



**O.R. TAMBO
DISTRICT MUNICIPALITY**

OR Tambo District Municipality
(Registration number : DC15)
Consolidated Annual Financial Statements
for the year ended 30 June 2017

OR Tambo District Municipality

(Registration number : DC15)

Consolidated Annual Financial Statements for the year ended 30 June 2017

General Information

Index

The reports and statements set out below comprise the Consolidated Annual Financial Statements presented to the council:

| Index | Page |
|---|-------------|
| General Information | 2 - 3 |
| Members of the Council | 3 - 6 |
| Foreword | 7 |
| Statement of Financial Position | 8 |
| Statement of Financial Performance | 9 |
| Statement of Changes in Net Assets | 10 |
| Cash Flow Statement | 11 |
| Statement of Comparison of Budget and Actual Amounts | 12 - 16 |
| Accounting Policies | 16 - 40 |
| Notes to the Consolidated Annual Financial Statements | 41 - 86 |

Abbreviations

| | |
|---------|--|
| COID | Compensation for Occupational Injuries and Diseases |
| CRR | Capital Replacement Reserve |
| DBSA | Development Bank of South Africa |
| SA GAAP | South African Statements of Generally Accepted Accounting Practice |
| GRAP | Generally Recognised Accounting Practice |
| GAMAP | Generally Accepted Municipal Accounting Practice |
| HDF | Housing Development Fund |
| IAS | International Accounting Standards |
| IMFO | Institute of Municipal Finance Officers |
| IPSAS | International Public Sector Accounting Standards |
| ME's | Municipal Entities |
| MEC | Member of the Executive Council |
| MFMA | Municipal Finance Management Act |
| MIG | Municipal Infrastructure Grant (Previously CMIP) |

OR Tambo District Municipality

(Registration number : DC15)

Consolidated Annual Financial Statements for the year ended 30 June 2017

General Information

EXECUTIVE MAYOR;

N. Meth (Ms)

SPEAKER:

Nkompela X.

MEMBERS OF THE MAYORAL COMMITTEE

N. Meth (Ms)

Executive Mayor

Nogumla R.Z.

Deputy Executive Mayor

Ngozi W.

MMC: Infrastructure Services

Ngqongwa N.

MMC: BTO & IA

Mdoda N.Z.

MMC: Corporate Services

Mdledle N.

MMC: Community Services

Sabona J.

MMC: REDP

Mjokovana D.

MMC: Human Settlement & Disaster Management

Godongwana S.

MMC: Special Programmes & Social Services

Giyose R.M.

MMC: Planning, Research & IGR

GRADING OF THE LOCAL AUTHORITY:

Grade 5

AUDITORS:

External:

Auditor General

Internal:

Own Staff

PRIMARY BANKER:

First National Bank

REGISTERED OFFICE

Magwa House

Private Bag X6043

Nelson Mandela Drive

MTHATHA

MTHATHA

5099

5099

Telephone: (047) 501-6400; Facsimile: (047) 501-6455

E-Mail: ortambodm@ortambodm.org.za

Municipal Manager

O.N. Hlazo

(047) 501-6400

owenh@ortambodm.org.za

Chief Financial Officer

M.E. Moleko

(047) 501-7011

molekom@ortambodm.org.za

E-Mail: ortambodm@ortambodm.org.za

OR Tambo District Municipality

(Registration number : DC15)

Consolidated Annual Financial Statements for the year ended 30 June 2017

KEI FRESH PRODUCE MARKET

Registered Office: 32 Errol Spring Avenue, Vulindlela Heights, MTHATHA, 5099

NTINGA DEVELOPMENT AGENCY

Registered Office: Old Government Printers Building, 5 Textile Road, Vulindlela Heights, MTHATHA, 5099

Postal Address: P.O. Box 1134, MTHATHA, 5099

Website: www.ntinga.org.za

Chief Executive Officer: M.H.Y. Zungula

Chief Financial Officer: L. Mbiko

Secretary: N. Mningiswa (Ms)

1. APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these Consolidated Annual Financial Statements, which are set out on pages 8 to 83, in terms of Section 126(1) of the Municipal Finance Management Act (Act No 56 of 2003) and which I have signed on behalf of the municipality.

These Consolidated Annual Financial Statements will be presented to the Council for information during October 2017

O.N. HLAZO
MUNICIPAL MANAGER
30 September 2017

M.E. MOLEKO
CHIEF FINANCIAL OFFICER
30 September 2017

OR Tambo District Municipality

(Registration number : DC15)

Consolidated Annual Financial Statements for the year ended 30 June 2017

1. MEMBERS OF COUNCIL (JULY - AUGUST)

| CONCILLOR | PARTY | OLD COUNCIL | NEW COUNCIL | PARTY REP. | LM REP. |
|------------------------------|-------|-------------|-------------|------------|---------|
| Dyule NW (Ms) | ANC | Yes | No | Yes | No |
| Gantsho AA - from 03/03/2016 | ANC | Yes | Yes | Yes | No |
| Makhedama M | ANC | Yes | No | Yes | No |
| Mambila LN | ANC | Yes | No | Yes | No |
| Mamve NN (Ms) | ANC | Yes | No | Yes | No |
| Mandita KD | ANC | Yes | Yes | Yes | No |
| Mbede B | ANC | Yes | No | Yes | No |
| Meth N (Ms) | ANC | Yes | Yes | Yes | No |
| Mfeya N (Ms) | ANC | Yes | No | Yes | No |
| Mgugudo NO (Ms) | ANC | Yes | No | Yes | No |
| Ngozi W | ANC | Yes | Yes | Yes | No |
| Njemla SN | ANC | Yes | No | Yes | No |
| Nkani BJ (Ms) | ANC | Yes | No | Yes | No |
| Nogumla RZ | ANC | Yes | Yes | Yes | No |
| Ntshuba VW | ANC | Yes | No | Yes | No |
| Pepping PN (Ms) | ANC | Yes | Yes | Yes | No |
| Sabisa TS | ANC | Yes | Yes | Yes | No |
| Sabona J | ANC | Yes | Yes | Yes | No |
| Sigcau M | ANC | Yes | No | Yes | No |
| Soguntuza N (Ms) | ANC | Yes | No | Yes | No |
| Dudumayo RB | UDM | Yes | No | Yes | No |
| Ndude LM | UDM | Yes | Yes | Yes | No |
| Ndzwayiba MW | COPE | Yes | No | Yes | No |
| Xangayi CT | DA | Yes | Yes | Yes | No |
| Budu S | ANC | Yes | No | No | Yes |
| Capa NY (Ms) | ANC | Yes | No | No | Yes |
| Cwecwe N | ANC | Yes | Yes | No | Yes |
| Dambuza MB | ANC | Yes | Yes | No | Yes |
| Dawedi AM | ANC | Yes | No | No | Yes |
| Dlani XH | ANC | Yes | No | No | Yes |
| Dumisa TV | ANC | Yes | Yes | No | Yes |
| Gwadiso VO | ANC | Yes | No | No | Yes |
| Hibhane Z | ANC | Yes | No | No | Yes |
| Khupelo TE | ANC | Yes | Yes | No | Yes |
| Kwaza NS (Ms) | ANC | Yes | No | No | Yes |
| Magaya FA | ANC | Yes | No | No | Yes |
| Matomane NR (Ms) | ANC | Yes | Yes | No | Yes |
| Mbangata SS | ANC | Yes | No | No | Yes |
| Mbotshwa N (Ms) | ANC | Yes | No | No | Yes |
| Mlami S | ANC | Yes | No | No | Yes |
| Mnyanda V | ANC | Yes | No | No | Yes |
| Mpemnyama N | ANC | Yes | No | No | Yes |
| Mvamveki RN | ANC | Yes | No | No | Yes |
| Mziba L (Ms) | ANC | Yes | Yes | No | Yes |
| Ngabayena M | ANC | Yes | No | No | Yes |
| Nkungu MI | ANC | Yes | Yes | No | Yes |
| Ntshoyi NP (Ms) | ANC | Yes | Yes | No | Yes |
| Sikhonkothela N | ANC | Yes | No | No | Yes |
| Socikwa MC | ANC | Yes | No | No | Yes |
| Thwatshuka D | ANC | Yes | No | No | Yes |
| Zimela M | ANC | Yes | No | No | Yes |
| Zweni RM | ANC | Yes | No | No | Yes |
| Bunzana M | UDM | Yes | Yes | No | Yes |
| Mkrokrelwa M | UDM | Yes | No | No | Yes |
| Mzimane NF | UDM | Yes | Yes | No | Yes |
| Ndlobongela B | UDM | Yes | No | No | Yes |
| Gogo M | COPE | Yes | No | No | Yes |
| Maqabuka Z | COPE | Yes | No | No | Yes |
| Kotana MPJ | DA | Yes | No | No | Yes |
| Matomane NR (Ms) | ANC | Yes | No | No | Yes |

OR Tambo District Municipality

(Registration number : DC15)

Consolidated Annual Financial Statements for the year ended 30 June 2017

2. MEMBERS OF COUNCIL (FROM SEPTEMBER 2016)

| CONCILLOR | PARTY | OLD COUNCIL | NEW COUNCIL | PARTY REP. | LM REP. |
|--------------------------------------|-------|-------------|-------------|------------|---------|
| Mkontwana N (from 08/12/2016) | ANC | No | Yes | No | Yes |
| Msakeni M | ANC | No | Yes | No | Yes |
| Mvango O.H. | AIC | No | Yes | No | Yes |
| Ndude L.M. | UDM | Yes | Yes | Yes | No |
| Nkani N. | ANC | No | Yes | No | Yes |
| Nonkothamo N. | ANC | No | Yes | No | Yes |
| Ntshoyi N. | ANC | Yes | Yes | No | Yes |
| Ntukuntezi L. | ANC | No | Yes | No | Yes |
| Pato T.Z. | CI | No | Yes | Yes | No |
| Qangani S. | ANC | No | Yes | No | Yes |
| Tshotsho L. | EFF | No | Yes | No | Yes |
| Nkompela X. | ANC | No | Yes | Yes | No |
| Sokanyile T. | ANC | No | Yes | Yes | No |
| Ngqongwa N. | ANC | No | Yes | No | Yes |
| Mdoda N.Z. | Yes | No | Yes | Yes | No |
| Mdledle N. | ANC | No | Yes | Yes | No |
| Mjokovana D. | ANC | No | Yes | No | Yes |
| Godongwana S. | ANC | No | Yes | Yes | No |
| Giyose R.M. | ANC | No | Yes | Yes | No |
| Gcinindawo N. | ANC | No | Yes | No | Yes |
| Mkontwana N.P. (Resigned 03/03/2017) | ANC | No | Yes | Yes | No |
| Kuluta N. | ANC | No | Yes | Yes | No |
| Gusana Z. | ANC | No | Yes | No | Yes |
| Fono N. | ANC | No | Yes | No | Yes |
| Mgaweni T. | ANC | No | Yes | No | Yes |
| Bara B. | DA | No | Yes | No | Yes |
| Beqezi N. | ANC | No | Yes | Yes | No |
| Bokwe F. | ANC | No | Yes | No | Yes |
| Cube Z. | DA | No | Yes | No | Yes |
| Dudumayo B.R. | UDM | No | Yes | Yes | No |
| Gaxeni F. | ANC | No | Yes | No | Yes |
| Ketwa U. | EFF | No | Yes | Yes | No |
| Mabasa S.N. | DA | No | Yes | No | Yes |
| Gqwetha B. | UDM | No | Yes | No | Yes |
| Mabongo L. | ANC | No | Yes | Yes | No |
| Madwantsi P. | ANC | No | Yes | No | Yes |
| Malghas B | MRRA | No | Yes | No | Yes |
| Mathanzima S. | ANC | No | Yes | No | Yes |
| Mbangatha N. | ANC | No | Yes | No | Yes |
| Mbewu B.S. | DA | No | Yes | No | Yes |
| Mcimbi T.E. (from 8/12/2016) | ANC | No | Yes | No | Yes |
| Mfiki N. | ANC | No | Yes | No | Yes |
| Meth N (Ms) | ANC | Yes | Yes | Yes | No |
| Gantsho A.A. | ANC | Yes | Yes | Yes | No |
| Mandita KD | ANC | Yes | Yes | Yes | No |
| Ngozi W | ANC | Yes | Yes | Yes | No |
| Nogumla RZ | ANC | Yes | Yes | Yes | No |
| Pepping PN (Ms) | ANC | Yes | Yes | Yes | No |
| Sabisa TS | ANC | Yes | Yes | Yes | No |
| Sabona J | ANC | Yes | Yes | Yes | No |
| Xangayi CT | DA | Yes | Yes | Yes | No |
| Cwecwe N | ANC | Yes | Yes | No | Yes |
| Dambuza MB (from 14/03/2017) | ANC | Yes | Yes | No | Yes |
| Dumisa TV | ANC | Yes | Yes | No | Yes |
| Khupelo TE | ANC | Yes | Yes | No | Yes |
| Maqoko (Resigned 14/11/2016) | ANC | No | Yes | No | Yes |
| Mziba L (Ms) | ANC | Yes | Yes | No | Yes |
| Nkungu MI | ANC | Yes | Yes | No | Yes |
| Bunzana M | UDM | Yes | Yes | No | Yes |
| Mzimane NF | UDM | Yes | Yes | No | Yes |
| Sobahle (Resigned 14/11/2016) | ANC | No | Yes | No | Yes |

OR Tambo District Municipality

(Registration number : DC15)

Consolidated Annual Financial Statements for the year ended 30 June 2017

Foreword

I am pleased to present the O.R. Tambo District Municipality's Consolidated Annual Financial Statements for the year ended 30 June 2017. These statements, when read together with the annual report, provide a measure of our progress in line with our Integrated Developmental Plan (IDP) which is a product of high quality consultation between the municipality and its inhabitants.

We also use these statements as a tool to deepening our communications with our stakeholders. I would like to take this opportunity to thank the municipality's and municipal entities' leadership, both politically and administratively, for their effort in advancing the will of the people. I would like to thank all officials from the Budget and Treasury Department, starting from the most junior to the most senior one, for your patience, perseverance, dedication and commitment to our strategic objectives. Your hard work, blood and sweat is helping us to turn O.R. Tambo District Municipality to be among the government institutions that are able to account for public resources.

During the 2016/17 financial year O.R. Tambo District Municipality continued to deliver equitable services to its inhabitants.

With our financial and human resources stretched, we try to stretch every cent to reach more people and attain more value from money. Growing the economy is one of our strategic priorities. We continually seek partnerships in the development of our municipality, both in the public and the private sector. We appreciate the need to foster strong partnerships across all spheres of government and to nurture our partnerships with our stakeholders and communities, and to remain relevant and accessible to these stakeholders. We seek to create a platform where community issues, such as new ideas for development or service delivery challenges, can be addressed. We are committed to principles of good governance and our goal is to remain transparent in the process of executing our responsibilities. We are also committed to the enhancement of our governance process and we wish to translate this into tangible results. These results will include strong financial controls, improved financial performance and, most importantly, the attainment of an unqualified audit opinion

To achieve all the above, we require improved performance, both politically and administratively, strict adherence to government policy, effective implementation of council resolutions from administration and unwavering support from our communities. It is every citizen's civic duty to ensure that the greater good of society is protected, harnessed and nurtured. It is in the best interest of each person from our region to unite behind a common purpose of seeing rapid economic growth which results in the creation of new jobs, new business opportunities and safe communities to live in.

CLR N. METH (Ms)
EXECUTIVE MAYOR
30 September 2017

OR Tambo District Municipality

(Registration number : DC15)

Consolidated Annual Financial Statements for the year ended 30 June 2017

Statement of Financial Position as at 30 June 2017

| Figures in Rand | Note(s) | Municipality | | Group | |
|--|---------|----------------------|----------------------|----------------------|----------------------|
| | | 2017 | 2016 Restated* | 2017 | 2016 Restated* |
| Assets | | | | | |
| Current Assets | | | | | |
| Inventories | 3 | 20,694,091 | 16,614,892 | 20,893,353 | 16,711,440 |
| Receivables from exchange transactions | 4 | 54,820,259 | 102,188,909 | 54,602,001 | 102,183,712 |
| Receivables from non-exchange transactions | 5 | 12,158,687 | 8,513,659 | 11,945,829 | 9,468,229 |
| VAT receivable | 6 | 83,382,717 | 78,435,954 | 83,382,717 | 78,435,954 |
| Cash and Cash Equivalents | 7 | 253,822,500 | 337,629,704 | 291,338,734 | 369,392,741 |
| | | 424,878,254 | 543,383,118 | 462,162,634 | 576,192,076 |
| Non-Current Assets | | | | | |
| Property, Plant and Equipment | 8 | 5,360,762,090 | 4,733,405,485 | 5,372,308,323 | 4,746,141,144 |
| Intangible Assets | 9 | 1,087,462 | 2,099,104 | 1,901,754 | 2,136,398 |
| Investment Property | 10 | 2,200,000 | 2,200,000 | 2,200,000 | 2,200,000 |
| Heritage Assets | 11 | 90,000 | 90,000 | 90,000 | 90,000 |
| Biological Assets | 12 | 20,194,646 | 15,988,644 | 20,954,697 | 16,616,345 |
| Long-term receivables | 13 | 1,199,163 | 1,197,650 | 1,199,163 | 1,197,650 |
| | | 5,385,533,361 | 4,754,980,883 | 5,398,653,937 | 4,768,381,537 |
| Total Assets | | 5,810,411,615 | 5,298,364,001 | 5,860,816,571 | 5,344,573,613 |
| Liabilities | | | | | |
| Current Liabilities | | | | | |
| Consumer deposits | 14 | 1,604,949 | 2,450,082 | 1,604,949 | 2,450,082 |
| Provisions | 15 | 2,211,000 | 2,175,748 | 2,211,000 | 2,175,748 |
| Payables from exchange transactions | 16 | 371,620,586 | 378,618,200 | 373,044,467 | 386,468,023 |
| Payables from non-exchange transactions | 17 | 18,710,614 | 2,333,784 | 19,157,587 | 2,780,757 |
| Unspent conditional grants and receipts | 18 | - | - | 7,229,654 | 9,501,391 |
| Current Portion of Long-term liabilities | 19 | - | 20,436 | - | 20,436 |
| | | 394,147,149 | 385,598,250 | 403,247,657 | 403,396,437 |
| Non-Current Liabilities | | | | | |
| Long-term liabilities | 19&20 | 38,795,339 | - | 38,795,339 | - |
| Employee benefit Liabilities | 21 | 64,042,052 | 54,837,304 | 64,042,052 | 54,837,304 |
| | | 102,837,391 | 54,837,304 | 102,837,391 | 54,837,304 |
| Total Liabilities | | 496,984,540 | 440,435,554 | 506,085,048 | 458,233,741 |
| Net Assets | | 5,313,427,075 | 4,857,928,447 | 5,354,731,523 | 4,886,339,872 |
| Accumulated surplus / (Deficit) | 22 | 5,313,427,075 | 4,857,928,447 | 5,354,731,523 | 4,886,339,872 |

* See Note 2 & 49 & 48

OR Tambo District Municipality

(Registration number : DC15)

Consolidated Annual Financial Statements for the year ended 30 June 2017

Statement of Financial Performance

| Figures in Rand | Note(s) | Municipality | | Group | |
|---|---------|------------------------|------------------------|------------------------|------------------------|
| | | 2017 | 2016 Restated* | 2017 | 2016 Restated* |
| Revenue | | | | | |
| Revenue from exchange transactions | | | | | |
| Service charges | 23 | 206,822,345 | 195,346,165 | 206,822,345 | 195,346,165 |
| Rental of facilities and equipment | 24 | 35,118 | 24,334 | 822,311 | 871,664 |
| Interest earned - External Investments | 25 | 36,424,629 | 32,992,639 | 39,527,839 | 35,170,049 |
| Interest earned - Outstanding debtors | 25 | 46,914,379 | 42,029,128 | 46,914,379 | 42,029,128 |
| Other revenue | 26 | 130,902,542 | 95,835,102 | 134,176,919 | 99,157,474 |
| Other gains on continued operations | 27 | 2,614,672 | 1,774,552 | 2,618,472 | 1,782,052 |
| Total revenue from exchange transactions | | 423,713,685 | 368,001,920 | 430,882,265 | 374,356,532 |
| Revenue from non-exchange transactions | | | | | |
| Transfer revenue | | | | | |
| Income from agency services | 28 | 65,599 | 87,741 | 407,060 | 714,406 |
| Government grants and subsidies received | 29 | 1,523,251,348 | 1,303,780,772 | 1,525,626,145 | 1,349,111,016 |
| Public contributions and donations | 30 | - | 236,323 | - | 236,323 |
| Total revenue from non-exchange transactions | | 1,523,316,947 | 1,304,104,836 | 1,526,033,205 | 1,350,061,745 |
| Total revenue | 40 | 1,947,030,632 | 1,672,106,756 | 1,956,915,470 | 1,724,418,277 |
| Expenditure | | | | | |
| Employee related costs | 31 | (411,062,458) | (367,323,103) | (436,850,549) | (393,172,154) |
| Remuneration of councillors and Board | 32 | (16,746,729) | (16,881,814) | (17,749,620) | (17,601,212) |
| Depreciation and amortisation | 33 | (161,764,357) | (152,596,763) | (164,455,909) | (156,133,624) |
| Impairment Loss | 34 | (146,934,160) | (107,693,467) | (147,042,014) | (107,782,248) |
| Repairs and maintenance | 8 | (86,490,925) | (74,789,855) | (86,311,406) | (75,026,842) |
| Finance costs | 35 | (5,906,270) | (389,463) | (6,001,430) | (578,510) |
| Bulk purchases | 36 | (42,406,949) | (43,844,958) | (42,406,949) | (43,844,958) |
| Contracted services | 37 | (44,831,711) | (28,423,559) | (45,219,246) | (29,036,219) |
| Grants and Subsidies paid | 38 | (149,374,829) | (107,935,868) | (110,011,495) | (122,981,264) |
| General Expenses | 39 | (410,125,316) | (369,779,455) | (416,684,497) | (377,137,168) |
| Total expenditure | | (1,475,643,704) | (1,269,658,305) | (1,472,733,115) | (1,323,294,199) |
| Operating surplus | | 471,386,928 | 402,448,451 | 484,182,355 | 401,124,078 |
| Gain on disposal of assets and liabilities | | - | - | 237,146 | 163,336 |
| Loss on Disposal of Assets | | (903,737) | - | (903,737) | - |
| Fair value adjustments | 41 | (136,500) | - | (276,050) | (81,105) |
| Assets written off | | (14,848,063) | - | (14,848,063) | - |
| | | (15,888,300) | - | (15,790,704) | 82,231 |
| Surplus for the year | | 455,498,628 | 402,448,451 | 468,391,651 | 401,206,309 |

