment as at 30 June 2016

**Cost/Revaluation** **Accumulated depreciation**

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Revaluations Rand	Closing Balance Rand	Carrying value Rand
<b>Total property plant and equipment</b>														
Land and buildings	23 606 139	465 247	-	-	182 981	-	24 254 367	(1 268 221)	-	-	(733 725)	72 981	(1 928 965)	22 325 402
Infrastructure	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Community Assets	34 400 000	-	-	-	-	-	34 400 000	(37 333)	-	-	(18 667)	-	(56 000)	34 344 000
Heritage assets	19 750	-	-	-	-	-	19 750	-	-	-	-	-	-	19 750
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	18 811 471	1 310 614	(63 656)	-	-	-	20 058 429	(6 539 639)	-	-	(2 626 572)	-	(9 166 211)	10 892 218
	<b>76 837 360</b>	<b>1 775 861</b>	<b>(63 656)</b>	<b>-</b>	<b>182 981</b>	<b>-</b>	<b>78 732 546</b>	<b>(7 845 193)</b>	<b>-</b>	<b>-</b>	<b>(3 378 964)</b>	<b>72 981</b>	<b>(11 151 176)</b>	<b>67 581 370</b>
<b>Agricultural/Biological assets</b>														
Agricultural	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Biological assets - game	5 095 140	-	(1 357 400)	-	(1 963 240)	-	1 774 500	-	-	-	-	-	-	1 774 500
	<b>5 095 140</b>	<b>-</b>	<b>(1 357 400)</b>	<b>-</b>	<b>(1 963 240)</b>	<b>-</b>	<b>1 774 500</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1 774 500</b>
<b>Intangible assets</b>														
Computers - software & programming	1 193 366	257 412	-	-	-	-	1 450 778	(827 652)	-	-	(133 636)	-	(961 288)	489 490
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	<b>1 193 366</b>	<b>257 412</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1 450 778</b>	<b>(827 652)</b>	<b>-</b>	<b>-</b>	<b>(133 636)</b>	<b>-</b>	<b>(961 288)</b>	<b>489 490</b>
<b>Investment properties</b>														
Investment property	4 770 000	-	-	-	310 000	-	5 080 000	-	-	-	-	-	-	5 080 000
	<b>4 770 000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>310 000</b>	<b>-</b>	<b>5 080 000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5 080 000</b>
<b>Total</b>														
Land and buildings	23 606 139	465 247	-	-	182 981	-	24 254 367	(1 268 221)	-	-	(733 725)	72 981	(1 928 965)	22 325 402
Infrastructure	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Community Assets	34 400 000	-	-	-	-	-	34 400 000	(37 333)	-	-	(18 667)	-	(56 000)	34 344 000
Heritage assets	19 750	-	-	-	-	-	19 750	-	-	-	-	-	-	19 750
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	18 811 471	1 310 614	(63 656)	-	-	-	20 058 429	(6 539 639)	-	-	(2 626 572)	-	(9 166 211)	10 892 218
Agricultural/Biological assets	5 095 140	-	(1 357 400)	-	(1 963 240)	-	1 774 500	-	-	-	-	-	-	1 774 500
Intangible assets	1 193 366	257 412	-	-	-	-	1 450 778	(827 652)	-	-	(133 636)	-	(961 288)	489 490
Investment properties	4 770 000	-	-	-	310 000	-	5 080 000	-	-	-	-	-	-	5 080 000
	<b>87 895 866</b>	<b>2 033 273</b>	<b>(1 421 056)</b>	<b>-</b>	<b>(1 470 259)</b>	<b>-</b>	<b>87 037 824</b>	<b>(8 672 845)</b>	<b>-</b>	<b>-</b>	<b>(3 512 600)</b>	<b>72 981</b>	<b>(12 112 464)</b>	<b>74 925 360</b>