* See Note 2 & 49 & 48

OR Tambo District Municipality

(Registration number : DC15)

Consolidated Annual Financial Statements for the year ended 30 June 2017

Statement of Changes in Net Assets

| Figures in Rand | Accumulated surplus / (Deficit) | Total net assets |
|---|---------------------------------|----------------------|
| Municipality | | |
| Balance at 01 July 2015 | 4,445,235,596 | 4,445,235,596 |
| Changes in net assets | | |
| Surplus for the year | 402,448,451 | 402,448,451 |
| Correction of errors (Note 48 & 49) | 10,244,400 | 10,244,400 |
| Total changes | 412,692,851 | 412,692,851 |
| Restated* Balance at 01 July 2016 | 4,857,928,447 | 4,857,928,447 |
| Changes in net assets | | |
| Surplus for the year | 455,498,628 | 455,498,628 |
| Total changes | 455,498,628 | 455,498,628 |
| Balance at 30 June 2017 | 5,313,427,075 | 5,313,427,075 |
| Note(s) | | |
| Group | | |
| Balance at 01 July 2015 | 4,473,502,813 | 4,473,502,813 |
| Changes in net assets | | |
| Surplus for the year | 401,206,309 | 401,206,309 |
| Total changes | 401,206,309 | 401,206,309 |
| Opening balance as previously reported | 4,874,709,123 | 4,874,709,123 |
| Adjustments | | |
| Correction of errors (Note 48 & 49) | 11,630,749 | 11,630,749 |
| Restated* Balance at 01 July 2016 as restated* | 4,886,339,872 | 4,886,339,872 |
| Changes in net assets | | |
| Surplus for the year | 468,391,651 | 468,391,651 |
| Total changes | 468,391,651 | 468,391,651 |
| Balance at 30 June 2017 | 5,354,731,523 | 5,354,731,523 |

* See Note 2 & 49 & 48

OR Tambo District Municipality

(Registration number : DC15)

Consolidated Annual Financial Statements for the year ended 30 June 2017

Cash Flow Statement

| Figures in Rand | Note(s) | Municipality | | Group | |
|---|---------|------------------------|----------------------|------------------------|----------------------|
| | | 2017 | 2016 Restated* | 2017 | 2016 Restated* |
| Cash flows from operating activities | | | | | |
| Receipts | | | | | |
| Service Charges | | 131,019,302 | 138,484,484 | 129,548,814 | 138,063,463 |
| Government Grants and Subsidies | | 1,523,251,348 | 1,299,670,758 | 1,511,317,746 | 1,296,584,964 |
| Interest income | | 54,218,833 | 50,274,777 | 57,322,045 | 52,452,187 |
| Public Contributions and Donations | | - | 236,323 | - | 414,974 |
| Other receipts | | 125,201,149 | 75,271,383 | 124,632,570 | 79,865,910 |
| | | 1,833,690,632 | 1,563,937,725 | 1,822,821,175 | 1,567,381,498 |
| Payments | | | | | |
| Employee related costs | | (401,822,458) | (361,712,760) | (428,613,440) | (387,729,335) |
| Suppliers Paid | | (183,084,326) | (119,371,043) | (191,018,188) | (113,674,438) |
| Interest Paid | | (5,906,270) | (389,463) | (6,001,430) | (578,510) |
| Other payments | | (543,123,311) | (451,093,765) | (487,642,665) | (431,703,333) |
| Remuneration of Councillors | | (16,746,729) | (16,881,814) | (16,746,729) | (17,643,213) |
| | | (1,150,683,094) | (949,448,845) | (1,130,022,452) | (951,328,829) |
| Net cash flows from operating activities | | 683,007,538 | 614,488,880 | 691,070,878 | 616,171,885 |
| Cash flows from investing activities | | | | | |
| Purchase of property, plant and equipment | 8 | (807,495,934) | (585,551,186) | (809,271,875) | (585,886,889) |
| Proceeds from sale of property, plant and equipment | 8 | - | - | 539,088 | 304,011 |
| Purchase of intangible assets | 9 | - | - | (805,184) | - |
| Purchase of biological assets | 12 | - | (261,057) | (318,000) | (421,538) |
| Proceeds from sale of biological assets | 12 | 1,907,802 | 225,639 | 1,957,702 | 286,089 |
| Decreases due to harvest / Sale of biological assets | | - | 400,913 | - | 400,913 |
| Decrease / (Increase) in Long-term receivables | | (1,513) | (900,843) | (1,513) | (900,843) |
| Increase due to Births of Biological Assets | | - | - | - | 7,500 |
| Net cash flows from investing activities | | (805,589,645) | (586,086,534) | (807,899,782) | (586,210,756) |
| Cash flows from financing activities | | | | | |
| Increase in long term liabilities | | 38,795,339 | - | 38,795,339 | - |
| Repayment of borrowings | | (20,436) | (84,422) | (20,436) | (124,396) |
| Net cash flows from financing activities | | 38,774,903 | (84,422) | 38,774,903 | (124,396) |
| Net increase/(decrease) in cash and cash equivalents | | (83,807,204) | 28,317,924 | (78,054,001) | 29,836,733 |
| Cash and cash equivalents at the beginning of the year | | 337,629,704 | 309,311,780 | 369,392,735 | 339,556,008 |
| Cash and cash equivalents at the end of the year | 7 | 253,822,500 | 337,629,704 | 291,338,734 | 369,392,741 |

* See Note 2 & 49 & 48

OR Tambo District Municipality

(Registration number : DC15)

Consolidated 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 | | | | | | |
| Municipality | | | | | | |
| Statement of Financial Performance | | | | | | |
| Revenue | | | | | | |
| Revenue from exchange transactions | | | | | | |
| Other gains on continued operations | - | - | - | 2,614,672 | 2,614,672 | |
| Service charges | 236,406,590 | 10,000,000 | 246,406,590 | 206,822,345 | (39,584,245) | A1 |
| Rental of facilities and equipment | 50,000 | - | 50,000 | 35,118 | (14,882) | |
| Interest received (trading) | 39,560,000 | 2,900,072 | 42,460,072 | 83,339,008 | 40,878,936 | A2 |
| Other revenue | 183,650,812 | 36,634,000 | 220,284,812 | 130,902,542 | (89,382,270) | A3 |
| Total revenue from exchange transactions | 459,667,402 | 49,534,072 | 509,201,474 | 423,713,685 | (85,487,789) | |
| Revenue from non-exchange transactions | | | | | | |
| Transfer revenue | | | | | | |
| Government grants & subsidies | 676,566,000 | (2,340,000) | 674,226,000 | 1,523,251,348 | 849,025,348 | A4 |
| Income from Agency Services | - | - | - | 65,599 | 65,599 | |
| Total revenue from non-exchange transactions | 676,566,000 | (2,340,000) | 674,226,000 | 1,523,316,947 | 849,090,947 | |
| Total revenue | 1,136,233,402 | 47,194,072 | 1,183,427,474 | 1,947,030,632 | 763,603,158 | |
| Expenditure | | | | | | |
| Employee Related Costs | (407,986,949) | 16,323,438 | (391,663,511) | (411,062,458) | (19,398,947) | A5 |
| Remuneration of councillors | (19,777,571) | 536,948 | (19,240,623) | (16,746,729) | 2,493,894 | |
| Depreciation and amortisation | (159,341,150) | - | (159,341,150) | (161,764,357) | (2,423,207) | A6 |
| Finance costs | - | - | - | (5,906,270) | (5,906,270) | A7 |
| Debt Impairment | (43,500,000) | 6,400,000 | (37,100,000) | (146,934,160) | (109,834,160) | A8 |
| Repairs and maintenance | (64,318,385) | 64,318,385 | - | (86,490,925) | (86,490,925) | A9 |
| Bulk purchases | (51,000,000) | - | (51,000,000) | (42,406,949) | 8,593,051 | |
| Contracted Services | (15,000,000) | - | (15,000,000) | (44,831,711) | (29,831,711) | A10 |
| Transfers and Subsidies | (50,861,146) | (4,800,000) | (55,661,146) | (149,404,629) | (93,743,483) | A11 |
| General Expenses | (322,448,201) | (66,654,458) | (389,102,659) | (410,095,516) | (20,992,857) | A12 |
| Total expenditure | (1,134,233,402) | 16,124,313 | (1,118,109,089) | (1,475,643,704) | (357,534,615) | |
| Operating surplus | 2,000,000 | 63,318,385 | 65,318,385 | 471,386,928 | 406,068,543 | |
| Loss on disposal of assets | - | - | - | (903,737) | (903,737) | A13 |
| Fair value adjustments | - | - | - | (136,500) | (136,500) | A14 |
| Assets written-off | - | - | - | (14,848,063) | (14,848,063) | A15 |
| | - | - | - | (15,888,300) | (15,888,300) | |
| Surplus / (Deficit) for the year | 2,000,000 | 63,318,385 | 65,318,385 | 455,498,628 | 390,180,243 | |

OR Tambo District Municipality

(Registration number : DC15)

Consolidated 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 | | | | | | |
| Statement of Financial Position | | | | | | |
| Assets | | | | | | |
| Current Assets | | | | | | |
| Inventories | 17,521,409 | - | 17,521,409 | 20,694,091 | 3,172,682 | B1 |
| Receivables: Non-exchange | - | - | - | 12,158,687 | 12,158,687 | B2 |
| Receivables: Exchange | 180,547,615 | 121,512,734 | 302,060,349 | 54,820,259 | (247,240,090) | B2 |
| VAT receivable | 4,442,242 | - | 4,442,242 | 83,382,717 | 78,940,475 | B3 |
| Current Portion of Long-term Liabilities | 2,199,648 | - | 2,199,648 | - | (2,199,648) | B4 |
| Cash and Cash Equivalents | 652,291,268 | (138,836,170) | 513,455,098 | 253,822,500 | (259,632,598) | B5 |
| | 857,002,182 | (17,323,436) | 839,678,746 | 424,878,254 | (414,800,492) | |
| Non-Current Assets | | | | | | |
| Biological Assets | 14,934,893 | - | 14,934,893 | 20,194,646 | 5,259,753 | B6 |
| Investment Property | - | - | - | 2,200,000 | 2,200,000 | B7 |
| Property, Plant and Equipment | 8,220,832,984 | (4,813,000) | 8,216,019,984 | 5,360,762,090 | (2,855,257,894) | B8 |
| Intangible Assets | 2,534,722 | - | 2,534,722 | 1,087,462 | (1,447,260) | B9 |
| Heritage Assets | - | - | - | 90,000 | 90,000 | |
| Long-term receivables | - | - | - | 1,199,163 | 1,199,163 | |
| | 8,238,302,599 | (4,813,000) | 8,233,489,599 | 5,385,533,361 | (2,847,956,238) | |
| Total Assets | 9,095,304,781 | (22,136,436) | 9,073,168,345 | 5,810,411,615 | (3,262,756,730) | |
| Liabilities | | | | | | |
| Current Liabilities | | | | | | |
| Long-term liabilities | 260,000 | - | 260,000 | - | (260,000) | |
| Payables from exchange transactions | 333,016,640 | (16,323,438) | 316,693,202 | 371,620,585 | 54,927,383 | B10 |
| Payables from non-exchange | - | - | - | 18,710,614 | 18,710,614 | B11 |
| Consumer deposits | 2,500,000 | - | 2,500,000 | 1,604,949 | (895,051) | |
| Provisions | - | - | - | 2,211,000 | 2,211,000 | B12 |
| | 335,776,640 | (16,323,438) | 319,453,202 | 394,147,148 | 74,693,946 | |
| Non-Current Liabilities | | | | | | |
| Long-term liabilities | - | - | - | 38,795,339 | 38,795,339 | B13 |
| Employee benefit obligation | 90,000 | - | 90,000 | 64,042,052 | 63,952,052 | B14 |
| | 90,000 | - | 90,000 | 102,837,391 | 102,747,391 | |
| Total Liabilities | 335,866,640 | (16,323,438) | 319,543,202 | 496,984,539 | 177,441,337 | |
| Net Assets | 8,759,438,141 | (5,812,998) | 8,753,625,143 | 5,313,427,076 | (3,440,198,067) | |
| Reserves | | | | | | |
| Accumulated surplus / (Deficit) | 8,759,438,141 | (5,812,998) | 8,753,625,143 | 5,313,427,076 | (3,440,198,067) | |

OR Tambo District Municipality

(Registration number : DC15)

Consolidated 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 | | | | | | |
| Cash Flow Statement | | | | | | |
| Cash flows from operating activities | | | | | | |
| Receipts | | | | | | |
| Service Charges | 192,906,590 | 10,000,000 | 202,906,590 | 131,019,302 | (71,887,288) | C1 |
| Grants | 1,751,360,000 | (5,113,000) | 1,746,247,000 | 1,523,251,348 | (222,995,652) | C2 |
| Interest income | 39,560,000 | 2,900,072 | 42,460,072 | 54,218,833 | 11,758,761 | |
| Other receipts | 183,700,812 | 36,634,000 | 220,334,812 | 125,201,149 | (95,133,663) | C3 |
| | 2,167,527,402 | 44,421,072 | 2,211,948,474 | 1,833,690,632 | (378,257,842) | |
| Payments | | | | | | |
| Employee related costs | (427,764,520) | (16,860,385) | (444,624,905) | (418,569,187) | 26,055,718 | |
| Suppliers Paid | (452,766,587) | (42,857,122) | (495,623,709) | (576,832,808) | (81,209,099) | C4 |
| Interest Paid | - | - | - | (5,906,270) | (5,906,270) | |
| Grants and Subsidies paid | (50,861,146) | (4,800,000) | (55,661,146) | (149,374,829) | (93,713,683) | |
| | (931,392,253) | (64,517,507) | (995,909,760) | (1,150,683,094) | (154,773,334) | |
| Net cash flows from operating activities | 1,236,135,149 | (20,096,435) | 1,216,038,714 | 683,007,538 | (533,031,176) | |
| Cash flows from investing activities | | | | | | |
| Purchase of property, plant and equipment | (1,221,397,700) | 4,813,000 | (1,216,584,700) | (807,495,934) | 409,088,766 | |
| Proceeds from sale of property, plant and equipment | 146,603,700 | (2,040,000) | 144,563,700 | - | (144,563,700) | C5 |
| Proceeds from sale of biological assets | - | - | - | 1,907,802 | 1,907,802 | |
| Decrease / (Increase) in Long-term receivables | - | - | - | (1,513) | (1,513) | |
| Net cash flows from investing activities | (1,074,794,000) | 2,773,000 | (1,072,021,000) | (805,589,645) | 266,431,355 | |
| Cash flows from financing activities | | | | | | |
| Repayment of borrowings | - | - | - | (20,436) | (20,436) | |
| Movement in other liabilities | - | - | - | 38,795,339 | 38,795,339 | |
| Net cash flows from financing activities | - | - | - | 38,774,903 | 38,774,903 | |
| Net increase/(decrease) in cash and cash equivalents | 161,341,149 | (17,323,435) | 144,017,714 | (83,807,204) | (227,824,918) | |
| Cash and cash equivalents at the beginning of the year | 490,950,118 | (121,512,734) | 369,437,384 | 337,629,704 | (31,807,680) | |
| Cash and cash equivalents at the end of the year | 652,291,267 | (138,836,169) | 513,455,098 | 253,822,500 | (259,632,598) | |

OR Tambo District Municipality

(Registration number : DC15)

Consolidated 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

A1 - Correction of billing through data cleansing.

A2 - Non payment of consumers resulted in increase in interest on debtors and investing in high yielding investments resulted in higher interest on investments

A3 -Budget includes VAT and reserves whilst in GRAP, VAT is in accounts receivable and reserves in cashflow

A4 - Budget only reflects the operating grants whilst actual includes the revenue recognised on both capital and operating grants

A5 - Actual includes the wages for the casual workers which are outside payroll system whilst in budget, only salaries from payroll system.

A6 - More assets were depreciated than projected

A7 - Interest paid on DWA account for water. The debt was anticipated to be negotiated and no interest was budgeted for.

A8 -Non payment of consumers resulting in impairment of debtors.

A9 - Repairs on infrastructure more than budgeted for.

A10 - Budget includes the security services whilst in actual, all professional fees are included

A11 - Budget includes the allocation for Ntinga Development agency whilst actual includes other funding for events in community

A12 - Actual includes the expenditure for MIG operating expenditure whilst in budget, all MIG expenditure is capitalised

A13 - Was not projected in budget

A14 - Was not projected in budget

A15 - Was not projected in budget

B1 - Inventory not utilised as projected

B2 - Debtors pending investigations not included in budget

B3 - National Treasury template not aligned to GRAP and the VAT is included on receivable from non exchange

B4 - Projected for new contracts for photocopiers in budget but in actual, no new contracts

B5 - Withholding of grants and increase in spending than anticipated

B6 - Births and Weaning were projected less than actual

B7 - Projected to be reclassified to PPE in budget

B8 - Budget includes the all MIG expenditure whilst in actual outcomes, only expenditure that meets the PPE criteria

B9 - Procured less than budgeted for

B10 - Increase in accruals than budgeted for

B11 - National Treasury tables not aligned to GRAP. Included in payables from exchange transactions in the budget

B12 - Provisions not budgeted for

B13 -Long-term portion of the amount owed to the Department of Water and Sanitation

OR Tambo District Municipality

(Registration number : DC15)

Consolidated 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

B14 - Benefit obligation not projected in the budget

C1 - Decrease in collections from consumers than budgeted

C2 - Withholding of MIG allocation

C3 - VAT refunds less than budgeted for due to the withholding of grants

C4 - Increase in spending than budgeted for

C5 - Proceeds on sale were less than budgeted for

OR Tambo District Municipality

(Registration number : DC15)

Consolidated Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1. Presentation of Consolidated Annual Financial Statements

The annual financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practice (GRAP), as approved by the Minister of finance, including any interpretations, guidelines and directives issued by the Accounting Standard Board and the Municipal Finance Management Act (Act 56 of 2003).

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention, except where indicated otherwise. They are presented in South African Rand.

1.1 Changes in Accounting policy and comparability

Accounting policies have been consistently applied otherwise indicated below.

For the years ended 30 June 2017 and 30 June 2016 the municipality adopted the framework as set out in paragraph 1 above. The details of any resulting changes in Accounting policy and comparative restatements are set out below and in the relevant notes to the financial statements.

Those standards of GRAP and interpretations of such standards applicable to the operations of the municipality, are therefore as follows:

- GRAP 1 - Presentation of Financial Statements (as revised in 2010)
- GRAP 2 - Cash Flow Statements (as revised in 2010)
- GRAP 3 - Accounting Policies, Changes in Accounting Estimates and Errors (as revised in 2010)
- GRAP 4 - The Effects of changes in Foreign Exchange Rates (as revised in 2010)
- GRAP 5 - Borrowing Costs
- GRAP 9 - Revenue from Exchange Transactions (as revised in 2010)
- GRAP 10 - Financial Reporting in Hyperinflationary Economies (as revised in 2010)
- GRAP 11 - Construction Contracts (as revised in 2010)
- GRAP 12 - Inventories (as revised in 2010)
- GRAP 13 - Leases (as revised in 2010)
- GRAP 14 - Events After the Reporting Date (as revised in 2010)
- GRAP 16 - Investment Property (as revised in 2010)
- GRAP 17 - Property Plant and Equipment (as revised in 2010)
- GRAP 19 - Provisions, Contingent Liabilities and Contingent Assets (as revised in 2010)
- GRAP 21 - Impairment of non-cash-generating assets
- GRAP 23 - Revenue from Non-exchange Transactions (Taxes and Transfers)
- GRAP 24 - Presentation of Budget Information in Financial Statements
- GRAP 25 - Employee Benefits
- GRAP 26 - Impairment of cash-generating assets
- GRAP 27 - Agriculture
- GRAP 31 - Intangible Assets
- GRAP 100 - Non-current Assets held for Sale and Discontinued Operations (as revised in 2010)
- GRAP 103 - Heritage Assets
- GRAP 104 - Financial Instruments
- GRAP 105 - Transfer of functions between entities under common control
- GRAP 106 - Transfer of functions between entities not under common control
- GRAP 107 - Mergers

Standards Issued, Not Yet Effective Date

- GRAP 20 - Related Party Disclosures
- GRAP 32 - Service Concession Arrangements: Grantor
- GRAP 108 - Statutory Receivables
- GRAP 109 - Accounting by Principals and Agents

Interpretations - Approved and not yet effective

- IGRAP 1 - Applying the Probability Test on Initial Recognition of Exchange Revenue
- IGRAP 2 - Changes in Existing Decommissioning Restoration and Similar Liabilities
- IGRAP 3 - Determining Whether an Arrangement Contains a Lease
- IGRAP 4 - Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
- IGRAP 5 - Applying the Restatement Approach under the Standard of GRAP on Financial Reporting

OR Tambo District Municipality

(Registration number : DC15)

Consolidated Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

In hyperinflationary Economies

- IGRAP 6 - Loyalty Programmes
- IGRAP 7 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
- IGRAP 8 - Agreements for the Construction of Assets from Exchange Transactions
- IGRAP 9 - Distributions of Non-cash Assets to Owners
- IGRAP 10 - Assets Received from Customers
- IGRAP 11 - Consolidation - Special Purpose Entities
- IGRAP 12 - Jointly Controlled Entities - Non-Monetary Contributions
- IGRAP 13 - Operating Leases - Incentives
- IGRAP 14 - Evaluating the Substance of Transactions Involving the Legal Form of a Lease
- IGRAP 15 - Revenue - Barter Transactions Involving Advertising Services
- IGRAP 16 - Intangible Assets - Website Costs (effective 1 April 2013)

Interpretations – Approved and not yet effective

- IGRAP 17 - Interpretation of the Standard of GRAP on Service Concession Arrangements Where a Grantor Controls a Significant Residual Interest in an Asset
- GRAP 2 - Cash Flow Statements (as revised in 2010)
- GRAP 3 - Accounting Policies, Changes in Accounting Estimates and Errors (as revised in 2010)

1.2 Critical Judgement, Estimates and Assumptions

In the application of the municipality's Accounting policies, which are described below, management is required to make judgments, estimates and assumptions about the carrying amounts and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgments and estimates that the management have made in the process of applying the municipality's Accounting Policies and that have the most significant effect on the amounts recognised in the Annual Financial Statements:

Revenue Recognition

Accounting policy 1.16.1 on revenue from exchange transactions and Accounting policy 1.16.2 on revenue from non-exchange transactions describes the conditions under which revenue will be recorded by the management of the municipality

In making their judgment, the management considered the detailed criteria for the recognition of revenue as set out in GRAP 9 (Revenue from exchange transactions) and GRAP 23 (Revenue from non-exchange transactions). As far as Revenue from non-exchange transactions is concerned (see Basis of Preparation above), and, in particular, whether the municipality, when goods are sold, had transferred to the significant risks and rewards of ownership of the goods and when service is rendered, whether the service has rendered. Also of importance is the estimation process involved in initially measuring revenue at the fair value thereof. Management of the municipality is satisfied that the revenue in the current year is appropriate.

Financial Assets and liabilities

The classification of Financial Assets and Liabilities, into categories, is based on judgement. Accounting Policy Policy 1.14 on Financial Assets Classification of financial assets and liabilities.

In making the above-mentioned judgement considered the definition and recognition criteria for the classification of financial instruments as set out in GRAP 104 (Financial Instruments)

OR Tambo District Municipality

(Registration number : DC15)

Consolidated Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.2 Critical Judgement, Estimates and Assumptions (continued)

Impairment of Financial Assets

Accounting policy 1.14 on Impairment of financial assets describes the process followed to determine the value at which financial assets should be impaired. In making the estimation of the impairment, the management of the municipality considered the detailed criteria of impairment of financial assets as set out in GRAP 104 (Financial Instruments) and used its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of the reporting period. The management of the municipality is satisfied that impairment of Financial assets recorded during the year is appropriate

Impairment of Trade receivables:

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This is performed per service-identifiable categories across all classes of debtors.

The total increase in estimation of the impairment of receivables from exchange transactions and that of receivables from non-exchange transactions are disclosed in notes 3 and 4 to the Annual Financial Statement

Fair Value Estimations

As described in Accounting policy 1.12 the municipality subsequently measures its Biological assets in terms of the fair value mode.

The valuation of assets are based on management's estimation. Management considered the impact of valuation techniques and market information in order to determine the valuations, and more specific as follows:

Biological Assets

The fair value less estimated point-of-sale costs used to value Biological assets requires management to make certain assumptions which are subject to change. The current assumptions are follows:

- Cattle are valued at the prevailing market rates, as determined by breed, genetic, merit and age , less point-of-sale costs.
- Fruit trees, harvest and vegetables are valued by way of arms's length transaction that would have been applied / prevailing in replacing the existing fruit trees, harvest and vegetables with new fruit trees, harvest and vegetables.

Useful lives of Property, Plant and Equipment, Intangible assets and Investment Property

As described in Accounting policies 1.8.3 and 1.9.1, the municipality depreciates its Property, Plant and Equipment (excluding land) and amortises its Intangible assets, over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use.

The useful lives of the assets are based on management's estimation. Management considered the impact of technology, availability of capital funding, service requirements and required return on assets in order to determine the optimum useful life expectation, where appropriate..

The estimation of residual values of assets is based on the management's judgement as to whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time

Impairment: Write-down of Property, Plant and Equipment, Intangible Assets and Investment Property

Accounting policy 1.13 on impairment of assets, Accounting policy 1.9.1 on Intangible assets - Subsequent measurement, amortisation and impairment and Accounting policy 11.2 on inventory - Subsequent measurement describe the conditions under which non-financial assets are tested for potential impairment losses by the management of the municipality. Significant estimates and judgements are made relating to impairment testing of Property, Plant and Equipment, impairment testing of Intangible assets and write-down of Inventories to the lowest of the cost and net realisable value.

In making the above-mentioned estimates and judgement, management considered the subsequent measurement criteria and indicators of potential impairment losses as set out in GRAP 21 (Impairment of Non-cash generating assets) and GRAP 26 (Impairment of Cash generating assets). In particular, the calculation of the recoverable service amount for PPE and intangible assets and net realisable value for Inventories involves significant judgement by management

Estimated impairments during the year to Inventory, Property, Plant and Equipment, Intangible assets Investment Property, Heritage assets and biological assets are disclosed in notes 2, 7, 8, 9, and 10 to the Annual Financial statement, if applicable.

OR Tambo District Municipality

(Registration number : DC15)

Consolidated Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.2 Critical Judgement, Estimates and Assumptions (continued)

Water Inventory

The estimation of Water Inventory in reservoirs is based on the measurement of water via electronic level sensors, which determines the depth of water in the reservoirs, which is then converted into volumes based on the capacity of the reservoir. Furthermore, the length and width of all pipes are taken into account in determining the volume of the water on hand at year-end.

Defined Benefit Plan liabilities

As described in Accounting Policy 1.18 employee benefits - Post-employment benefits municipality obtains actuarial valuations of its Defined benefit plan liabilities. The defined benefit obligations of the municipality that were identified are post-retirement Health benefit obligations and Long-service awards. The estimated liabilities are recorded in accordance with the requirement of GRAP 25. Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in the relevant notes to the Annual Financial Statements

Provisions and Contingent liabilities

Management's judgement is required when recognising and measuring provisions and when measuring Contingent liabilities. Provisions are discounted where the effect of discounting is material using actuarial valuations

Budget Information

Deviations between the budget and actual amounts are regarded as material differences when a 10% deviation exists. All material differences are explained in the notes to the Annual Financial Statements

1.3 Presentation currency

These consolidated annual financial statements are presented in South African Rand, rounded of to the nearest Rand which is the functional currency of the economic entity.

1.4 Going concern assumption

These consolidated annual financial statements have been prepared on a *Going Concern Basis*.

1.5 Offsetting

Assets, Liabilities Revenues and Expenses have not been offset except when offsetting is required or permitted by a standard of GRAP.

1.6 Standards, Amendments to Standards and interpretations issued but not yet effective

Those standards of GRAP and interpretations of such standards applicable to the operations of the municipality, are therefore as follows:

Standards Issued and Effective

- GRAP 1 - Presentation of Financial Statements (as revised in 2010)

GRAP 32 Service Concession agreement grantor - issued 2013

GRAP 108 Statutory Receivables - Issued September 2013

GRAP 17 Service Concession Agreements where a Grantor controls a significant Residual Interest in an Asset

Where a standard of GRAP is approved as effective, it replaces the equivalent statement of International Public sector accounting Standard Board, International Financial Reporting Standards or Generally accepted Accounting Principles. Where a standard of GRAP has been issued but is not yet effect, the municipality may select to apply the principles established in that standard in developing appropriate Accounting Policies, Changes in Accounting Estimates and Errors.

The municipality applied the principles established in the following standards of GRAP that have been issued but not yet effective, in developing appropriate Accounting Policies dealing with the following transactions, but have have not yet adopted these standards.

GRAP 20 Related Party disclosures (Revised)

OR Tambo District Municipality

(Registration number : DC15)

Consolidated Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.7 Net Assets

Included in the Net assets of the municipality are the following reserves that are maintained in terms of specific requirements

1.7.1 Accumulated Surplus

1.8 Property, Plant and Equipment

1.8.1 Initial recognition

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

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 economic entity; and the cost of the item can be measured reliably.

Property, Plant and Equipment is initially recognised at cost on its acquisition date or in the case of assets acquired by grants or donations, deemed cost, being the fair value of the asset on initial recognition. 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 the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located

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. Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired

The cost of an item property, plant and equipment acquired in exchange for non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

1.8.2 Subsequent Measurement

Subsequent expenditure relating to the property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the municipality and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently all property plant and equipment are measured at cost, less accumulated depreciation and accumulated impairment losses.

Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is included in the Statement of Financial Performance when the compensation becomes receivable..

1.8.3 Depreciation

Depreciation on assets other than land is calculated on cost using the *straight-line* method, to allocate their cost or revalued amounts to their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. Each part of an item of property, plant and equipment with a cost is significant in relation to the cost item is depreciated separately.

Depreciation only commences when the asset is available for use, unless stated otherwise. The depreciation rates are based on the following estimated useful lives:

| Item | Depreciation method | Average useful life |
|------------------------|---------------------|---------------------|
| Buildings | | |
| • Improvements | Straight line | 10 - 80 years |
| Plant and machinery | Straight line | 2 - 20 years |
| Furniture and fittings | Straight line | 5 - 20 years |

OR Tambo District Municipality

(Registration number : DC15)

Consolidated Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.8 Property, Plant and Equipment (continued)

| | | |
|----------------------|---------------|---------------|
| Motor vehicles | Straight line | 5 - 15 years |
| Office equipment | Straight line | 5 - 20 years |
| IT equipment | | |
| • Computer Equipment | Straight line | 5 years |
| Infrastructure | | |
| • Roads and Paving | Straight line | 5 - 67 years |
| • Sewerage | Straight line | 5 - 100 years |
| • Storm Water | Straight line | 7 - 100 years |
| • Water | Straight line | 5 - 76 years |
| Emergency equipment | Straight line | 5 - 10 years |
| Specialist Vehicles | Straight line | 10 - 15 years |
| Bins and Containers | Straight line | 5 years |

The asset's residual values, estimated useful lives and depreciation methods are reviewed annually and adjusted prospectively, if appropriate, at each reporting date. Reviewing the useful life of an asset on an annual basis does not require the municipality to amend the previous estimate unless expectation differ from the previous estimate.

1.8.4 Land

Land is stated at historical cost and is not depreciated as it is deemed to have an indefinite useful life.

1.8.5 Infrastructure

Infrastructure assets are any assets that are part of a network of similar assets. Infrastructure assets are shown at cost less accumulated depreciation and impairment. Enrapture assets are treated similarly to all other assets of the municipality in terms of the asset management policy.

1.8.6 Incomplete Construction Work

Incomplete construction work is stated at historical cost. Depreciation only commences when the asset is available for use.

1.8.7 Leased assets

Assets capitalised under finance lease are depreciated over their expected useful lives on the same basis as property, plant and equipment controlled by the municipality or, where shorter, the term of the relevant lease if there is no reasonable certainty that the municipality will obtain ownership by the end of the lease term.

1.8.8 Derecognition

The carrying amount of an item of property, plant and equipment is 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 derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. Gains are classified as revenue.

Gains or losses are calculated as difference between the carrying value of assets (cost less accumulated depreciation and accumulated impairment losses) and the proceeds from disposal are included in the Statement of Financial Performance as gain or loss on disposal of property, plant and equipment.

1.9 Intangible Assets

Identifiable non-monetary assets without physical substance are classified and recognised as intangible assets. The municipality recognises an intangible asset in its Statement of Financial Position only when it is possible that the expected future economic benefits or service potential that attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

OR Tambo District Municipality

(Registration number : DC15)

Consolidated Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.9 Intangible Assets (continued)

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is recognised as an expense as it is incurred. Costs incurred on development projects (relating to the design and testing of the new or improved products) are recognised as intangible assets when the following criteria are fulfilled:

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

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is available for use. Development assets are tested for impairment annually, in accordance with GRAP 21 and GRAP 26.

Intangible asset initially recognised at cost. The cost of an intangible asset is purchase price and other costs attributed to bring the intangible asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality, or where an intangible asset is acquired at not cost, or for a nominal cost shall be its fair value as at the date of acquisition. Trade discounts and rebates are deducted in arriving at the cost.

The cost of an intangible asset acquired in exchange for non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets, is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could be measured at its value, its cost is measured at the carrying amount of the asset given up. If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

1.9.1 Subsequent Measurement, Amortisation and Impairment

After initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

Expenditure on an intangible item that was initially recognised as an expense shall not be recognised as part of the cost of an intangible asset at a later date.

In terms of GRAP 31, intangible assets are distinguished between internally generated intangible assets and other intangible assets. It is further distinguished between indefinite or finite useful lives. Amortisation is charged on a *straight-line basis* over the intangible assets' useful lives. The residual value of intangible assets with finite lives is zero, unless an active market exists. Where intangible assets are deemed to have intangible useful lives, such intangible assets are not amortised, however, such intangible assets are subject to an annual impairment test.

Amortisation only commences when the asset is available for use, unless stated otherwise. The amortisation rates are based on the following estimated useful lives::

| Item | Depreciation method | Average useful life |
|--------------------------|---------------------|---------------------|
| Computer software, other | Straight line | 4 years |

Intangible assets are annually tested for impairment as described in Accounting Policy 8 on Impairment of assets, including intangible assets not yet available for use. Where items of intangible assets have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. The impairment loss is the difference between the carrying amount and the recoverable service amount.

The estimated useful life, residual values and amortisation method are reviewed annually at the end of the financial year. Any adjustments arising from the annual review are applied prospectively as a change in accounting estimate in the Statement of Financial Performance.

1.9.2 Derecognition

Intangible assets 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 on the disposal or retirement of an intangible asset is determined as the difference between the proceeds of disposal and the carrying value, and is recognised in the Statement of Financial Performance.

OR Tambo District Municipality

(Registration number : DC15)

Consolidated Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.10 Investment Property

1.10.1 Initial Recognition

Investment property includes property (land or a building, or both land and buildings held under a finance lease) held to earn rentals and / or for capital appreciation, rather than held to meet service objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at a cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is the cost at the date of completion, including all directly attributable borrowing costs.

Based on management's judgement, the following criteria have been applied to distinguish investment property from owner occupied property or property held for resale:

- (a) Land held for long-term capital appreciation rather than for short-term sale in the ordinary course of operations;
- (b) Land held for a currently undetermined future use (if the municipality has not determined that it will use the land owner-occupied property for short-term sale in the ordinary course of operations, the land is recognised as held for capital appreciation);
- (c) A building owned by the municipality (or held by the municipality under a finance lease) and leased out under one or more operating leases on a commercial basis (this will include the property portfolio rented out on a commercial basis on behalf of the municipality);
- (d) A property owned by the municipality and leased out at a below market rental; and;
- (e) Property that is being constructed or developed for future use as investment property;

The rent earned does not have to be at a commercial basis or market related for the property to be classified as investment property

The following assets do not fall in the ambit of Investment Property and shall be classified as Property, Plant and Equipment, Inventory or Non-current Assets Held-for-Sale, as appropriate:

- (a) Property held for sale in the ordinary course of operations or in the process of construction or development for such sale;
- (b) Property being constructed or developed on behalf of third parties;
- (c) Owner-occupied property, including (among other things) property held for future use as owner-occupied property, property held for future development and subsequent use as owner-occupied property, property occupied by employees such as held for future development and subsequent use as owner-occupied property, property occupied by employees such as housing for personnel (whether or not the employees pay rent at market rates) and owner-occupied property awaiting disposal;
- (d) Property that is leased to another entity under a finance lease;
- (e) Property held to provide goods and services and also generates cash inflows; and;
- (f) Property held for strategic purposes which would be accounted for in accordance with the Standard of GRAP on Property, Plant and Equipment;

1.10.2 Subsequent Measurement

Investment property is accounted for in accordance with the cost model as set out in GRAP 16 (at their cost prices less accumulated Depreciation). The municipality has no intention of selling its land and buildings and thus the Cost Model would represent the value of all land and buildings more fairly. The change has resulted in the municipality's Annual Financial Statements providing reliable and more relevant information about the value of Buildings and Land, based on the intended use of these assets in line with all valuation method of all other assets

Investment Property is measured using the Cost Model and is stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated on cost, using the Straight-line Method over the useful life of the property, which is estimated at 10 - 80 years. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately.

The gain or loss arising on the disposal of an Investment Property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance

OR Tambo District Municipality

(Registration number : DC15)

Consolidated Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.10 Investment Property (continued)

1.10.3 Derecognition

An Investment Property shall be derecognised (eliminated from the Statement of Financial Position) 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

Property that is leased to another entity under a finance lease;

1.11 Heritage assets

A Heritage Asset is defined as an asset that has a cultural, environmental, historical, natural, scientific, technological or artistic significance, and is held and preserved indefinitely for the benefit of present and future generations..

Heritage Assets are not depreciated owing to uncertainty regarding to their estimated useful lives. The municipality assess at each reporting date if there is an indication of impairment.

1.11.1 Initial Recognition.

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

Heritage Assets are initially recognised at cost on its acquisition date or in the case of assets acquired by grant or donation, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of Heritage Assets 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 the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

The cost of an item of Heritage Assets acquired in exchange for a non-monetary asset or monetary asset, or a combination of monetary and non-monetary assets, is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

1.11.2 Subsequent Measurement

Subsequent expenditure relating to Heritage Assets is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the municipality and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently all Heritage Assets are measured at cost, less accumulated impairment losses.

1.11.3 Derecognition

The carrying amount of an item of Heritage Assets is 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 item of Heritage Assets is included in surplus or deficit when the item is derecognised. Gains are not classified as revenue. Gains or losses are calculated as the difference between the carrying value of assets (cost less accumulated impairment losses) and the disposal proceeds is included in the Statement of Financial Performance as a gain or loss on disposal of Heritage Assets.

1.12 Biological Assets

A Biological Asset is defined as a living animal or plant. Agricultural Produce is the harvested product of the municipality's Biological Assets.

1.12.1 Initial Recognition

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

Biological Assets are initially recognised at fair value less cost to sell on its acquisition date. The fair value of an item of Biological Assets is the transaction price or the market price.

OR Tambo District Municipality

(Registration number : DC15)

Consolidated Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.12 Biological Assets (continued)

Agricultural Produce is initially recognised at fair value less costs to sell at the date of the harvest. The municipality applies the measurement methods as described in Accounting Policy 15 on Inventories.

1.12.2 Subsequent Measurement

Subsequently all Biological Assets are measured at fair value less cost to sell on the reporting date. The fair value of an item of Biological Assets is the transaction price or the market price.

A gain or loss arising from the initial recognition of an item of Biological Assets at fair value less cost to sell and from a change in fair value at the reporting date shall be recognised in the Statement of Financial Performance.

A gain or loss arising from the initial recognition of an item of Agricultural Harvest at fair value less estimate point of sale cost at the date of the harvest shall be recognised in the Statement of Financial Performance.

1.12.3 Derecognition

The carrying amount of an item of Biological Assets is 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 item of Biological Assets is included in the Statement of Financial Performance when the item is derecognised. Gains are not classified as revenue. Gains or losses are calculated as the difference between the carrying value of assets (at fair value) and the disposal proceeds is included in the Statement of Financial Performance as a gain or loss on disposal of Biological Assets.

1.13 Impairment of Assets

The municipality classifies all assets held with the primary objective of generating a commercial return as *Cash Generating Assets*. All other assets are classified as *Non-cash Generating Assets*.

1.13.1 Impairment of cash generating assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired.

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 recoverable amount of the cash generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash generating unit is the higher of its fair value less costs to sell and its value in use. The best evidence of fair value less cost to sell is the price in a binding sale agreement in an arm's length transaction, adjusted for the incremental cost that would be directly attributable to the disposal of the asset.

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance. An impairment of assets measured per the revaluation method reduces the Revaluation Surplus for that asset. The decrease shall be debited directly to a Revaluation Surplus to the extent of any credit balance existing in the Revaluation Surplus in respect of that asset.

An impairment loss is recognised for cash generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit pro rata on the basis of the carrying amount of each asset in the unit.

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

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 had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase and would be credited directly against the Revaluation Surplus to the extent of any previous impairments recognised against said reserve in respect of that asset.

OR Tambo District Municipality

(Registration number : DC15)

Consolidated Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.13 Impairment of Assets (continued)

1.13.2 Impairment of Non-Cash Generating Assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the non-cash generating unit to which the asset belongs is determined.

The recoverable service amount of a non-cash generating asset is the higher of its fair value less costs to sell and its value in use. The value in use for a non-cash generating asset is the present value of the asset's remaining service potential.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance. An impairment of assets measured per the revaluation method reduces the Revaluation Surplus for that asset. The decrease shall be debited directly to a Revaluation Surplus to the extent of any credit balance existing in the Revaluation Surplus in respect of that asset.

An impairment loss is recognised for non-cash generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit pro rata on the basis of the carrying amount of each asset in the unit.

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 had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase and would be credited directly against the Revaluation Surplus to the extent of any previous impairments recognised against said reserve in respect of that asset.

1.14 Financial instruments

The municipality has various types of Financial Instruments and these can be broadly categorised as Financial Assets, Financial Liabilities or Residual Interests in accordance with the substance of the contractual agreement. The municipality only recognises a Financial Instrument when it becomes a party to the contractual provisions of the instrument.

Initial Recognition

Financial Assets and Financial Liabilities are recognised on the municipality's Statement of Financial Position when it becomes party to the contractual provisions of the instrument.

The municipality does not offset a Financial Asset and a Financial Liability unless a legally enforceable right to set off the recognised amounts currently exist and the municipality intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Fair value assumptions

The fair values of Financial Instruments are determined as follows:

- The fair values of quoted investments are based on current bid prices.
- If the market for a Financial Asset is not active (and for unlisted securities), the municipality establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

OR Tambo District Municipality

(Registration number : DC15)

Consolidated Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.14 Financial instruments (continued)

The Effective Interest Method is a method of calculating the amortised cost of a Financial Asset or a Financial Liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the Financial Instrument or, when appropriate, a shorter period to the net carrying amount of the Financial Asset or Financial Liability

Amortised Cost

Amortised Cost is the amount at which the Financial Asset or Financial Liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation, using the Effective Interest Rate Method of any difference between that initial amount and the maturity amount, and minus any reduction for impairment or uncollectability.

Financial Assets - Classification

A Financial Asset is any asset that is a cash, a contractual right to receive cash or another financial asset from another entity.

In accordance with GRAP 104 the Financial Assets of the municipality are classified as follows into the three categories allowed by this standard:

Financial Assets measured at Amortised Cost are non-derivative Financial Assets with fixed or determinable payments that are not quoted in an active market. They are included in Current Assets, except for maturities greater than 12 months, which are classified as Non-current Assets. Financial Assets at Amortised Cost are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition or issue of the Financial Asset. After initial recognition, Financial Assets are measured at amortised cost, using the Effective Interest Rate Method less a provision for impairment.

Financial Assets measured at Fair Value are financial assets that meet either of the following conditions:

- (i) Derivatives;
- (ii) Combined instruments that are designated at fair value;
- (iii) Instruments held for trading;
- (iv) Non-derivative Financial Instruments with fixed or determinable payments that are designated at fair value at initial recognition; or
- (v) Financial Instruments that do not meet the definition of Financial Instruments at Amortised Cost or Financial Instruments at Cost.

Financial Assets measured at Cost are investments in residual Interest that do not have a quoted market price in an active market and whose fair value cannot be reliably measured

Classification

The municipality has the following types of Financial Assets as reflected on the face of the Statement of Financial Position or in the Notes thereto:

Type of Financial Asset

Long-term Receivables
Receivables from Exchange Transactions
Receivables from Non-exchange Transactions
Bank, Cash and Cash Equivalents – Call Deposits
Bank, Cash and Cash Equivalents – Bank
Bank, Cash and Cash Equivalents – Cash
Current Portion of Long-term Receivables

Classification in terms of GRAP 104

Financial asset measured at amortised cost
Financial asset measured at fair value
Financial asset measured at amortised cost

Cash includes cash-on-hand (including petty cash) and cash with banks (including call deposits). Cash Equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, which are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the Cash Flow Statement, Cash and Cash Equivalents comprise cash-on-hand and deposits held on call with banks, net of bank overdrafts. The municipality categorises Cash and Cash Equivalents as Financial Assets at Amortised Cost.

Financial Liabilities

A Financial Liability is a contractual obligation to deliver cash or another Financial Assets to another entity.

There are three main categories of Financial Liabilities, the classification determining how they are measured. Financial Liabilities may be measured at:

OR Tambo District Municipality

(Registration number : DC15)

Consolidated Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.14 Financial instruments (continued)

- (i) Financial Liabilities measured at fair value
- (ii) Financial Liabilities measured at amortised cost
- (iii) Financial Liabilities measured at cos

The municipality has the following types of Financial Liabilities as reflected on the face of the Statement of Financial Position or in the Notes thereto:

| Type of Financial Liability | Classification in terms of GRAP 104 |
|--|--|
| Long-term Liabilities | Financial liability measured at amortised cost |
| Payables from Exchange Transactions | Financial liability measured at amortised cost |
| Payables from Non-exchange Transactions | Financial liability measured at amortised cost |
| Current Portion of Long-term Liabilities | Financial liability measured at amortised cost |

Financial Liabilities that are measured at Fair Value are Financial Liabilities that are essentially held for trading (i.e. purchased with the intention to sell or repurchase in the short term; derivatives other than hedging instruments or are part of a portfolio of Financial Instruments where there is recent actual evidence of short-term profiteering or are derivatives).

Initial and Subsequent Measurement

Financial Assets

Financial assets measured at Amortised cost

Financial Assets at Amortised Cost are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the Financial Asset. Subsequently, these assets are measured at amortised cost using the Effective Interest Method less any impairment, with interest recognised on an Effective Yield Basis

Trade and Other Receivables (excluding Value Added Taxation, Prepayments and Operating Lease receivables), Loans to Municipal Entities and Loans that have fixed and determinable payments that are not quoted in an active market are classified as Financial Assets at Amortised Cost

Financial assets measured at Fair value

Financial Assets at Fair Value are initially measured at fair value, excluding directly attributable transaction costs. They are subsequently measured at fair value with unrealised gains or losses recognised directly in the Statement of Financial Performance.

OR Tambo District Municipality

(Registration number : DC15)

Consolidated Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.14 Financial instruments (continued)

Financial Liabilities

Financial Liabilities measured at Fair Value.

Financial Liabilities at Fair Value are stated at fair value, with any resulted gain or loss recognised in the Statement of Financial Performance.

Financial Liabilities held at Amortised Cost

Any other Financial Liabilities are classified as Other Financial Liabilities (All Payables, Loans and Borrowings are classified as Other Liabilities) and are initially measured at fair value, net of transaction costs. Trade and Other Payables, Interest-bearing Debt including Finance Lease Liabilities, Non-interest-bearing Debt and Bank Borrowings are subsequently measured at amortised cost using the Effective Interest Rate Method. Interest expense is recognised in the Statement of Financial Performance by applying the effective interest rate.

Prepayments are carried at cost less any accumulated impairment losses.

Impairment Financial assets

Financial Assets, other than those at fair value, are assessed for indicators of impairment at the end of each reporting period. Financial Assets are impaired where there is objective evidence of impairment of Financial Assets (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in accordance with GRAP 104.

Financial assets measured at amortised cost:

Accounts Receivable encompass Long-term Debtors, Receivables from Exchange Transactions (Consumer Debtors) and Receivables from Non-exchange Transactions (Other Debtors).

Initially Accounts Receivable are valued at fair value plus transaction costs, and subsequently carried at amortised cost using the Effective Interest Rate Method. An estimate is made for doubtful debt based on past default experience of all outstanding amounts at year-end. Bad debts are written off the year in which they are identified as irrecoverable. Amounts receivable within 12 months from the date of reporting are classified as current.

A provision for impairment of Accounts Receivables is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables. The provision is made in accordance with GRAP 104 whereby the recoverability of accounts receivable is assessed individually and then collectively after grouping the assets in financial assets with similar credit risk characteristics. The amount of the provision is the difference between the Financial Asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Future cash flows in a group of Financial Assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Cash flows relating to short-term receivables are not discounted where the effect of discounting is immaterial.

Government accounts are not provided for as such accounts are regarded as receivable.

The carrying amount of the Financial Asset is reduced by the impairment loss directly for all Financial Assets carried at Amortised Cost with the exception of Consumer Debtors, where the carrying amount is reduced through the use of an allowance account. When a Consumer Debtor is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against revenue. Changes in the carrying amount of the allowance account are recognised in the Statement of Financial Performance.

Financial assets measured at cost:

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

Derecognition of Financial Assets

The municipality derecognises Financial Assets only when the contractual rights to the cash flows from the asset expires or it transfers the Financial Asset and substantially all the risks and rewards of ownership of the asset to another entity, except when Council approves the write-off of Financial Assets due to non-recoverability.

OR Tambo District Municipality

(Registration number : DC15)

Consolidated Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.14 Financial instruments (continued)

If the municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the municipality retains substantially all the risks and rewards of ownership of a transferred Financial Asset, the municipality continues to recognise the Financial Asset and also recognises a collateralised borrowing for the proceeds received.

Derecognition of Financial Liabilities

The municipality derecognises Financial Liabilities when, and only when, the municipality's obligations are discharged, cancelled or they expire.

The municipality recognises the difference between the carrying amount of the 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, in the Statement of Financial Performance.

1.15 Inventories

Initial Recognition

Inventories comprise current assets held-for-sale, current assets for consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the Inventories to their current location and condition. Where Inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where Inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

Direct costs relating to properties that will be sold as Inventory are accumulated for each separately identifiable development. Costs also include a proportion of overhead costs.

Subsequent Measurement

-Consumable Stores, Raw Materials, Work-in-Progress and Finished goods.

Consumable stores, raw materials, work-in-progress, inventories distributed at no charge or for a nominal charge and finished goods are valued at the lower of cost and net realisable value (net amount that the municipality expects to realise from the sale on Inventory in the ordinary course of business). The cost is determined using the First-in-First-out Method for cost of commodities.

-Water Inventory

Water is regarded as Inventory when the municipality purchases water in bulk with the intention to resell it to the consumers or to use it internally, or where the municipality has incurred purification costs on water obtained from natural resources (rain, rivers, springs, boreholes, etc.). However, water in dams, that are filled by natural resources and that has not yet been treated, that is under the control of the municipality but cannot be measured reliably as there is no cost attached to the water, is therefore not recognised in the Statement of Financial Position.

The basis of determining the cost of water purchased and not yet sold at Statement of Financial Position date comprises all costs of purchase, cost of conversion and other costs incurred in bringing the Inventory to its present location and condition, net of trade discounts and rebates.

Water and purified effluent are valued by using the First-in-First-out Method, at the lowest of purified cost and net realisable value, insofar as it is stored and controlled in reservoirs at year-end.

-Other Inventories

Redundant and slow-moving Inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values and sold by public auction. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Differences arising on the measurement of such Inventory at the lower of cost and net realisable value are recognised in the Statement of Financial Performance in the year in which they arise. The amount of any reversal of any write-down of Inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of Inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of Inventories is recognised as an expense in the period that the Inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

OR Tambo District Municipality

(Registration number : DC15)

Consolidated Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.16 Revenue Recognition

General

Revenue is derived from a variety of sources which include rates levied, grants from other tiers of government and revenue from trading activities and other services provided.

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the municipality's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

The municipality recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits or service potential will flow to the municipality and when specific criteria have been met for each of the municipality's activities as described below, except when specifically stated otherwise. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The municipality bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Furthermore, services rendered are recognised by reference to the stage of completion of the transaction at the reporting date.

Revenue from Exchange Transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Revenue from Non-exchange Transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, stock rotation, price protection, rebates and other similar allowances.

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

Revenue from Exchange Transactions

Service Charges

Service Charges are levied in terms of approved tariffs.

Service Charges relating to water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without it being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

Service charges relating to sewerage and sanitation are recognised on a monthly basis in arrears by applying the approved tariff to all properties. Tariffs are determined per category of property usage, and are levied based on the extent of each property.

In circumstances where services cannot readily be measured and quantified, a flat rate service charge is levied monthly on such properties.

Interest, royalties and dividends

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

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

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

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

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

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

OR Tambo District Municipality

(Registration number : DC15)

Consolidated Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.16 Revenue Recognition (continued)

Rentals Received

Revenue from the rental of facilities and equipment is recognised on a Straight-line Basis over the term of the lease agreement.

Finance Income

Interest earned on investments is recognised in the Statement of Financial Performance on the Time-proportionate Basis that takes into account the effective yield on the investment.

Interest earned on the following investments is not recognised in the Statement of Financial Performance:

- Interest earned on unutilised Conditional Grants is allocated directly to the Creditor: Unutilised Conditional Grants, if the grant conditions indicate that interest is payable to the funder.

Tariff charges

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant authorised tariff. This includes the issuing of licences and permits.

Revenue from Agency Services

Revenue for agency services is recognised on a monthly basis once the revenue collected on behalf of agents has been quantified. The revenue recognised is in terms of the agency agreement.

Sale of Goods (including Houses)

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

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

Revenue from Non-exchange Transactions

An inflow of resources from a Non-exchange Transaction, that meets the definition of an asset shall be recognised as an asset when it is probable that the future economic benefits or service potential associated with the asset will flow to the municipality and the fair value of the asset can be measured reliably. The asset shall be recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

A present obligation arising from a Non-exchange Transaction that meets the definition of a liability will be recognised as a liability when it is probable that an outflow of economic benefit will be required to settle the obligation and a reliable estimate of the amount can be made.

Public Contributions

Donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

OR Tambo District Municipality

(Registration number : DC15)

Consolidated Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.16 Revenue Recognition (continued)

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use.

Assets acquired from non-exchange transactions are measured at fair value in accordance with the Standards of GRAP.

Government Grants and Receipts

Conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs, are recognised in the Statement of Financial Performance in the period in which they become receivable.

Interest earned on investments is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor and if it is the municipality's interest, it is recognised as interest earned in the Statement of Financial Performance.

Revenue is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use.

Revenue from Recovery of Unauthorised, Irregular, Fruitless and Wasteful Expenditure

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

1.17 Provisions

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, 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 best estimate of the expenditure required to settle the present obligation is the amount that the municipality would rationally pay to settle the obligation at the reporting date or to transfer it to a third party at that time and are determined by the judgment of the management of the municipality, supplemented by experience of similar transactions and, in some cases, reports from independent experts. The evidence considered includes any additional evidence provided by events after the reporting date. Uncertainties surrounding the amount to be recognised as a provision are dealt with by various means according to the circumstances. Where the provision being measured involves a large population of items, the obligation is estimated by weighting all possible outcomes by their associated probabilities.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it – this unavoidable cost resulting from the contract is the amount of the provision to be recognised.

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the Statement of Financial Performance as a finance cost as it occurs.

OR Tambo District Municipality

(Registration number : DC15)

Consolidated Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.18 Employee benefits

Short-term employee benefits

Remuneration to employees is recognised in the Statement of Financial Performance as the services are rendered, except for nonaccumulating benefits which are only recognised when the specific event occurs.

The municipality has opted to treat its provision for leave pay as an accrual.

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service. The liability for leave pay is based on the total accrued leave days at year end and is shown as a creditor in the Statement of Financial Position. The municipality recognises the expected cost of performance bonuses only when the municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

Post-employment benefits

The municipality provides retirement benefits for its employees and councillors, and has both defined benefit and defined contribution post-employment plans.

Defined contribution plans

A Defined Contribution Plan is a plan under which the municipality pays fixed contributions into a separate entity. The municipality has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to service in the current or prior periods.

The municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in the Statement of Financial Performance in the period in which the service is rendered by the relevant employees. The municipality has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Defined benefit plans

A Defined Benefit Plan is a post-employment benefit plan other than a defined contribution plan.

Post-retirement Health Care Benefits

The municipality has an obligation to provide Post-retirement Health Care Benefits to certain of its retirees. According to the rules of the Medical Aid Funds with which the municipality is associated, a member (who is on the current Conditions of Service), on retirement, is entitled to remain a continued member of the Medical Aid Fund, in which case the municipality is liable for a certain portion of the medical aid membership fee. Not all Medical Aid Funds with which the Municipality is associated, provide for continued membership.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and unrecognised actuarial gains and losses, reduced by unrecognised past service costs. The plan is unfunded. The present value of the defined benefit obligation is calculated using the Projected Unit Credit Method, incorporating actuarial assumptions and a discount rate based on the government bond rate. Valuations of these obligations are carried out annually by independent qualified actuaries.

Actuarial gains or losses are recognised immediately in the Statement of Financial Performance.

Past-service costs are recognised immediately in the Statement of Financial Performance.

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

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

Long-service Allowance

The municipality has an obligation to provide Long-service Allowance Benefits to all of its employees. According to the rules of the Long-service Allowance Scheme, which the municipality instituted and operates, an employee (who is on the current Conditions of Service), is entitled to a cash

OR Tambo District Municipality

(Registration number : DC15)

Consolidated Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.18 Employee benefits (continued)

allowance, calculated in terms of the rules of the scheme, after 10, 15, 20, 25 and 30 years of continued service. The municipality's liability is based on an actuarial valuation. The Projected Unit Credit Method is used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through the Statement of Financial Performance.

Provincially-administered Defined Benefit Plans

The municipality contributes to various National- and Provincial-administered Defined Benefit Plans on behalf of its qualifying employees. These funds are multi-employer funds. The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. These defined benefit funds are actuarially valued triennially on the Projected Unit Credit Method basis. Deficits are recovered through lump sum payments or increased future contributions on a proportional basis from all participating municipalities.

Defined Benefit Pension Plans

Where applicable the municipality has an obligation to provide Post-retirement Pension Benefits to certain of its retirees. Pension contributions in respect of employees who were not members of a pension fund are recognised as an expense when incurred. Staff provident funds are maintained to accommodate personnel who, due to age, cannot join or be part of the various pension funds. The municipality contributes monthly to the funds.

The liability recognised in the Statement of Financial Position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognised past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the Projected Unit Credit Method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains or losses are recognised immediately in the Statement of Financial Performance.

Past-service costs are recognised immediately in the Statement of Financial Performance.

NB: The municipality currently does not have any employees that fall under Defined Benefit Pension Plan

1.19 Leases

Classification

Leases are classified as Finance Leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality.

Leases of property, plant and equipment, in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as Operating Leases

The Municipality as lessee

Finance leases

Where the municipality enters into a finance lease, property, plant and equipment or intangible assets subject to finance lease agreements are capitalised at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. Corresponding liabilities are included in the Statement of Financial Position as Finance Lease Liabilities. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset, plus any direct costs incurred. Lease payments are allocated between the finance cost and the capital repayment using the Effective Interest Rate Method. Finance costs are expensed when incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the finance cost and the capital repayment using the Effective Interest Rate Method. Finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

OR Tambo District Municipality

(Registration number : DC15)

Consolidated Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.19 Leases (continued)

Operating leases

The municipality recognises operating lease rentals as an expense in the Statement of Financial Performance on a Straight-line Basis over the term of the relevant lease. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a Straight-line Basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Determining whether an Arrangement contains a lease

At inception of an arrangement, the municipality determines whether such an arrangement is, or contains a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the municipality the right to control the use of the underlying asset. At inception, or upon reassessment of the arrangement, the municipality separates payments and other considerations required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the municipality concludes for a finance lease that it is impracticable to separate the payments reliably, an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the municipality's incremental borrowing rate.

1.20 Grants-In-Aid

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

- (a) Receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- (b) Expect to be repaid in future; or
- (c) 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 giving rise to the transfer occurred.

1.21 Value Added Tax

Value Added Tax assets and liabilities

The municipality accounts for Value Added Tax on the Payments Basis in accordance with section 15(2)(a) of the Value Added Tax Act (Act No 89 of 1991)

The entities account for Value Added Tax on the Invoice Basis in accordance with section 15(1) of the Value-Added Tax Act (Act No 89 of 1991).

1.22 Unauthorised expenditure

Unauthorised Expenditure is expenditure that has not been budgeted for, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state, and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No 56 of 2003). All expenditure relating to Unauthorised Expenditure is accounted for 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.

1.23 Irregular expenditure

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

OR Tambo District Municipality

(Registration number : DC15)

Consolidated Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.24 Fruitless and wasteful expenditure

Fruitless and Wasteful Expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. All expenditure relating to Fruitless and wasteful expenditure is accounted for as expenditure 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.

1.25 Material Losses

The MFMA requires the disclosure of material losses incurred during the year under review. The disclosure is provided in order to comply to the legislative requirements governing Municipalities and Municipal Entities.

Due to their significance, the complete calculation of water and electricity losses is provided, including the opening balance, purchases, sales and closing balance where applicable. The unit rate is the rate per the last purchase as inventory is measured based on the First-In-First-Out Method as defined by GRAP 12 (Inventories).

1.26 Changes in Accounting Policies, Estimates and Errors

Changes in Accounting Policies that are affected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impractical to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the municipality restated the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practical. Details of Changes in Accounting Policies are disclosed in the Notes to the Annual Financial Statements where applicable.

Changes in Accounting Estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the Notes to the Annual Financial Statements where applicable.

Correction of Errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impractical to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practical. Details of Correction of Errors are disclosed in the Notes to the Annual Financial Statements where applicable.

1.27 Treatment of Administration and Overhead expenses

The costs of internal support services are transferred to the various services and departments to whom resources are made available.

1.28 Contingent Assets and Contingent Liabilities

Contingent Liabilities represent a possible obligation that arises from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality. A contingent liability can also arise as a result of a present obligation that arises from past events but which is not recognised as a liability either because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Contingent Assets represent possible assets that arise from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality.

Contingent Assets and Contingent Liabilities are not recognised. Contingencies are disclosed in Notes to the Annual Financial Statements

1.29 Commitments

Commitments are future expenditure to which the municipality committed and that will result in the outflow of resources. Commitments are not recognised in the Statement of Financial Position as a liability or as expenditure in the Statement of Financial Performance, but are included in the disclosure Notes. A distinction is made between capital and current commitments.

Commitments are disclosed for:

- Approved and contracted commitments, where the expenditure has been approved and the contract has been awarded at the reporting date, where disclosure is required by a specific standard of GRAP.
- Approved but not yet contracted commitments, where the expenditure has been approved and the contract has yet to be awarded or is awaiting finalisation at the reporting date.
- Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources..
- Contracts that are entered into before the reporting date, but goods and services have not yet been received are disclosed in the disclosure Notes to the Annual Financial Statements.

OR Tambo District Municipality

(Registration number : DC15)

Consolidated Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.29 Commitments (continued)

- Other commitments for contracts that are non-cancellable or only cancellable at significant cost, should relate to something other than the business of the municipality.

1.30 Related parties

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Management is regarded as a related party and comprises the Councillors, Mayor, Executive Committee Members, Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

1.31 Events after reporting date

Events after the reporting date that are classified as adjusting events have been accounted for in the Annual Financial Statements. The events after the reporting date that are classified as Non-adjusting Events after the Reporting Date have been disclosed in Notes to the Annual Financial Statements.

1.32 Comparative figures

Current Year Comparatives

In accordance with GRAP 1 Budgeted Amounts have been provided and forms part of the Annual Financial Statements.

Prior Year Comparatives

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are reclassified. The nature and reason for the reclassification is disclosed.

Budget Information

The annual budget figures have been prepared in accordance with the GRAP standard and are consistent with the Accounting Policies adopted by the Council for the preparation of these Annual Financial Statements. The amounts are scheduled as a separate additional financial statement, called the Statement of Comparison of Budget and Actual amounts. Explanatory comment is provided in the statement giving reasons for overall growth or decline in the budget and motivations for over- or under spending on line items. The annual budget figures included in the Annual Financial Statements are for the municipality and do not include budget information relating to subsidiaries or associates. These figures are those approved by the Council at the beginning and during the year following a period of consultation with the public as part of the Integrated Development Plan. The budget is approved on an accrual basis by nature classification.

The approved budget covers the period from 1 July 2016 to 30 June 2017.

1.33 Long Term Liabilities

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

1.34 Impairment of cash-generating assets

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

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

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

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

OR Tambo District Municipality

(Registration number : DC15)

Consolidated Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.34 Impairment of cash-generating assets (continued)

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the economic entity; or
- (b) the number of production or similar units expected to be obtained from the asset by the economic entity.

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

1.35 Borrowing costs

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

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

OR Tambo District Municipality

(Registration number : DC15)

Consolidated Annual Financial Statements for the year ended 30 June 2017

Notes to the Consolidated Annual Financial Statements

| Figures in Rand | Municipality | | Group | |
|-----------------|--------------|------|-------|------|
| | 2017 | 2016 | 2017 | 2016 |

2. General Information

OR Tambo District Municipality (the municipality) is a local government institution in Mthatha, Eastern Cape Province, and has 5 local municipalities under its jurisdiction. The addresses of its registered office and principal place of business are disclosed under "General Information" included in the Annual Financial Statements and in the introduction of the Annual Report. The principal activities of the municipality are disclosed in the Annual Report and are prescribed by the Municipal Finance Management Act (MFMA).

Kei Fresh Produce Market NPC is a municipal entity in Mthatha, Eastern Cape Province. The addresses of its registered office and principal place of business are disclosed in the introduction and overview of the Annual Report. The principal activities of the entity are disclosed in the Annual Report.

Ntinga OR Tambo Development Agency is a municipal entity in Mthatha, Eastern Cape Province. The addresses of its registered office and principal place of business are disclosed in the introduction and overview of the Annual Report. The principal activities of the entity are disclosed in the Annual Report.

3. Inventories

| | | | | |
|-------------------|-------------------|-------------------|-------------------|-------------------|
| Water | 277,161 | 414,182 | 277,161 | 414,182 |
| Consumable Stores | 20,416,930 | 16,200,710 | 20,616,192 | 16,297,258 |
| | 20,694,091 | 16,614,892 | 20,893,353 | 16,711,440 |

Inventories are held for own use and measured at the lower of the cost and current replacement cost. No write downs of inventory to Net Realisable Value were required.

The cost of water production for the year amounted to R1.70 per kilolitre (2016: R1,45 per Kiloliter).

No inventories have been pledged as collateral for liabilities of the municipality

4. Receivables from exchange transactions

Gross balances

| | | | | |
|-------------------|--------------------|--------------------|--------------------|--------------------|
| Water | 385,825,082 | 286,313,756 | 385,825,082 | 286,313,756 |
| Sewerage | 96,476,124 | 73,526,684 | 96,476,124 | 73,526,684 |
| Other Receivables | 161,382,742 | 184,388,520 | 161,278,160 | 184,664,614 |
| | 643,683,948 | 544,228,960 | 643,579,366 | 544,505,054 |

Less: Allowance for impairment

| | | | | |
|-------------------|----------------------|----------------------|----------------------|----------------------|
| Water | (344,349,158) | (250,534,147) | (344,349,158) | (250,534,147) |
| Sewerage | (89,414,027) | (65,155,256) | (89,414,027) | (65,155,256) |
| Other receivables | (155,100,504) | (126,350,648) | (155,214,180) | (126,631,939) |
| | (588,863,689) | (442,040,051) | (588,977,365) | (442,321,342) |

Net balance

| | | | | |
|-------------------|-------------------|--------------------|-------------------|--------------------|
| Water | 41,475,924 | 35,779,609 | 41,475,924 | 35,779,609 |
| Sewerage | 7,062,097 | 8,371,428 | 7,062,097 | 8,371,428 |
| Other receivables | 6,282,238 | 58,037,872 | 6,063,980 | 58,032,675 |
| | 54,820,259 | 102,188,909 | 54,602,001 | 102,183,712 |

Water

| | | | | |
|----------------------|-------------------|-------------------|-------------------|-------------------|
| Current (0 -30 days) | 6,216,365 | 7,741,368 | 6,216,365 | 7,741,368 |
| 31 - 60 days | 3,713,027 | 7,505,444 | 3,713,027 | 7,505,444 |
| 61 - 90 days | 2,402,686 | 3,263,157 | 2,402,686 | 3,263,157 |
| +90 days | 29,143,846 | 17,269,640 | 29,143,846 | 17,269,640 |
| | 41,475,924 | 35,779,609 | 41,475,924 | 35,779,609 |

OR Tambo District Municipality

(Registration number : DC15)

Consolidated Annual Financial Statements for the year ended 30 June 2017

Notes to the Consolidated Annual Financial Statements

| Figures in Rand | Municipality | | Group | |
|--|-------------------|-------------------|-------------------|-------------------|
| | 2017 | 2016 | 2017 | 2016 |
| 4. Receivables from exchange transactions (continued) | | | | |
| Sewerage | | | | |
| Current (0 -30 days) | 1,428,535 | 1,728,800 | 1,428,535 | 1,728,800 |
| 31 - 60 days | 1,000,492 | 1,305,417 | 1,000,492 | 1,305,417 |
| 61 - 90 days | 585,838 | 706,711 | 585,838 | 706,711 |
| +90 days | 4,047,232 | 4,630,500 | 4,047,232 | 4,630,500 |
| | 7,062,097 | 8,371,428 | 7,062,097 | 8,371,428 |
| Other (specify) | | | | |
| Current (0 -30 days) | 362,970 | 2,527,987 | 337,393 | 2,527,987 |
| 31 - 60 days | 302,986 | 2,597,880 | 278,093 | 2,599,480 |
| 61 - 90 days | 327,628 | 1,953,536 | 312,120 | 1,953,536 |
| +90 days | 5,288,654 | 50,958,469 | 5,136,374 | 50,951,672 |
| | 6,282,238 | 58,037,872 | 6,063,980 | 58,032,675 |
| Summary of debtors by customer classification | | | | |
| Residential | | | | |
| Current (0 -30 days) | 10,092,833 | 9,473,864 | 10,092,833 | 9,473,864 |
| 31 - 60 days | 8,396,202 | 10,190,738 | 8,396,202 | 10,190,738 |
| 61 - 90 days | 8,875,788 | 10,591,993 | 8,875,788 | 10,591,993 |
| +90 days | 401,396,805 | 366,870,193 | 401,396,805 | 366,870,193 |
| | 428,761,628 | 397,126,788 | 428,761,628 | 397,126,788 |
| Less: Allowance for impairment | (422,229,959) | (388,462,047) | (420,395,950) | (388,462,047) |
| | 6,531,669 | 8,664,741 | 8,365,678 | 8,664,741 |
| Industrial/ commercial | | | | |
| Current (0 -30 days) | 5,579,338 | 3,069,727 | 5,579,338 | 3,069,727 |
| 31 - 60 days | 4,225,232 | 2,785,234 | 4,225,232 | 2,785,234 |
| 61 - 90 days | 3,867,201 | 2,607,162 | 3,867,201 | 2,607,162 |
| +90 days | 70,767,269 | 45,390,290 | 70,767,269 | 45,390,290 |
| | 84,439,040 | 53,852,413 | 84,439,040 | 53,852,413 |
| Less: Allowance for impairment | (81,463,518) | (46,019,574) | (80,933,701) | (46,019,574) |
| | 2,975,522 | 7,832,839 | 3,505,339 | 7,832,839 |
| National and provincial government | | | | |
| Current (0 -30 days) | 5,806,523 | 4,286,677 | 5,544,714 | 4,286,677 |
| 31 - 60 days | 3,659,727 | 3,851,406 | 3,446,960 | 3,851,406 |
| 61 - 90 days | 2,726,558 | 2,038,062 | 2,490,269 | 2,038,062 |
| +90 days | 34,904,612 | 19,166,923 | 29,573,651 | 19,166,923 |
| Less: Allowance for impairment | - | - | - | - |
| | 47,097,420 | 29,343,068 | 41,055,594 | 29,343,068 |
| Other | | | | |
| Current (0 -30 days) | 3,642,475 | 4,725,932 | 3,904,284 | 4,725,932 |
| 31 - 60 days | 2,990,617 | 5,030,921 | 3,203,384 | 5,030,921 |
| 61 - 90 days | 1,686,148 | 2,253,236 | 1,922,436 | 2,253,236 |
| +90 days | 78,433,081 | 51,896,602 | 83,764,041 | 51,896,602 |
| Less: Allowance for impairment | (85,170,212) | (7,558,432) | (91,157,777) | (7,558,432) |
| | 1,582,109 | 56,348,259 | 1,636,368 | 56,348,259 |

OR Tambo District Municipality

(Registration number : DC15)

Consolidated Annual Financial Statements for the year ended 30 June 2017

Notes to the Consolidated Annual Financial Statements

| Figures in Rand | Municipality | | Group | |
|--|----------------------|----------------------|----------------------|----------------------|
| | 2017 | 2016 | 2017 | 2016 |
| 4. Receivables from exchange transactions (continued) | | | | |
| Total | | | | |
| Current (0 -30 days) | 25,121,169 | 21,556,200 | 25,122,127 | 21,556,200 |
| 31 - 60 days | 19,271,778 | 21,858,299 | 19,271,778 | 21,859,899 |
| 61 - 90 days | 17,155,695 | 17,490,453 | 17,155,695 | 17,490,453 |
| +90 days | 582,135,306 | 483,324,008 | 583,507,567 | 484,526,713 |
| | 643,683,948 | 544,228,960 | 645,057,167 | 545,433,265 |
| Less: Allowance for impairment | (588,863,689) | (442,040,051) | (590,455,166) | (443,249,553) |
| | 54,820,259 | 102,188,909 | 54,602,001 | 102,183,712 |
| Less: Allowance for impairment | | | | |
| Current (0 -30 days) | (17,113,300) | (9,558,045) | (17,304,723) | (9,558,045) |
| 31 - 60 days | (14,255,273) | (10,449,559) | (14,407,071) | (10,449,558) |
| 61 - 90 days | (13,839,544) | (11,567,047) | (14,006,338) | (11,567,048) |
| +90 days | (543,655,572) | (410,465,400) | (543,259,233) | (410,746,691) |
| | (588,863,689) | (442,040,051) | (588,977,365) | (442,321,342) |
| Reconciliation of allowance for impairment | | | | |
| Balance at beginning of the year | (442,040,051) | (364,854,067) | (442,040,051) | (364,854,067) |
| Contributions to allowance | (161,746,754) | (88,706,598) | (161,860,430) | (88,987,889) |
| Debt impairment written off against allowance | 14,923,116 | 11,520,614 | 14,923,116 | 11,520,614 |
| | (588,863,689) | (442,040,051) | (588,977,365) | (442,321,342) |
| 5. Receivables from non-exchange transactions | | | | |
| Grant Expenditure | - | 82,961,653 | - | 82,961,653 |
| Short-term loans | 18,805 | 4,386 | 18,805 | 4,386 |
| Sundry Debtors | 12,722,221 | 9,114,816 | 12,596,168 | 10,069,386 |
| Other control accounts | 96,315 | 73,111 | 96,315 | 73,111 |
| Impairments | (678,654) | (83,640,307) | (765,459) | (83,640,307) |
| | 12,158,687 | 8,513,659 | 11,945,829 | 9,468,229 |

Short-term Loans mainly comprise temporary advances made to local municipalities which are repayable within 12 months.

Sundry Debtors are in respect of debits outstanding at year-end on normal business transactions entered into by the municipality

The municipality does not hold deposits or other security for its Receivables. None of the Receivables have been pledged as security for the municipality's financial liabilities.

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

| | | | | |
|-------------------------------------|----------------|-------------------|----------------|-------------------|
| Opening balance | 83,640,307 | 83,640,307 | 83,719,149 | 83,719,149 |
| Impairment Losses recognised | - | - | 86,805 | - |
| Amount Written off as uncollectable | (82,961,653) | - | (82,961,653) | - |
| | 678,654 | 83,640,307 | 844,301 | 83,719,149 |

The Provision for Impairment on Receivables exists predominantly due to the possibility that these debts will not be recovered. Loans and receivables were assessed individually and grouped together at the Statement of Financial Position as financial assets with similar credit risk characteristics and collectively assessed for impairment.

In determining the recoverability of Receivables from Non-exchange Transactions, the municipality considers any change in the credit quality of the Debtor from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the management believe that there is no further credit provision required in excess of the Provision for Impairment.

OR Tambo District Municipality

(Registration number : DC15)

Consolidated Annual Financial Statements for the year ended 30 June 2017

Notes to the Consolidated Annual Financial Statements

| Figures in Rand | Municipality | | Group | |
|-----------------|--------------|------|-------|------|
| | 2017 | 2016 | 2017 | 2016 |

5. Receivables from non-exchange transactions (continued)

No Provision for Impairment has been made in respect of government debt as these amounts are considered to be fully recoverable.

The following Loans and Receivables are included in the total amount of the Provision for Impairment

| | | | | |
|---------------------------|----------------|-------------------|----------------|-------------------|
| Government Subsidy Claims | - | 82,961,653 | - | 82,961,653 |
| Sundry Debtors | 678,654 | 678,654 | 844,301 | 757,496 |
| | 678,654 | 83,640,307 | 844,301 | 83,719,149 |

6. VAT Receivable

| | | | | |
|-----|------------|------------|------------|------------|
| VAT | 83,382,717 | 78,435,954 | 83,382,717 | 78,435,954 |
|-----|------------|------------|------------|------------|

Vat is payable on the receipts basis. Only once payment is received from debtors, VAT is paid over to SARS.

No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies. The municipality has financial risk policies in place to ensure that payments are affected before the due date.

7. Cash and Cash Equivalents

Cash and cash equivalents consist of:

| | | | | |
|---------------------|--------------------|--------------------|--------------------|--------------------|
| Cash on hand | - | - | 9,352 | 11,437 |
| Bank balances | 99,896,044 | 58,334,363 | 105,275,860 | 59,713,772 |
| Short-term deposits | 153,926,456 | 279,295,341 | 186,053,522 | 309,667,532 |
| | 253,822,500 | 337,629,704 | 291,338,734 | 369,392,741 |

For the purposes of the Statement of Financial Position and the Cash Flow Statement, Cash and Cash Equivalents include Cash-on-Hand, Cash in Banks and Investments in Money Market Instruments, net of outstanding Bank Overdrafts

Current Investment Deposits

| | | | | |
|---------------------|-------------|-------------|-------------|-------------|
| Short-term deposits | 153,926,456 | 279,295,341 | 186,053,522 | 309,667,532 |
|---------------------|-------------|-------------|-------------|-------------|

Call Deposits are investments with a maturity period of less than 3 months and earn interest rates varying from 5 % to 6.8 % (2016: 5,25% to 8,20%) per annum.

| | | | | |
|---|--------------------|--------------------|--------------------|--------------------|
| Deposits attributable to Unspent Conditional Grants | - | - | - | - |
| Deposits attributable to Creditors | 153,926,456 | 279,295,341 | 186,053,522 | 309,667,532 |
| | 153,926,456 | 279,295,341 | 186,053,522 | 309,667,532 |

OR Tambo District Municipality

(Registration number : DC15)

Consolidated Annual Financial Statements for the year ended 30 June 2017

Notes to the Consolidated Annual Financial Statements

| Figures in Rand | Municipality | | | Group | | |
|--|-------------------------|-------------------|-------------------|--------------------|-------------------|-------------------|
| | 2017 | 2016 | | 2017 | 2016 | |
| 7. Cash and Cash Equivalents (continued) | | | | | | |
| The municipality and entities had the following bank accounts | | | | | | |
| 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 |
| Municipality: First National Bank - Current Account - 539 9013 7772 | 99,786,164 | 58,293,858 | 53,177,018 | 99,896,044 | 58,334,363 | 43,328,768 |
| Kei Fresh Produce: First National Bank - Current Account - | 228,699 | 299,481 | 274,055 | 228,699 | 299,481 | 274,055 |
| Ntinga Development Agency: First National Bank - Current Account - 621 6680 4742 | 5,157,522 | 1,142,214 | 1,287,412 | 5,185,305 | 1,117,621 | 1,283,174 |
| Ntinga Development Agency: First National Bank - Salaries Account - 621 8328 6890 | 12,220 | 8,713 | 15,702 | 12,220 | 8,713 | 15,631 |
| Ntinga Development Agency: First National Bank - DEAT Noghekwana Account - 623 1351 7081 | - | - | 30,266 | - | - | 30,266 |
| Ntinga Development Agency: First National Bank - DEAT Ndabankulu Account - 623 1354 9167 | - | - | 4,435 | - | - | 4,435 |
| Ntinga Development Agency: First National Bank - Baziya Sustainable Villages (Surudec) Account - 622 5749 7290 | - | - | 19,101 | - | - | 19,101 |
| Ntinga Development Agency: Nedbank-Account - 102 098 9009 | - | - | 11,845 | - | - | 11,845 |
| Total | 105,184,605 | 59,744,266 | 54,819,834 | 105,322,268 | 59,760,178 | 44,967,275 |

The municipality does not have any overdrawn current account facilities with its banker and therefore does not incur interest on overdrawn current accounts. Interest is earned at different rates per annum on favourable balances.

The municipality did not pledge any of its Cash and Cash Equivalents as collateral for its financial liabilities.

No restrictions have been imposed on the municipality in terms of the utilisation of its Cash and Cash Equivalents.

OR Tambo District Municipality

(Registration number : DC15)

Consolidated Annual Financial Statements for the year ended 30 June 2017

Notes to the Consolidated Annual Financial Statements

Figures in Rand

8. Property, Plant and Equipment

| Municipality | 2017 | | | 2016 | | |
|-------------------------------------|----------------------|---|----------------------|----------------------|---|----------------------|
| | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value |
| Land | 26,869,794 | - | 26,869,794 | 26,869,794 | - | 26,869,794 |
| Buildings | 148,356,464 | (49,098,625) | 99,257,839 | 148,157,874 | (41,877,060) | 106,280,814 |
| Infrastructure | 5,089,697,807 | (2,300,316,446) | 2,789,381,361 | 4,923,666,437 | (2,164,893,873) | 2,758,772,564 |
| Other property, plant and equipment | 114,018,676 | (48,536,308) | 65,482,368 | 145,225,028 | (56,403,897) | 88,821,131 |
| Infrastructure WIP | 2,379,770,705 | - | 2,379,770,705 | 1,752,586,572 | - | 1,752,586,572 |
| Leased Infrastructure | 375,105 | (375,082) | 23 | 375,105 | (300,495) | 74,610 |
| Total | 7,759,088,551 | (2,398,326,461) | 5,360,762,090 | 6,996,880,810 | (2,263,475,325) | 4,733,405,485 |

| Group | 2017 | | | 2016 | | |
|-------------------------------------|----------------------|---|----------------------|----------------------|---|----------------------|
| | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value |
| Land | 26,985,794 | - | 26,985,794 | 26,985,794 | - | 26,985,794 |
| Buildings | 184,251,184 | (77,042,281) | 107,208,903 | 184,140,741 | (68,658,557) | 115,482,184 |
| Computer software | 236,499 | (236,499) | - | 236,499 | (236,499) | - |
| Infrastructure | 5,089,697,807 | (2,300,316,446) | 2,789,381,361 | 4,923,666,437 | (2,164,893,873) | 2,758,772,564 |
| Other property, plant and equipment | 132,636,277 | (63,674,740) | 68,961,537 | 162,692,833 | (70,453,413) | 92,239,420 |
| Infrastructure WIP | 2,379,770,705 | - | 2,379,770,705 | 1,752,586,572 | - | 1,752,586,572 |
| Leased Infrastructure | 375,105 | (375,082) | 23 | 375,105 | (300,495) | 74,610 |
| Total | 7,813,953,371 | (2,441,645,048) | 5,372,308,323 | 7,050,683,981 | (2,304,542,837) | 4,746,141,144 |

OR Tambo District Municipality

(Registration number : DC15)

Consolidated Annual Financial Statements for the year ended 30 June 2017

Notes to the Consolidated Annual Financial Statements

Figures in Rand

8. Property, Plant and Equipment (continued)

Reconciliation of property, plant and equipment - Group - 2017

| | Opening balance | Additions | Write-offs | Disposals | Transfers -In | Transfers - Out | Depreciation | Total |
|-------------------------------------|----------------------|--------------------|---------------------|--------------------|--------------------|----------------------|----------------------|----------------------|
| Land | 26,985,794 | - | - | - | - | - | - | 26,985,794 |
| Buildings | 115,482,184 | 198,590 | - | (58,079) | - | - | (8,413,792) | 107,208,903 |
| Infrastructure | 2,758,772,564 | 4,248,284 | - | - | 160,502,011 | - | (134,141,498) | 2,789,381,361 |
| Other property, plant and equipment | 92,239,420 | 17,138,795 | (14,848,060) | (4,783,205) | - | - | (20,785,413) | 68,961,537 |
| Infrastructure WIP | 1,752,586,572 | 787,686,144 | - | - | - | (160,502,011) | - | 2,379,770,705 |
| Leased Infrastructure | 74,610 | - | - | - | - | - | (74,587) | 23 |
| | 4,746,141,144 | 809,271,813 | (14,848,060) | (4,841,284) | 160,502,011 | (160,502,011) | (163,415,290) | 5,372,308,323 |

Reconciliation of property, plant and equipment - Group - 2016

| | Opening balance | Additions | Disposals | Transfers - In | Transfers - Out | Other changes, movements | Depreciation | Impairment loss | Total |
|-------------------------------------|----------------------|--------------------|------------------|------------------|--------------------|--------------------------|----------------------|--------------------|----------------------|
| Land | 32,118,977 | - | - | - | - | (5,133,183) | - | - | 26,985,794 |
| Buildings | 119,146,206 | 1,661,301 | - | - | - | (875,765) | (4,449,558) | - | 115,482,184 |
| Infrastructure | 2,878,295,552 | 9,790,933 | - | 4,588,171 | - | 6,344,277 | (134,164,048) | (6,082,321) | 2,758,772,564 |
| Other property, plant and equipment | 91,224,117 | 17,401,876 | (140,674) | 72,005 | - | 86,838 | (16,404,742) | - | 92,239,420 |
| Infrastructure WIP | 1,275,820,922 | 481,353,821 | - | - | (4,588,171) | - | - | - | 1,752,586,572 |
| Leased Infrastructure | 221,636 | - | - | - | (72,005) | - | (75,021) | - | 74,610 |
| | 4,396,827,410 | 510,207,931 | (140,674) | 4,660,176 | (4,660,176) | 422,167 | (155,093,369) | (6,082,321) | 4,746,141,144 |

OR Tambo District Municipality

(Registration number : DC15)

Consolidated Annual Financial Statements for the year ended 30 June 2017

Notes to the Consolidated Annual Financial Statements

| Figures in Rand | Municipality | | Group | |
|-----------------|--------------|------|-------|------|
| | 2017 | 2016 | 2017 | 2016 |

8. Property, Plant and Equipment (continued)

Assets pledged as security

The municipality did not pledge any of its assets as security. The municipality's obligations under Finance Leases (see Note 19) are secured by the lessors' title to the leased assets. No other assets of the municipality have been pledged as security.

Land and buildings carried at fair value

The municipality's Land and Buildings are accounted for according to the cost model and therefore no fair value has been determined.

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance

| | | | | |
|-----------------------------|-------------------|-------------------|-------------------|-------------------|
| Land and Buildings | 3,617,668 | 2,729,680 | 4,115,731 | 2,735,031 |
| Infrastructure - Sanitation | 15,103,360 | 7,432,908 | 15,103,360 | 7,432,908 |
| Infrastructure - Water | 65,086,907 | 59,866,207 | 64,084,137 | 59,866,207 |
| Other Assets | 2,682,990 | 4,761,059 | 3,008,411 | 4,993,006 |
| | 86,490,925 | 74,789,854 | 86,311,639 | 75,027,152 |

Other movements of Property, Plant and Equipment are in respect of Work-in-Progress completed and transferred to Cost.

The leased Property, Plant and Equipment is secured as set out in Note 18.

Refer to Appendices "B, C and E (4)" for more detail on Property, Plant and Equipment, including those in the course of construction.

Additional text

Delayed Projects

No projects that are currently in progress are experiencing significant delays.

Work-in-progress

The municipality has incurred expenditure on capital projects which were not completed at year-end. The details of the carrying amounts of expenditure included in each class of assets are listed below:

| | | | | |
|--------------------------|----------------------|----------------------|----------------------|----------------------|
| Infrastructure: Roads | 10,759,072 | 10,759,072 | 10,759,071 | 10,759,072 |
| Infrastructure: Sewerage | 77,635,925 | 79,514,568 | 77,635,925 | 79,514,568 |
| Infrastructure: Water | 2,289,780,247 | 1,737,991,892 | 2,289,780,247 | 1,737,991,892 |
| Buildings | 1,594,861 | - | 1,594,861 | - |
| | 2,379,770,105 | 1,828,265,532 | 2,379,770,104 | 1,828,265,532 |

9. Intangible Assets

| Municipality | 2017 | | | 2016 | | |
|--------------------------|------------------|---|----------------|------------------|---|----------------|
| | Cost / Valuation | Accumulated amortisation and accumulated impairment | Carrying value | Cost / Valuation | Accumulated amortisation and accumulated impairment | Carrying value |
| Computer software, other | 7,770,393 | (6,682,931) | 1,087,462 | 7,770,393 | (5,671,289) | 2,099,104 |

OR Tambo District Municipality

(Registration number : DC15)

Consolidated Annual Financial Statements for the year ended 30 June 2017

Notes to the Consolidated Annual Financial Statements

| Figures in Rand | Municipality | | Group | |
|-----------------|--------------|------|-------|------|
| | 2017 | 2016 | 2017 | 2016 |

9. Intangible Assets (continued)

| Group | 2017 | | | 2016 | | |
|--------------------------|------------------|---|----------------|------------------|---|----------------|
| | Cost / Valuation | Accumulated amortisation and accumulated impairment | Carrying value | Cost / Valuation | Accumulated amortisation and accumulated impairment | Carrying value |
| Computer software, other | 9,021,930 | (7,120,176) | 1,901,754 | 8,216,746 | (6,080,348) | 2,136,398 |

Reconciliation of intangible assets - Group - 2017

| | Opening balance | Additions | Amortisation | Total |
|--------------------------|------------------|----------------|--------------------|------------------|
| Computer software, other | 2,136,398 | 805,184 | (1,039,828) | 1,901,754 |
| Ward based database | - | - | - | - |
| | 2,136,398 | 805,184 | (1,039,828) | 1,901,754 |

Other information

The amortisation expense has been included in the line item "Depreciation and Amortisation" in the Statement of Financial Performance (see Note 31). All of the municipality's Intangible Assets are held under freehold interests and no Intangible Assets had been pledged as security for any liabilities of the municipality. No restrictions apply to any of the Intangible Assets of the municipality.

8.1 Significant Intangible assets

Significant Intangible Assets, that did not meet the recognition criteria for Intangible Assets as stipulated in GRAP 102 and SIC 32, are the following:

(i) Website Costs incurred during the last two financial years, if applicable, have been expensed and not recognised as Intangible Assets. The municipality cannot demonstrate how its website will generate probable future economic benefits.

8.2 Intangible assets with Indefinite useful lives

The municipality amortises all its Intangible Assets and non of such assets are regarded as having indefinite useful lives. The useful lives of the Intangible Assets remain unchanged from the previous year.

8.3 Impairment of Intangible assets

No impairment losses have been recognised on Intangible Assets of the municipality at the reporting date.

8.4 Work-in-Progress

The municipality had no capital projects for Intangible Assets which were not completed at year-end.

8.5 Delayed Projects

No projects that are currently in progress are experiencing significant delays.

OR Tambo District Municipality

(Registration number : DC15)

Consolidated Annual Financial Statements for the year ended 30 June 2017

Notes to the Consolidated Annual Financial Statements

| Figures in Rand | Municipality | | Group | |
|-----------------|--------------|------|-------|------|
| | 2017 | 2016 | 2017 | 2016 |

10. Investment Property

| Municipality | 2017 | | | 2016 | | |
|---------------------|------------------|---|----------------|------------------|---|----------------|
| | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value |
| Investment property | 2,200,000 | - | 2,200,000 | 2,200,000 | - | 2,200,000 |

| Group | 2017 | | | 2016 | | |
|---------------------|------------------|---|----------------|------------------|---|----------------|
| | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value |
| Investment property | 2,200,000 | - | 2,200,000 | 2,200,000 | - | 2,200,000 |

Estimated Fair Value of Investment Property at 30 June

All of the municipality's Investment Property is held under freehold interests and no Investment Property had been pledged as security for any liabilities of the municipality. There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal. There are no contractual obligations on Investment Property.

Impairment of Investment Property

No impairment losses have been recognised on Investment Property of the municipality at the reporting date.

Work-in-Progress

The municipality had no capital projects for Investment Property which were not completed at year-end.

Delayed Projects

No projects that are currently in progress are experiencing significant delays

11. Heritage Assets

| Municipality | 2017 | | | 2016 | | |
|----------------------|------------------|-------------------------------|----------------|------------------|-------------------------------|----------------|
| | Cost / Valuation | Accumulated impairment losses | Carrying value | Cost / Valuation | Accumulated impairment losses | Carrying value |
| Historical buildings | 90,000 | - | 90,000 | 90,000 | - | 90,000 |

| Group | 2017 | | | 2016 | | |
|----------------------|------------------|-------------------------------|----------------|------------------|-------------------------------|----------------|
| | Cost / Valuation | Accumulated impairment losses | Carrying value | Cost / Valuation | Accumulated impairment losses | Carrying value |
| Historical buildings | 90,000 | - | 90,000 | 90,000 | - | 90,000 |

Reconciliation of heritage assets Group - 2017

| | | |
|----------------------|-----------------|--------|
| Historical buildings | Opening balance | Total |
| | 90,000 | 90,000 |

OR Tambo District Municipality

(Registration number : DC15)

Consolidated Annual Financial Statements for the year ended 30 June 2017

Notes to the Consolidated Annual Financial Statements

| Figures in Rand | Municipality | | Group | |
|-----------------|--------------|------|-------|------|
| | 2017 | 2016 | 2017 | 2016 |

11. Heritage Assets (continued)

All of the municipality's Heritage Assets are held under freehold interests and no Heritage Assets had been pledged as security for any liabilities of the municipality. No restrictions apply to any of the Heritage Assets of the municipality.

Impairment of Heritage Assets

No impairment losses have been recognised on Heritage Assets of the municipality at the reporting date.

Heritage Assets measured after recognition using the Revaluation Model

The municipality's Heritage Assets are accounted for according to the cost model and therefore no fair value has been determined.

Work-in-Progress

The municipality had no capital projects for Heritage Assets which were not completed at year-end.

Delayed Projects

No projects that are currently in progress are experiencing significant delays.

OR Tambo District Municipality

(Registration number : DC15)

Consolidated Annual Financial Statements for the year ended 30 June 2017

Notes to the Consolidated Annual Financial Statements

Figures in Rand

12. Biological Assets

| Municipality | 2017 | | | 2016 | | |
|-------------------|------------------|---|----------------|------------------|---|----------------|
| | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value |
| Biological assets | 20,194,646 | - | 20,194,646 | 15,988,644 | - | 15,988,644 |

| Group | 2017 | | | 2016 | | |
|-------------------|------------------|---|----------------|------------------|---|----------------|
| | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value |
| Biological assets | 20,954,697 | - | 20,954,697 | 16,616,345 | - | 16,616,345 |

Reconciliation of biological assets - Group - 2017

| | Opening balance | Additions | Additions through Non-exchange transactions | Decreases due to harvest / sales | Disposals | Transfers received | Gains or losses arising from changes in fair value | Total |
|------------------------------|-------------------|----------------|---|----------------------------------|------------------|--------------------|--|-------------------|
| Trees in a plantation forest | 10,103,500 | - | - | - | - | - | 1,714,717 | 11,818,217 |
| Sheep | 2,800 | - | - | - | (1,200) | - | - | 1,600 |
| Cattle | 6,510,046 | 318,000 | 1,480,951 | (1,957,702) | (318,406) | 2,409,085 | 692,905 | 9,134,879 |
| | 16,616,346 | 318,000 | 1,480,951 | (1,957,702) | (319,606) | 2,409,085 | 2,407,622 | 20,954,696 |

All of the municipality's Biological Assets are held under freehold interests and no Biological Assets had been pledged as security for any liabilities of the municipality. No restrictions apply to any of the Biological Assets of the municipality.

OR Tambo District Municipality

(Registration number : DC15)

Consolidated Annual Financial Statements for the year ended 30 June 2017

Notes to the Consolidated Annual Financial Statements

Figures in Rand

12. Biological Assets (continued)

Fruit Trees in Plantation and livestock classified as Bearer Biological Assets at carrying value are made up as follows:

| Figures in Rand | Municipality - Actual Count | | Municipality - Value | |
|---------------------|-----------------------------|---------------|----------------------|-------------------|
| | 2017 | 2016 | 2017 | 2016 |
| Trees in Plantation | 18,370 | 18,370 | 11,818,217 | 10,103,500 |
| Cattle | 1,471 | 1,173 | 8,376,428 | 5,885,144 |
| Sheep | - | - | - | - |
| Subtotal | 19,841 | 19,543 | 20,194,645 | 15,988,644 |
| | 19,841 | 19,543 | 20,194,645 | 15,988,644 |

Bearer Biological Assets are those biological assets that are used repeatedly or continuously for more than one year in an agricultural activity. At 30 June 2017 livestock held for sale comprised 1 471 cattle (2016: 1 173). During the year 314 cattle (2016: 213 cattle and no sheep) were sold.

| Figures in Rand | Group - Actual Count | | Group Value | |
|---------------------|----------------------|---------------|-------------------|-------------------|
| | 2017 | 2016 | 2017 | 2016 |
| Trees in Plantation | 18,370 | 18,370 | 11,818,217 | 10,103,500 |
| Cattle | 1,538 | 1,241 | 9,134,879 | 6,510,046 |
| Sheep | 1 | 2 | 1,600 | 2,800 |
| Subtotal | 19,909 | 19,613 | 20,954,696 | 16,616,346 |
| | 19,909 | 19,613 | 20,954,696 | 16,616,346 |

Bearer Biological Assets are those biological assets that are used repeatedly or continuously for more than one year in an agricultural activity. At 30 June 2017 livestock held for sale comprised 1 538 cattle and 1 sheep (2016: 1 241 cattle and 2 sheep). During the year 326 cattle (2016: 213 cattle) were sold.

Biological Assets carried at Fair Value

The municipality's Biological Assets is valued annually at 30 June at fair value by an independent, professionally qualified, valuator. The valuation, which conforms to International Valuation Standards, is arrived at by reference to market evidence of transaction prices for similar assets.

OR Tambo District Municipality

(Registration number : DC15)

Consolidated Annual Financial Statements for the year ended 30 June 2017

Notes to the Consolidated Annual Financial Statements

| Figures in Rand | Municipality | | Group | |
|----------------------------------|--------------|-----------|-----------|-----------|
| | 2017 | 2016 | 2017 | 2016 |
| 13. Long-term receivables | | | | |
| Consumer debtors - Water | 1,199,163 | 1,197,650 | 1,199,163 | 1,197,650 |

The municipality does not hold deposits or any other security for its Long-term Receivables. No Long-term Receivables have been pledged as security for the municipality's financial liabilities. Long-term Receivables are neither past due nor impaired as management have no concerns over the credit quality of these assets.

14. Consumer deposits

| | | | | |
|-------|-----------|-----------|-----------|-----------|
| Water | 1,604,949 | 2,450,082 | 1,604,949 | 2,450,082 |
|-------|-----------|-----------|-----------|-----------|

Consumer Deposits are paid by consumers on application for new water connections. The deposits are repaid when the water connections are terminated. In cases where consumers default on their accounts, the municipality can utilise the deposit as payment for the outstanding account.

No interest is paid or accrued on Consumer Deposits held.

15. Provisions

| | | | | |
|---|------------------|------------------|------------------|------------------|
| Current Portion of Post-retirement Medical Aid Benefits Liability (See Note 19) | 175,000 | 62,496 | 175,000 | 62,496 |
| Current Portion of Long-term Service Liability (See Note 19) | 2,036,000 | 2,113,252 | 2,036,000 | 2,113,252 |
| | 2,211,000 | 2,175,748 | 2,211,000 | 2,175,748 |

Provisions have been restated to agree to the Actuarial Report for Post-retirement Health Benefits. Refer to Note 42.4 on "Correction of Error" for details of the restatement.

The movement in provisions are reconciled as follows:

| | Long-term Service | Post-retirement |
|------------------------------|-------------------|-----------------|
| 30 June 2017 | | |
| Balance at beginning of year | 2,113,252 | 62,496 |
| Transfer from non-current | 2,036,000 | 175,000 |
| Expenditure incurred | (1,073,000) | (127,000) |
| (Over) / Under-Provision | (1,040,252) | 64,504 |
| | 2,036,000 | 175,000 |
| 30 June 2016 | | |
| Balance at beginning of year | 2,271,547 | 65,856 |
| Transfer from non-current | 2,113,252 | 62,496 |
| Expenditure incurred | (2,271,547) | (65,856) |
| | 2,113,252 | 62,496 |

16. Payables from exchange transactions

| | | | | |
|-------------------------------|--------------------|--------------------|--------------------|--------------------|
| Trade payables | 113,348,483 | 256,049,951 | 114,164,276 | 256,651,781 |
| Payments received in advanced | 4,575,619 | 5,063,393 | 4,659,377 | 5,063,393 |
| Retentions | 22,170,154 | 21,692,053 | 22,170,154 | 21,692,053 |
| Staff bonuses | 7,069,965 | 6,171,977 | 7,240,160 | 6,281,045 |
| Staff leave | 43,288,012 | 38,152,918 | 47,324,677 | 41,930,095 |
| Other Creditors | 137,539,132 | 535,753 | 133,774,661 | 3,705,505 |
| VAT Accrued account | 43,629,221 | 50,952,155 | 43,711,162 | 51,144,151 |
| | 371,620,586 | 378,618,200 | 373,044,467 | 386,468,023 |

OR Tambo District Municipality

(Registration number : DC15)

Consolidated Annual Financial Statements for the year ended 30 June 2017

Notes to the Consolidated Annual Financial Statements

| Figures in Rand | Municipality | | Group | |
|-----------------|--------------|------|-------|------|
| | 2017 | 2016 | 2017 | 2016 |

16. Payables from exchange transactions (continued)

Staff Bonuses accrue to the staff of the entity on an annual basis, subject to certain conditions. The provision is an estimate of the amount due at the reporting date.

Staff Leave accrues to the staff of the municipality on an annual basis, subject to certain conditions. The provision is an estimate of the amount due at the reporting date.

No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the municipality deals with. The municipality has policies in place to ensure that all payables are paid within the credit timeframe.

17. Payables from Non-exchange transactions

| | | | | |
|---------------------------|-------------------|------------------|-------------------|------------------|
| Sundry Creditors | 15,967,061 | 1,407,443 | 16,414,034 | 1,854,416 |
| Salaries control accounts | 2,743,553 | 926,341 | 2,743,553 | 926,341 |
| | 18,710,614 | 2,333,784 | 19,157,587 | 2,780,757 |

No credit period exists for Payables from Non-exchange Transactions, neither has any credit period been arranged. No interest is charged on outstanding amounts.

The municipality did not default on any payment of its Creditors. No terms for payment have been renegotiated by the municipality

18. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

| | | | | |
|--|---|---|------------------|------------------|
| Local Government Grants | - | - | - | 300,348 |
| Eastern Cape Development Corporation | - | - | 249,974 | 675,304 |
| Department of Economic Development Environmental Affairs and Tourism | - | - | 306,720 | 395,172 |
| ECDC Co-Operative Trust Fund | - | - | 552,915 | 968,270 |
| Department of Agriculture | - | - | 5,917,489 | 7,009,917 |
| Other Grant Providers | - | - | 158,733 | 108,557 |
| Provincial and National Government Grants | - | - | 43,823 | 43,823 |
| | - | - | 7,229,654 | 9,501,391 |

The Unspent Conditional Grants and Receipts are invested in investment accounts until utilised.

See Note 28 for the reconciliation of Grants from Government. The Unspent Grants are cash backed by term deposits. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld. **As at end of June 2017 the municipality had no unspent grants.**

OR Tambo District Municipality

(Registration number : DC15)

Consolidated Annual Financial Statements for the year ended 30 June 2017

Notes to the Consolidated Annual Financial Statements

| Figures in Rand | Municipality | | Group | |
|--|--------------|---------------|----------|---------------|
| | 2017 | 2016 | 2017 | 2016 |
| 19. Long-term liabilities | | | | |
| Minimum lease payments due | | | | |
| - within one year | - | 22,340 | - | 22,340 |
| - in second to fifth year inclusive | - | - | - | - |
| - later than five years | - | - | - | - |
| | - | 22,340 | - | 22,340 |
| less: future finance charges | - | 1,904 | - | (1,904) |
| Present value of minimum lease payments | - | 24,244 | - | 20,436 |
| Present value of minimum lease payments due | | | | |
| - within one year | - | 20,436 | - | 20,436 |
| - in second to fifth year inclusive | - | - | - | - |
| - later than five years | - | - | - | - |
| | - | 20,436 | - | 20,436 |

Summary of Arrangements

Finance Lease Liabilities relates to Office Equipment with lease terms of 0 (2016: 1) years. The effective interest rate on Finance Leases was between 25.00% and 28.11% in 2016. Capitalised Lease Liabilities are secured over the items of equipment leased.

There were no new lease contracts entered into in the current year. A total amount R38 795 339 relates to a long term portion of the liability owed to the Department of Water and Sanitation as at 30 June 2017..

Obligations under Finance Lease Liabilities

The Municipality as Lessee:

Finance Leases relate to Property, Plant and Equipment with lease terms were not more than 5 years in 2016. The effective interest rate on Finance Leases was between 25.00% and 28.11% in 2016.

The municipality does not have an option to purchase the leased Property, Plant and Equipment at the conclusion of the lease agreements. The municipality's obligations under Finance Leases are secured by the lessors' title to the leased assets.

The municipality has finance lease agreements for the following significant classes of assets:

- Office Equipment

Included in these classes are the following significant leases:

| | | |
|---|-----|----------|
| (i) Facsimiles, Photocopiers, Printers and Scanners | R - | R 22 340 |
| - Instalments are payable quarterly in advance | | |
| - Average period outstanding | - | 5 Months |
| - Average effective interest rate | -% | 27.80% |
| - Average monthly instalment | R- | R 401.71 |

Breach of Loan Agreement

The municipality did not default on any payment of its Long-term Liabilities. No terms for payment have been re-negotiated by the municipality.

OR Tambo District Municipality

(Registration number : DC15)

Consolidated Annual Financial Statements for the year ended 30 June 2017

Notes to the Consolidated Annual Financial Statements

| Figures in Rand | Municipality | | Group | |
|---|-------------------|----------|-------------------|----------|
| | 2017 | 2016 | 2017 | 2016 |
| 20. Long-Term Liabilities | | | | |
| Department of Water Affairs (DWA) | | | | |
| Total outstanding amount | 88,795,339 | - | 88,795,339 | - |
| Current Portion - (Included in Trade creditors) | (50,000,000) | - | (50,000,000) | - |
| | 38,795,339 | - | 38,795,339 | - |

Summary of Arrangements

The long term portion of the liability emanates from an over due account of bulk water supplied by the Department of Water Affairs to OR Tambo District municipality. The municipality and DWA reached an interest free agreement for the settlement of the outstanding debt over a period of 24 months. The current portion of R50 000 000 is included in current liabilities under Trade creditors.

21. Employee benefit liabilities

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

Carrying value

| | | | | |
|---|---------------------|---------------------|---------------------|---------------------|
| Present value of the defined benefit obligation-wholly unfunded | (50,718,861) | (38,767,365) | (50,718,861) | (38,767,365) |
| Present value of the defined benefit obligation-partly or wholly funded | (13,323,191) | (16,069,939) | (13,323,191) | (16,069,939) |
| | (64,042,052) | (54,837,304) | (64,042,052) | (54,837,304) |

Post-retirement health care benefits liability

| | | | | |
|------------------------------------|-------------------|-------------------|-------------------|-------------------|
| Opening balance | 38,767,365 | 34,024,505 | 38,767,365 | 34,024,505 |
| Contributions by plan participants | 12,126,496 | 4,805,356 | 12,064,000 | 4,805,356 |
| Transfer to Current Provisions | (175,000) | (62,496) | (175,000) | (62,496) |
| | 50,718,861 | 38,767,365 | 50,656,365 | 38,767,365 |

The municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees. No other post-retirement benefits are provided to these employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2017 by PriceWaterhouseCoppers, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method

The members of the Post-employment Health Care Benefit Plan are made up as follows:

OR Tambo District Municipality

(Registration number : DC15)

Consolidated Annual Financial Statements for the year ended 30 June 2017

Notes to the Consolidated Annual Financial Statements

| Figures in Rand | Municipality | | Group | |
|---|--------------|------------|--------------|------------|
| | 2017 | 2016 | 2017 | 2016 |
| 21. Employee benefit liabilities (continued) | | | | |
| In-service Members (Employees) | 466 | 440 | 466 | 440 |
| In-service Non-members (Employees) | 529 | 349 | 529 | 349 |
| Continuation Members (Retirees, widowers and orphans) | 5 | 3 | 5 | 3 |
| | 1,000 | 792 | 1,000 | 792 |

The liability in respect of past service has been estimated as follows:

| | | | | |
|---|-------------------|-------------------|-------------------|-------------------|
| In-service Members (Employees) | 39,288,000 | 30,059,762 | 39,288,000 | 30,059,762 |
| In-service Non-members (Employees) | 9,647,000 | 8,049,572 | 9,647,000 | 8,049,572 |
| Continuation Members (Retirees, widowers and orphans) | 1,959,000 | 720,527 | 1,959,000 | 720,527 |
| | 50,894,000 | 38,829,861 | 50,894,000 | 38,829,861 |

The municipality makes monthly contributions for health care arrangements to the following Medical Aid Schemes:

| | |
|-------------|---------------------|
| -Bestmed | - Bonitas |
| - Fedhealth | - GEMS |
| - Hosmed | - Keyhealth |
| -LA Health | - Liberty |
| - Medshield | - Resolution Health |
| - Samwumed | |

The Current-service Cost for the year ending 30 June 2017 is estimated to be R3 001 000, whereas the cost for the ensuing year is estimated to be R6 568 000 (30 June 2016: R2 833 806 and R3 001 255 respectively).

Net expense recognised in the statement of financial performance

| | | | | |
|--------------------------|-------------------|-------------------|-------------------|-------------------|
| Current service cost | 3,001,000 | 2,833,806 | 3,001,000 | 2,833,806 |
| Past service cost | 38,829,681 | 34,090,361 | 38,829,681 | 34,090,361 |
| Interest cost | 3,791,000 | 3,265,651 | 3,791,000 | 3,265,651 |
| Actuarial (gains) losses | 5,399,000 | (1,294,101) | 5,399,000 | (1,294,101) |
| Settlement | (127,000) | (65,856) | (127,000) | (65,856) |
| | 50,893,681 | 38,829,861 | 50,893,681 | 38,829,861 |

Key assumptions used

Assumptions used at the reporting date:

| | | | | |
|---|---------|--------|---------|--------|
| Discount rates used | 12.00 % | 9.77 % | 12.00 % | 9.77 % |
| Medical cost trend rates | 11.10 % | 8.75 % | 11.10 % | 8.75 % |
| Proportion of employees opting for early retirement | - % | 0.81 % | 0.81 % | 0.94 % |

Expected Retirement age

| | | |
|-----------------------------------|------|------|
| | 2017 | 2016 |
| Expected Retirement Age - Females | 63 | 65 |
| Expected Retirement Age - Males | 63 | 65 |

OR Tambo District Municipality

(Registration number : DC15)

Consolidated Annual Financial Statements for the year ended 30 June 2017

Notes to the Consolidated Annual Financial Statements

| Figures in Rand | Municipality | | Group | |
|-----------------|--------------|------|-------|------|
| | 2017 | 2016 | 2017 | 2016 |

21. Employee benefit liabilities (continued)

The amounts recognised in the Statement of Financial Position are as follows:

| | | | | |
|-----------------------------------|-------------------|-------------------|-------------------|-------------------|
| Present value of fund obligations | 50,893,681 | 38,829,861 | 50,893,681 | 38,829,861 |
| Unfunded Accrued Liability | 50,893,681 | 38,829,861 | 50,893,681 | 38,829,861 |
| Total Benefit Liability | 50,893,681 | 38,829,861 | 50,893,681 | 38,829,861 |

The amounts recognised in the Statement of Financial Performance are as follows:

| | | | | |
|----------------------------|-------------------|------------------|-------------------|------------------|
| Current service cost | 3,001,000 | 2,833,806 | 3,001,000 | 2,833,806 |
| Interest cost | 3,791,000 | 3,265,651 | 3,791,000 | 3,265,651 |
| Actuarial losses / (gains) | 5,399,000 | (1,294,101) | 5,399,000 | (1,294,101) |
| | 12,191,000 | 4,805,356 | 12,191,000 | 4,805,356 |

The effect of a 1% movement in the assumed rate of health care cost inflation is as follows:

| | One percentage point increase | One percentage point decrease | One percentage point increase | One percentage point decrease |
|---|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| Increase: | - | - | - | - |
| Effect on the aggregate of the current service cost and the interest cost | 3,093,000 | 670,900 | 3,093,000 | 670,900 |
| Effect on the defined benefit obligation | 11,632,000 | 3,640,347 | 11,632,000 | 3,640,347 |
| Decrease: | - | - | - | - |
| Effect on the aggregate of the current service cost and the interest cost | (2,509,000) | (897,000) | (2,509,000) | (897,000) |
| Effect on the defined benefit obligation | (9,103,000) | (4,922,188) | (9,103,000) | (4,922,188) |

The municipality expects to make a contribution of R6 568 000 (2016: R6 792 295) to the Defined Benefit Plans during the next financial year.

OR Tambo District Municipality

(Registration number : DC15)

Consolidated Annual Financial Statements for the year ended 30 June 2017

Notes to the Consolidated Annual Financial Statements

| Figures in Rand | Municipality | | Group | |
|-----------------|--------------|------|-------|------|
| | 2017 | 2016 | 2017 | 2016 |

21. Employee benefit liabilities (continued)

Long Service Awards Liability

| | | | | |
|--------------------------------|-------------------|-------------------|-------------------|-------------------|
| Balance at beginning of year | 16,069,939 | 12,509,800 | 15,652,191 | 12,509,800 |
| Contributions to provision | (710,748) | 5,673,391 | (293,000) | 3,242,391 |
| Transfer to Current Provisions | (2,036,000) | (2,113,252) | (2,036,000) | (2,113,252) |
| | 13,323,191 | 16,069,939 | 13,323,191 | 13,638,939 |

The municipality operates an unfunded defined benefit plan for all its employees. Under the plan, a Longservice Bonus Award is payable after 5 years of continuous service, and every 5 years of continuous service thereafter to 45 years, to employees. The provision is an estimate of the long-service based on historical staff turnover. No other long-service benefits are provided to employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2017 by PriceWaterhouseCoopers, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method

At year end, 802 (2016: 789) employees were eligible for Long-service Awards.

The Current-service Cost for the year ending 30 June 2017 is estimated to be R1 888 000, whereas the cost for the ensuing year is estimated to be R2 520 000 (30 June 2016: R1 891 630 and R1 888 282 respectively).

The principal assumptions used for the purposes of the actuarial valuations were as follows:

| | | | | |
|-----------------------------------|----|----|----|----|
| Expected Retirement Age - Females | 63 | 65 | 63 | 65 |
| Expected Retirement Age - Males | 63 | 65 | 63 | 65 |

Movements in the present value of the Defined Benefit Obligation were as follows:

| | | | | |
|--------------------------------------|-------------------|-------------------|-------------------|-------------------|
| Balance at the beginning of the year | 18,183,191 | 14,781,347 | 18,183,191 | 14,781,347 |
| Current service costs | 1,888,000 | 1,891,630 | 1,888,000 | 1,891,630 |
| Interest cost | 1,226,000 | 1,046,358 | 1,226,000 | 1,046,358 |
| Benefits paid | (1,073,000) | (2,271,547) | (1,073,000) | (2,271,547) |
| Actuarial losses / (gains) | (4,865,000) | 2,735,403 | (4,865,000) | 2,735,403 |
| | 15,359,191 | 18,183,191 | 15,359,191 | 18,183,191 |

The amounts recognised in the Statement of Financial Position are as follows:

| | | | | |
|-----------------------------------|-------------------|-------------------|-------------------|-------------------|
| Present value of fund obligations | 15,359,191 | 15,652,191 | 15,359,191 | 15,652,191 |
| Unfunded Accrued Liability | 15,359,191 | 15,652,191 | 15,359,191 | 15,652,191 |
| Total Benefit Liability | 15,359,191 | 15,652,191 | 15,359,191 | 15,652,191 |

The amounts recognised in the Statement of Financial Performance are as follows:

| | | | | |
|----------------------------|--------------------|------------------|--------------------|------------------|
| Current service cost | 1,888,000 | 1,891,630 | 1,888,000 | 1,891,630 |
| Interest cost | 1,226,000 | 1,046,358 | 1,226,000 | 1,046,358 |
| Actuarial losses / (gains) | (4,865,000) | 204,403 | (4,865,000) | 204,403 |
| | (1,751,000) | 3,142,391 | (1,751,000) | 3,142,391 |

The history of experienced adjustments is as follows:

| | | | | |
|---|------------|------------|------------|------------|
| Present Value of Defined Benefit Obligation | 15,359,191 | 15,652,191 | 15,359,191 | 15,652,191 |
| Experienced adjustments on Plan Liabilities | - | 749,235 | - | 749,235 |

OR Tambo District Municipality

(Registration number : DC15)

Consolidated Annual Financial Statements for the year ended 30 June 2017

Notes to the Consolidated Annual Financial Statements

| Figures in Rand | Municipality | | Group | |
|-----------------|--------------|------|-------|------|
| | 2017 | 2016 | 2017 | 2016 |

21. Employee benefit liabilities (continued)

The effect of a 1% movement in the assumed rate of long service cost inflation is as follows:

| | | | | |
|---|-------------|-----------|-------------|-----------|
| Increase: | | | | |
| Effect on the aggregate of the current service cost and the interest cost | 1,131,000 | 188,000 | 1,131,000 | 188,000 |
| Effect on the defined benefit obligation | 1,210,000 | 818,626 | 1,210,000 | 818,626 |
| Decrease: | | | | |
| Effect on the aggregate of the current service cost and the interest cost | (999,000) | (171,700) | (999,000) | (171,700) |
| Effect on the defined benefit obligation | (1,086,000) | (755,637) | (1,086,000) | (755,637) |
| | - | - | - | - |

The municipality expects to make a contribution of R2 520 000 (2016: R3 114 376) to the defined benefit plans during the next financial year.

22. Accumulated surplus

The Accumulated Surplus consists of the following Internal Funds and Reserves:

The Accumulated Surplus consists of the following Internal Funds and Reserves:

| | | | | |
|--|---------------|---------------|---------------|---------------|
| Accumulated Surplus / (Deficit) due to the results of Operations | 5,313,427,074 | 4,857,928,447 | 5,354,731,458 | 4,887,313,375 |
|--|---------------|---------------|---------------|---------------|

Refer to Statement of Changes in Net Assets for more detail and the movement on Accumulated Surplus.

23. Service charges

| | | | | |
|---------------------------------|--------------------|--------------------|--------------------|--------------------|
| Sale of water | 164,031,226 | 156,597,037 | 164,031,226 | 156,597,037 |
| Sewerage and sanitation charges | 42,791,119 | 40,696,848 | 42,791,119 | 40,696,848 |
| Revenue Foregone | - | (1,947,720) | - | (1,947,720) |
| | 206,822,345 | 195,346,165 | 206,822,345 | 195,346,165 |

The amounts disclosed above for revenue from charges are in respect of services rendered which are billed to the consumers on a monthly basis according to approved tariffs.

Additional text

24. Rental of facilities and equipment

Premises

| | | | | |
|------------|--------|--------|---------|---------|
| Venue hire | 35,118 | 24,334 | 822,311 | 871,664 |
|------------|--------|--------|---------|---------|

Rental revenue earned on Facilities and Equipment is in respect of non-financial rented out.

OR Tambo District Municipality

(Registration number : DC15)

Consolidated Annual Financial Statements for the year ended 30 June 2017

Notes to the Consolidated Annual Financial Statements

| Figures in Rand | Municipality | | Group | |
|--|--------------------|-------------------|--------------------|-------------------|
| | 2017 | 2016 | 2017 | 2016 |
| 25. Interest Earned | | | | |
| Interest earned - External Investments | | | | |
| Bank Accounts | 11,442,738 | 8,080,119 | 11,492,337 | 8,092,295 |
| Investments | 24,981,891 | 24,912,520 | 28,035,502 | 27,077,754 |
| | 36,424,629 | 32,992,639 | 39,527,839 | 35,170,049 |
| Interest earned - Outstanding debtors | | | | |
| Outstanding Billing Debtors | 46,914,379 | 42,029,128 | 46,914,379 | 42,029,128 |
| | 83,339,008 | 75,021,767 | 86,442,218 | 77,199,177 |
| 26. Other revenue | | | | |
| Farm Operations | 8,014,934 | 2,672,233 | 10,877,105 | 4,891,306 |
| VAT Refund (Own income in terms of MFMA Circular 48) | 126,149,217 | 91,487,459 | 126,149,217 | 91,487,459 |
| Tender documents | 160,287 | 798,726 | 160,287 | 798,726 |
| Sundry Income | (3,421,896) | 876,684 | (3,009,690) | 1,979,983 |
| | 130,902,542 | 95,835,102 | 134,176,919 | 99,157,474 |
| <p>The amounts disclosed above for Other Revenue are in respect of services, other than described in Notes 21 to 27, rendered which are billed to or paid for by the users as the services are required according to approved tariffs.</p> | | | | |
| 27. Other gains gains on continued operations | | | | |
| Gains in fair value of biological assets | 2,614,672 | 1,774,552 | 2,618,472 | 1,782,052 |
| 28. Income from agency services | | | | |
| Commission | 65,599 | 87,741 | 407,060 | 714,406 |

OR Tambo District Municipality

(Registration number : DC15)

Consolidated Annual Financial Statements for the year ended 30 June 2017

Notes to the Consolidated Annual Financial Statements

| Figures in Rand | Municipality | | Group | |
|--|----------------------|----------------------|----------------------|----------------------|
| | 2017 | 2016 | 2017 | 2016 |
| 29. Government grants and subsidies | | | | |
| Operating grants | | | | |
| Equitable share | 669,303,000 | 622,201,000 | 669,303,000 | 622,201,000 |
| Other Subsidies | 391,532 | 5,558,217 | 416,964 | 5,558,217 |
| Government grant (operating) 2 | - | - | 1,092,428 | 1,092,428 |
| Government grant (operating) 3 | - | - | 425,330 | 425,330 |
| Government grant (operating) 4 | - | - | 88,452 | 88,452 |
| Government grant (operating) 5 | - | - | 743,155 | - |
| | 669,694,532 | 627,759,217 | 672,069,329 | 629,365,427 |
| Capital grants | | | | |
| National: EPWP | 3,174,663 | 6,612,607 | 3,174,663 | 6,612,607 |
| National: FMG | 1,710,000 | 1,568,375 | 1,710,000 | 1,568,375 |
| National: MIG | 448,130,761 | 543,415,197 | 448,130,761 | 543,415,197 |
| National: MSG | - | 928,281 | - | 928,281 |
| National: Municipal Water Infrastructure grant | 96,763,259 | 108,939,587 | 96,763,259 | 108,939,587 |
| National: Department of Roads and Transport | - | 2,338,066 | - | 2,338,066 |
| National: Department of Water Affairs | - | 8,612,123 | - | 8,612,123 |
| Other Government Departments | - | 3,607,321 | - | 3,607,321 |
| National: RBIG | 301,016,101 | - | 301,016,101 | - |
| Provincial Grants - Ntinga | - | - | - | 1,606,210 |
| OR Tambo District Municipality Grants | - | - | - | 1,959,246 |
| Other Grants | - | - | - | 921 |
| | 850,794,784 | 676,021,557 | 850,794,784 | 679,587,934 |
| | 1,520,489,316 | 1,303,780,774 | 1,522,864,113 | 1,308,953,361 |
| Equitable Share | | | | |
| Current-year receipts | 669,303,000 | 622,201,000 | 669,303,000 | 622,201,000 |
| <p>In terms of the Constitution, this grant is used to subsidise the provision of basic services to the communities in the district. All water supply customers receive a monthly allocation of free water. This translates into a subsidy of R36.24 (2016: R116,37) per month towards the consumer account, which subsidy is determined annually by council. Furthermore, the municipality carts water to the urban and rural areas in the district as part of service delivery. No funds have been withheld.</p> | | | | |
| Nationa: EPWP Grant | | | | |
| Current-year receipts | 3,213,000 | 6,693,000 | 3,213,000 | 6,693,000 |
| Conditions met - transferred to revenue: Operating expenses | (3,174,663) | (6,612,607) | (3,174,663) | (6,612,607) |
| Other | (38,337) | (80,393) | (38,337) | (80,393) |
| | - | - | - | - |
| <p>Conditions still to be met - remain liabilities (see note 18).</p> | | | | |
| <p>Expanded Public Works Programme Grants was allocated to the municipality for the enviremental and water infrastructure projects. No funds have been withheld.</p> | | | | |
| National: FMG Funds | | | | |
| Current-year receipts | 1,710,000 | 1,575,000 | 1,710,000 | 1,575,000 |
| Conditions met - transferred to revenue: Operating expenses | (1,710,000) | (1,568,375) | (1,710,000) | (1,568,375) |
| Other | - | (6,625) | - | (6,625) |
| | - | - | - | - |

OR Tambo District Municipality

(Registration number : DC15)

Consolidated Annual Financial Statements for the year ended 30 June 2017

Notes to the Consolidated Annual Financial Statements

| Figures in Rand | Municipality | | Group | |
|-----------------|--------------|------|-------|------|
| | 2017 | 2016 | 2017 | 2016 |

29. Government grants and subsidies (continued)

Conditions still to be met - remain liabilities (see note 18).

The Financial Management Grant is paid by the National Treasury to municipalities to help implement the financial management reforms required by the Municipal Finance Management Act (MFMA), 2003. No funds have been withheld..

National: MIG Funds

| | | | | |
|---|---------------|---------------|---------------|---------------|
| Current-year receipts | 519,099,000 | 617,195,000 | 519,099,000 | 617,195,000 |
| Conditions met - transferred to revenue: Operating expenses | (44,949,144) | (141,704,691) | (44,949,144) | (141,704,691) |
| Conditions met - transferred to revenue: Capital expenses | (403,181,617) | (401,710,507) | (403,181,617) | (401,710,507) |
| Other adjustments / Refunds | (70,968,239) | (73,779,802) | (70,968,239) | (73,779,802) |
| | - | - | - | - |

Conditions still to be met - remain liabilities (see note 18).

The Municipal Infrastructure Grant (MIG) was allocated for the construction of water and sanitation infrastructure where previously there were no infrastructure in order to provide for water as basic need. No funds have been withheld..

In terms of MFMA circular No 48 all conditional allocations (excluding interest earned thereon) that at year-end are not utilised, must revert back to the National Revenue Fund unless the relevant receiving officer can prove to the satisfaction of the National Treasury that the unspent allocation is committed to identifiable projects.

A total of amount of R90 million was withheld due to under spending

National: MSIG Funds

| | | | | |
|---|---|-----------|---|-----------|
| Current-year receipts | - | 940,000 | - | 940,000 |
| Conditions met - transferred to revenue: Operating expenses | - | (928,281) | - | (928,281) |
| Other adjustments / Refunds | - | (11,719) | - | (11,719) |
| | - | - | - | - |

Conditions still to be met - remain liabilities (see note 18).

The Municipal Systems Improvement Grant is allocated to municipalities to assist in building in-house capacity to perform their functions and to improve and stabilise municipal systems. No funds have been withheld.

Water Services Infrastructure Grant (WSIG)

| | | | | |
|---|--------------|---------------|--------------|---------------|
| Current-year receipts | 109,739,000 | 124,303,000 | 109,739,000 | 124,303,000 |
| Conditions met - transferred to revenue: Capital expenses | (96,763,259) | (108,939,587) | (96,763,259) | (108,939,587) |
| Other adjustments / Refunds | (12,975,741) | (15,363,413) | (12,975,741) | (15,363,413) |
| | - | - | - | - |

Conditions still to be met - remain liabilities (see note 18).

This grant was received for the building and maintenance of water and sanitation infrastructure in the district. No funds have been withheld.

National: Department Roads and Transport

| | | | | |
|---|---|-------------|---|-------------|
| Current-year receipts | - | 2,693,000 | - | 2,693,000 |
| Conditions met - transferred to revenue: Operating expenses | - | (2,338,066) | - | (2,338,066) |
| Other adjustments / Refunds | - | (354,934) | - | (354,934) |
| | - | - | - | - |

OR Tambo District Municipality

(Registration number : DC15)

Consolidated Annual Financial Statements for the year ended 30 June 2017

Notes to the Consolidated Annual Financial Statements

| Figures in Rand | Municipality | | Group | |
|---|---------------|-------------|------------------|------------------|
| | 2017 | 2016 | 2017 | 2016 |
| 29. Government grants and subsidies (continued) | | | | |
| Conditions still to be met - remain liabilities (see note 18). | | | | |
| This grant was allocated to assist the municipality to set up a rural roads asset management system. No funds have been withheld. | | | | |
| National: Other government departments | | | | |
| Balance unspent at beginning of year | - | 4,110,015 | - | 4,110,015 |
| Conditions met - transferred to revenue: Operating expenses | - | (3,607,321) | - | (3,607,321) |
| Other adjustments / Refunds | - | (502,694) | - | (502,694) |
| | - | - | - | - |
| Conditions still to be met - remain liabilities (see note 18). | | | | |
| These grants were received to assist the municipality in infrastructure in the rural housing areas. No funds have been withheld. | | | | |
| National: Department Water Affairs (DWA) | | | | |
| Current-year receipts | - | 10,000,000 | - | 10,000,000 |
| Conditions met - transferred to revenue: Operating expenses | - | - | - | - |
| Conditions met - transferred to revenue: Capital expenses | - | (8,612,123) | - | (8,612,123) |
| Other adjustments / Refunds | - | (1,387,877) | - | (1,387,877) |
| | - | - | - | - |
| Conditions still to be met - remain liabilities (see note 18). | | | | |
| This grant was received for the building and maintenance of libraries in the district. No funds have been withheld | | | | |
| National: Regional Bulk Infrastructure Grant (RBIG) | | | | |
| Balance unspent at beginning of year | - | - | - | - |
| Current-year receipts | 343,183,000 | - | 343,183,000 | - |
| Conditions met - transferred to revenue: Operating expenses | - | - | - | - |
| Conditions met - transferred to revenue: Capital expenses | (301,016,101) | - | (301,016,101) | - |
| Other adjustments / Refunds | (42,166,899) | - | (42,166,899) | - |
| | - | - | - | - |
| Conditions still to be met - remain liabilities (see note 18). | | | | |
| This grant was received for the building and maintenance of water and sanitation infrastructure in the district. No funds have been withheld. | | | | |
| Kei Fresh Product Market: Provincial Grants | | | | |
| Balance unspent at beginning of year | - | - | 9,048,662 | 9,686,602 |
| Current-year receipts | - | - | - | 968,270 |
| Conditions met - transferred to Revenue: Operating Expenses | - | - | - | (1,606,210) |
| | - | - | 9,048,662 | 9,048,662 |
| Conditions still to be met - remain liabilities (see note 18). | | | | |
| Ntinga Development Agency: Provincial Grants | | | | |
| Balance unspent at beginning of year | - | - | 43,824 | 4,183,316 |
| Conditions still to be met - transferred to Liabilities | - | - | - | (4,139,492) |

OR Tambo District Municipality

(Registration number : DC15)

Consolidated Annual Financial Statements for the year ended 30 June 2017

Notes to the Consolidated Annual Financial Statements

| Figures in Rand | Municipality | | Group | |
|--|--------------|------|---------------|---------------|
| | 2017 | 2016 | 2017 | 2016 |
| 29. Government grants and subsidies (continued) | | | | |
| | - | - | 43,824 | 43,824 |

Conditions still to be met - remain liabilities (see note 18).

Provide explanations of conditions still to be met and other relevant information.

Ntinga Development Agency: OR Tambo District

| | | | | |
|---|---|---|------------------|----------------|
| Balance unspent at beginning of year | - | - | 300,349 | 2,259,595 |
| Current-year receipts | - | - | 52,605,040 | 36,185,216 |
| Conditions met - transferred to revenue | - | - | (46,665,607) | (38,144,462) |
| | - | - | 6,239,782 | 300,349 |

Conditions still to be met - remain liabilities (see note 18).

Provide explanations of conditions still to be met and other relevant information.

Grant 14

| | | | | |
|---|---|---|----------------|----------------|
| Balance unspent at beginning of year | - | - | 108,557 | 24,050 |
| Current-year receipts | - | - | - | 381,107 |
| Conditions met - transferred to revenue | - | - | - | (921) |
| Conditions still to be met - transferred to Liabilities | - | - | 50,176 | (295,679) |
| | - | - | 158,733 | 108,557 |

Conditions still to be met - remain liabilities (see note 18).

Provide explanations of conditions still to be met and other relevant information.

30. Public contributions and donations

| | | | | |
|-----------------------------|---|---------|---|---------|
| Unconditional contributions | - | 236,323 | - | 236,323 |
|-----------------------------|---|---------|---|---------|

Conditions still to be met - remain liabilities (see note 18)

Provide explanations of conditions still to be met and other relevant information

OR Tambo District Municipality

(Registration number : DC15)

Consolidated Annual Financial Statements for the year ended 30 June 2017

Notes to the Consolidated Annual Financial Statements

| Figures in Rand | Municipality | | Group | |
|--|--------------------|--------------------|--------------------|--------------------|
| | 2017 | 2016 | 2017 | 2016 |
| 31. Employee related costs | | | | |
| Basic | 246,045,432 | 231,879,981 | 265,823,219 | 253,025,937 |
| Bonus | 14,716,996 | 9,652,842 | 15,839,172 | 10,749,882 |
| Medical aid - company contributions | 11,401,858 | 10,316,232 | 11,401,858 | 10,316,232 |
| UIF | 1,865,159 | 1,694,673 | 1,965,995 | 1,717,530 |
| SDL | 3,317,664 | 2,996,851 | 3,522,643 | 3,170,013 |
| Other payroll levies | 70,455 | 65,768 | 70,455 | 65,768 |
| Leave pay provision charge | 11,409,544 | 9,192,906 | 11,815,967 | 9,644,007 |
| Travel, motor car, accommodation, subsistence and other allowances | 34,028,331 | 27,930,019 | 34,321,704 | 28,132,746 |
| Overtime payments | 16,822,317 | 11,651,062 | 16,833,855 | 11,652,785 |
| Acting allowances | 2,372,439 | 2,975,509 | 3,534,952 | 3,083,795 |
| Car allowance | - | - | 2,006,583 | 1,992,656 |
| Housing benefits and allowances | 11,409,294 | 10,136,549 | 11,409,294 | 10,136,549 |
| Telephone allowance | 864,130 | 1,226,423 | 1,476,146 | 1,817,763 |
| Contributions: Group Life Insurance | 7,307,234 | 6,603,158 | 7,369,365 | 6,656,361 |
| Defined Benefit Plan expense | 10,440,000 | 7,947,747 | 10,440,000 | 7,947,747 |
| Termination benefits | 38,991,605 | 33,053,383 | 38,991,605 | 33,053,383 |
| | 411,062,458 | 367,323,103 | 436,822,813 | 393,163,154 |

REMUNERATION OF SECTION 57 EMPLOYEES:

Remuneration of municipal manager / Chief Executive Officer

| | | | | |
|---|------------------|----------------|------------------|------------------|
| Annual Remuneration | 1,085,044 | 339,127 | 2,275,675 | 1,514,084 |
| Car Allowance | 430,311 | 267,980 | 543,252 | 413,432 |
| Bonuses | 89,435 | - | 166,022 | - |
| Contributions to UIF, Salga, Group life and SDL | 58,918 | - | 217,269 | 157,951 |
| Leave Benefits | 215,205 | - | 215,205 | - |
| Cellphone Allowance | 49,378 | - | 49,378 | - |
| Other | - | - | 44,472 | - |
| | 1,928,291 | 607,107 | 3,511,273 | 2,085,467 |

The Municipal manager was appointed in April 2016.

Remuneration of Chief Finance Officer

| | | | | |
|---|------------------|------------------|------------------|------------------|
| Annual Remuneration | 1,093,088 | 1,005,739 | 2,019,822 | 1,005,739 |
| Car Allowance | 488,067 | 491,229 | 601,008 | 491,229 |
| Bonuses | - | - | 69,280 | - |
| Contributions to UIF, Salga, Group life and SDL | 61,230 | 41,140 | 185,274 | 41,140 |
| Other | - | - | 44,418 | - |
| Cellphone Allowance | 37,268 | - | 37,268 | - |
| | 1,679,653 | 1,538,108 | 2,957,070 | 1,538,108 |

Remuneration of directors: Chief of staff

| | | | | |
|---|------------------|------------------|------------------|------------------|
| Annual Remuneration | 1,035,093 | 1,106,438 | 1,035,093 | 1,106,438 |
| Car Allowance | 316,469 | 441,369 | 316,469 | 441,369 |
| Bonuses | 86,258 | - | 86,258 | - |
| Contributions to UIF, Salga, Group life and SDL | 53,055 | 36,057 | 53,055 | 36,057 |
| Cellphone Allowance | 37,253 | - | 37,253 | - |
| | 1,528,128 | 1,583,864 | 1,528,128 | 1,583,864 |

OR Tambo District Municipality

(Registration number : DC15)

Consolidated Annual Financial Statements for the year ended 30 June 2017

Notes to the Consolidated Annual Financial Statements

| Figures in Rand | Municipality | | Group | |
|--|------------------|------------------|------------------|------------------|
| | 2017 | 2016 | 2017 | 2016 |
| 31. Employee related costs (continued) | | | | |
| Remuneration of director: Community and Social Affairs | | | | |
| Annual Remuneration | 1,194,431 | 1,224,815 | 1,194,431 | 1,224,815 |
| Car Allowance | 246,864 | 250,711 | 246,864 | 250,711 |
| Bonuses | 101,496 | - | 101,496 | - |
| Contributions to UIF, Salga, Group life and SDL | 58,552 | 39,067 | 58,552 | 39,067 |
| Cellphone Allowance | 23,531 | - | 23,531 | - |
| | 1,624,874 | 1,514,593 | 1,624,874 | 1,514,593 |
| Remuneration of the director: Human Resources | | | | |
| Annual Remuneration | 1,262,304 | 275,140 | 1,262,304 | 275,140 |
| Car Allowance | 7,884 | - | 7,884 | - |
| Contributions to UIF, Salga, Group life and SDL | 51,203 | 8,419 | 51,203 | 8,419 |
| Cellphone Allowance | 6,501 | - | 6,501 | - |
| | 1,327,892 | 283,559 | 1,327,892 | 283,559 |
| The director for Human Resources was appointed in April 2016. | | | | |
| Remuneration of the director: Human Settlement | | | | |
| Car Allowance | - | 165,654 | - | 165,654 |
| The position for Director Human Settlement was vacant throughout the current financial year. | | | | |
| Remuneration of the director: Office of the Executive mayor | | | | |
| Annual Remuneration | 1,043,560 | 1,171,569 | 1,043,560 | 1,171,569 |
| Car Allowance | 120,000 | 217,680 | 120,000 | 217,680 |
| Contributions to UIF, Salga, Group life and SDL | 47,383 | 36,274 | 47,383 | 36,274 |
| Cellphone Allowance | 37,944 | - | 37,944 | - |
| | 1,248,887 | 1,425,523 | 1,248,887 | 1,425,523 |
| Remuneration of the director: Rural and Economic Development | | | | |
| Annual Remuneration | 1,353,652 | 1,377,358 | 1,353,652 | 1,377,358 |
| Car Allowance | 127,809 | 373,600 | 127,809 | 373,600 |
| Bonuses | 105,525 | - | 105,525 | - |
| Contributions to UIF, Salga, Group life and SDL | 59,668 | 38,984 | 59,668 | 38,984 |
| Cellphone Allowance | 26,274 | - | 26,274 | - |
| | 1,672,928 | 1,789,942 | 1,672,928 | 1,789,942 |
| Remuneration of the director: Internal Audit | | | | |
| Annual Remuneration | 898,513 | 997,280 | 898,513 | 997,280 |
| Car Allowance | 302,736 | 324,742 | 302,736 | 324,742 |
| Contributions to UIF, Salga, Group life and SDL | 47,216 | - | 47,216 | - |
| Cellphone Allowance | 22,455 | - | 22,455 | - |
| | 1,270,920 | 1,322,022 | 1,270,920 | 1,322,022 |
| Remuneration of the director: Speaker's Office / Legislature | | | | |

OR Tambo District Municipality

(Registration number : DC15)

Consolidated Annual Financial Statements for the year ended 30 June 2017

Notes to the Consolidated Annual Financial Statements

| Figures in Rand | Municipality | | Group | |
|---|------------------|----------------|------------------|----------------|
| | 2017 | 2016 | 2017 | 2016 |
| 31. Employee related costs (continued) | | | | |
| Annual Remuneration | 990,567 | 633,818 | 990,567 | 633,818 |
| Car Allowance | 223,293 | 314,087 | 223,293 | 314,087 |
| Bonuses | 83,252 | - | 83,252 | - |
| Contributions to UIF, Salga, Group life and SDL | 48,568 | 21,476 | 48,568 | 21,476 |
| | 1,345,680 | 969,381 | 1,345,680 | 969,381 |

The position for Director: Speaker's Office / Legislature was vacant throughout the current financial year.

Remuneration of the director: Technical Services

| | | | | |
|---|----------------|------------------|----------------|------------------|
| Annual Remuneration | 491,465 | 1,055,880 | 491,465 | 1,055,880 |
| Car Allowance | 124,571 | 280,412 | 124,571 | 280,412 |
| Bonuses | 74,453 | - | 74,453 | - |
| Contributions to UIF, Salga, Group life and SDL | 25,657 | 35,615 | 25,657 | 35,615 |
| Leave benefits | 90,942 | - | 90,942 | - |
| Cellphone Allowance | 13,769 | - | 13,769 | - |
| | 820,857 | 1,371,907 | 820,857 | 1,371,907 |

Remuneration of the director: Water Services

| | | | | |
|---|----------------|------------------|----------------|------------------|
| Annual Remuneration | 103,670 | 764,667 | 103,670 | 764,667 |
| Car Allowance | - | 378,592 | - | 378,592 |
| Contributions to UIF, Salga, Group life and SDL | 4,339 | 25,326 | 4,339 | 25,326 |
| Cellphone Allowance | 2,162 | - | 2,162 | - |
| | 110,171 | 1,168,585 | 110,171 | 1,168,585 |

The Director: Water Services was appointed in June 2017.

Remuneration of the Chief of staff: Legislature

| | | | | |
|---|----------------|----------------|----------------|----------------|
| Annual Remuneration | 250,396 | 525,950 | 250,396 | 525,950 |
| Car Allowance | - | 14,286 | - | 14,286 |
| Contributions to UIF, Salga, Group life and SDL | 10,215 | 16,054 | 10,215 | 16,054 |
| Other Benefits | - | 86,036 | - | 86,036 |
| | 260,611 | 642,326 | 260,611 | 642,326 |

The Chief of Staff: Legislature was appointed in April 2017.

Remuneration of the director: Municipal Managers Office

| | | | | |
|---|------------------|----------------|------------------|----------------|
| Annual Remuneration | 1,114,941 | 477,103 | 1,114,941 | 477,103 |
| Car Allowance | 66,810 | - | 66,810 | - |
| Contributions to UIF, Salga, Group life and SDL | 45,462 | 20,577 | 45,462 | 20,577 |
| Cellphone Allowance | 25,486 | 12,061 | 25,486 | 12,061 |
| Other | - | 16,853 | - | 16,853 |
| | 1,252,699 | 526,594 | 1,252,699 | 526,594 |

The director to the office of the municipal manager was appointed in January 2016.

Staff Leave Benefits

| | | | | |
|-------------------|-----------|---------|-----------|---------|
| Municipal Manager | 1,114,941 | 256,572 | 1,114,941 | 256,572 |
|-------------------|-----------|---------|-----------|---------|

OR Tambo District Municipality

(Registration number : DC15)

Consolidated Annual Financial Statements for the year ended 30 June 2017

Notes to the Consolidated Annual Financial Statements

| Figures in Rand | Municipality | | Group | |
|---|--------------------|--------------------|--------------------|--------------------|
| | 2017 | 2016 | 2017 | 2016 |
| 31. Employee related costs (continued) | | | | |
| Chief Financial Officer | 66,810 | 41,573 | 66,810 | 41,573 |
| Director: Chief of Staff | 45,462 | 65,705 | 45,462 | 65,705 |
| Director: Community and social affairs | 25,486 | 32,064 | 25,486 | 32,064 |
| Director: Human Resources | - | 124,128 | - | 124,128 |
| Director: Planning and Development | - | 54,794 | - | 54,794 |
| Director: Water services | 215,205 | 42,754 | 215,205 | 42,754 |
| Director: Technical services | 90,942 | - | 90,942 | - |
| | 1,558,846 | 617,590 | 1,558,846 | 617,590 |
| 32. Remuneration of councillors | | | | |
| Executive Mayor | 952,731 | 706,456 | 952,731 | 706,456 |
| Deputy Executive Mayor | 772,989 | 565,186 | 772,989 | 565,186 |
| Mayoral Committee Members | 5,397,504 | 3,680,014 | 5,397,504 | 3,680,014 |
| Speaker | 810,538 | 565,236 | 810,538 | 565,236 |
| Councillors | 8,812,968 | 6,446,430 | 8,812,968 | 6,446,430 |
| Councillors' pension contribution | - | 523,081 | - | 523,081 |
| Company Contributions to UIF and Pension funds | - | 103,957 | - | 103,957 |
| Other Allowances (Cellular phones, housing, Transport, etc) | - | 4,291,456 | - | 4,291,456 |
| Ntinga Directors | - | - | 1,002,891 | 719,398 |
| | 16,746,730 | 16,881,816 | 17,749,621 | 17,601,214 |
| In-kind benefits | | | | |
| The Councillors occupying the position of Executive Mayor, Speaker and Mayoral Committee Members of the municipality serve in a full-time capacity. Each of these Councillors are provided with office accommodation and secretarial support at the expense of the municipality in order to enable them to perform their official duties. | | | | |
| The Chairman and all Board Members are part-time. In order to enable them to carry out their responsibilities efficiently and effectively, they are provided with computer equipment with data bundles. | | | | |
| The Executive Mayor is entitled to stay at the mayoral residence owned by the Council at less than market related rate. The Executive Mayor has use of a Council owned vehicle for official duties. | | | | |
| The Mayor has one full-time bodyguard and a full-time driver. | | | | |
| 33. Depreciation and amortisation | | | | |
| Property, Plant and Equipment | 160,752,714 | 151,585,120 | 163,416,077 | 155,093,370 |
| Intangible assets | 1,011,643 | 1,011,642 | 1,039,831 | 1,039,945 |
| | 161,764,357 | 152,596,762 | 164,455,908 | 156,133,315 |
| 34. Debt impairment | | | | |
| Debt impairment | 146,934,160 | 107,693,467 | 147,042,014 | 107,782,248 |
| 35. Interest Paid | | | | |
| Bank | - | - | 78,591 | 135,916 |
| Other interest paid | 5,906,270 | 389,463 | 5,922,839 | 442,594 |
| | 5,906,270 | 389,463 | 6,001,430 | 578,510 |

OR Tambo District Municipality

(Registration number : DC15)

Consolidated Annual Financial Statements for the year ended 30 June 2017

Notes to the Consolidated Annual Financial Statements

| Figures in Rand | Municipality | | Group | |
|---------------------------|--------------|------------|------------|------------|
| | 2017 | 2016 | 2017 | 2016 |
| 36. Bulk purchases | | | | |
| Water | 42,406,949 | 43,844,958 | 42,406,949 | 43,844,958 |

Bulk Purchases are the cost of commodities not generated by the municipality, which the municipality distributes in the municipal area for resale to the consumers. Water is purchased from the Department of Water Affairs.

37. Contracted services

| | | | | |
|---------------------------|-------------------|-------------------|-------------------|-------------------|
| Professional Services | 22,888,455 | 12,517,690 | 22,996,304 | 12,872,792 |
| Security Services | 15,752,349 | 13,177,923 | 15,752,349 | 13,177,923 |
| Waste Mangement | 4,331,403 | 2,009,902 | 4,331,403 | 2,009,902 |
| Water Purification | 14,490 | 21,397 | 14,490 | 21,397 |
| Other Contracted Services | 1,845,014 | 696,647 | 2,124,700 | 954,205 |
| | 44,831,711 | 28,423,559 | 45,219,246 | 29,036,219 |

38. Grants and subsidies paid

Grants paid to ME's

| | | | | |
|---------------------------|------------|------------|-----------|------------|
| Ntinga Development Agency | 54,392,140 | 36,282,482 | 2,115,040 | 36,282,482 |
|---------------------------|------------|------------|-----------|------------|

Other subsidies

| | | | | |
|----------------------|--------------------|--------------------|--------------------|--------------------|
| Community projects | 12,541,767 | 20,484,308 | 25,455,533 | 35,529,704 |
| Free Basic Services | 52,692,361 | 12,232,517 | 52,692,361 | 12,232,517 |
| Local Municipalities | 19,145,938 | 29,120,287 | 19,145,938 | 29,120,287 |
| Social Aid | 10,602,623 | 9,816,274 | 10,602,623 | 9,816,274 |
| | 94,982,689 | 71,653,386 | 107,896,455 | 86,698,782 |
| | 149,374,829 | 107,935,868 | 110,011,495 | 122,981,264 |

Community Projects are in respect of community cultural programs, low cost housing and catering & transport cost within the municipality's area of jurisdiction.

Free Basic Services are in respect of assistance to and providing basic service levels to indigent households.

Local Municipalities are in respect of assistance to municipalities in the district under control of the municipality.

Municipal Entities are in respect of assistance to entities under control of the municipality to enable the entities to fulfil their mandates.

OR Tambo District Municipality

(Registration number : DC15)

Consolidated Annual Financial Statements for the year ended 30 June 2017

Notes to the Consolidated Annual Financial Statements

| Figures in Rand | Municipality | | Group | |
|--|--------------------|--------------------|--------------------|--------------------|
| | 2017 | 2016 | 2017 | 2016 |
| 39. General expenses | | | | |
| Advertising | 1,110,441 | 780,251 | 1,312,157 | 896,835 |
| Auditors remuneration | 8,048,619 | 7,123,470 | 10,224,145 | 9,083,598 |
| Bank charges | 456,806 | 972,490 | 567,862 | 1,088,289 |
| Books, Magazines and Publications | 47,448 | 7,585 | 47,448 | 7,585 |
| Capex Expenditure Control | 224,396 | - | 224,396 | - |
| Cleaning | 506,358 | 1,367,086 | 725,056 | 1,513,991 |
| Communication and Public Participation | 10,883,640 | 8,171,012 | 10,883,640 | 8,171,012 |
| Conferences and seminars | 11,710,622 | 10,780,343 | 11,710,622 | 10,780,343 |
| Cost of Issues of Inventory | 17,580,197 | 20,167,313 | 17,580,197 | 20,167,313 |
| Electricity | 37,402,507 | 36,149,335 | 37,810,488 | 36,669,452 |
| Entertainment | 2,925,040 | 1,972,687 | 2,978,027 | 2,009,368 |
| Expenditure incurred on Conditional grants | 137,295,000 | 156,248,801 | 133,657,306 | 156,248,801 |
| Farm Operations | 772,840 | 1,736,360 | 772,840 | 1,736,360 |
| Fuel and oil | 8,932,957 | 8,497,085 | 9,350,607 | 8,952,546 |
| Hiring of equipment | 35,444,412 | 25,069,855 | 35,951,884 | 25,419,263 |
| IDP Review | 3,944,299 | 4,409,169 | 4,022,936 | 4,439,675 |
| Insurance | 2,277,517 | 1,879,392 | 2,912,620 | 2,472,128 |
| Legal Fees | 10,889,181 | 5,534,589 | 11,005,379 | 6,047,201 |
| Levies: SALGA | 4,594,510 | 3,988,390 | 4,594,510 | 3,988,390 |
| Licence Fees | 4,400,475 | 1,580,745 | 4,586,602 | 1,746,458 |
| Medical expenses | 1,588,108 | 1,491,653 | 1,588,523 | 1,491,653 |
| Motor vehicle expenses | - | - | 26,329 | 19,376 |
| Municipal Services - Assessment rates | 1,566,862 | 925,838 | 1,566,862 | 925,838 |
| Operational Cost of Programs | 12,751,954 | 11,283,372 | 12,751,954 | 11,283,372 |
| Other General Expenses | 1,454,100 | 1,716,558 | 5,166,894 | 2,678,004 |
| Packaging | - | 2,101,697 | 4,188 | 2,119,768 |
| Postage and courier | 161,259 | 108,982 | 162,506 | 111,423 |
| Printing and stationery | 1,832,031 | 1,853 | 2,049,959 | 181,955 |
| Protective clothing | 1,369,824 | 1,367,880 | 1,369,824 | 1,367,880 |
| Purification Chemicals | 4,441,183 | 1,210,626 | 4,441,183 | 1,210,626 |
| Staff Development and Wellness | 2,520,568 | 4,906,838 | 2,520,568 | 4,906,838 |
| Subscriptions and membership fees | - | - | 132,311 | 118,051 |
| Telephone and fax | 6,731,294 | 8,655,385 | 7,118,366 | 8,987,357 |
| Tourism Strategy | 1,404,377 | 1,529,826 | 1,404,377 | 1,529,826 |
| Training costs | 5,736,206 | 5,952,876 | 6,087,681 | 6,271,065 |
| Travelling and Subsistence | 60,027,701 | 28,139,242 | 60,281,666 | 28,544,657 |
| VIP Protection Unit | 4,081,110 | 1,030,019 | 4,081,110 | 1,030,019 |
| Ward Committee Management | (19,180) | 236,000 | (19,180) | 236,000 |
| Waste Water Management | - | 573,086 | - | 573,086 |
| Whip's Office | 2,030,654 | 2,111,766 | 2,030,654 | 2,111,766 |
| Workmen's Compensation Fund | 3,000,000 | - | 3,000,000 | - |
| | 410,125,316 | 369,779,455 | 416,684,497 | 377,137,168 |

The amounts disclosed above for Other General Expenses are in respect of costs incurred in the general management of the municipality and not direct attributable to a specific service or class of expense

Material losses

Distribution losses

| | | | | |
|--------------|------------|------------|------------|------------|
| Water losses | 22,816,450 | 12,257,657 | 22,816,450 | 12,257,657 |
|--------------|------------|------------|------------|------------|

No other extra-ordinary expenses were incurred.

OR Tambo District Municipality

(Registration number : DC15)

Consolidated Annual Financial Statements for the year ended 30 June 2017

Notes to the Consolidated Annual Financial Statements

| Figures in Rand | Municipality | | Group | |
|-------------------------------------|----------------------|----------------------|----------------------|----------------------|
| | 2017 | 2016 | 2017 | 2016 |
| 40. Revenue | | | | |
| Other Gains on continued operations | 2,614,672 | 1,774,552 | 2,618,472 | 1,782,052 |
| Service charges | 206,822,345 | 195,346,165 | 206,822,345 | 195,346,165 |
| Rental of facilities and equipment | 35,118 | 24,334 | 822,311 | 871,664 |
| Interest earned | 83,339,008 | 75,021,767 | 86,442,218 | 77,199,177 |
| Other revenue | 130,902,542 | 95,835,102 | 134,176,919 | 99,157,474 |
| Government grants & subsidies | 1,523,251,348 | 1,303,780,772 | 1,525,626,145 | 1,349,111,016 |
| Public contributions and donations | - | 236,323 | - | 236,323 |
| Income from agency services | 65,599 | 87,741 | 407,060 | 714,406 |
| | 1,947,030,632 | 1,672,106,756 | 1,956,915,470 | 1,724,418,277 |

The amount included in revenue arising from exchanges of goods or services are as follows:

| | | | | |
|-------------------------------------|--------------------|--------------------|--------------------|--------------------|
| Other Gains on Continued Operations | 2,614,672 | 1,774,552 | 2,618,472 | 1,782,052 |
| Service charges | 206,822,345 | 195,346,165 | 206,822,345 | 195,346,165 |
| Rental of facilities and equipment | 35,118 | 24,334 | 822,311 | 871,664 |
| Interest earned | 83,339,008 | 75,021,767 | 86,442,218 | 77,199,177 |
| Other revenue | 130,902,542 | 95,835,102 | 134,176,919 | 99,157,474 |
| | 423,713,685 | 368,001,920 | 430,882,265 | 374,356,532 |

The amount included in revenue arising from non-exchange transactions is as follows:

Taxation revenue

Transfer revenue

| | | | | |
|------------------------------------|----------------------|----------------------|----------------------|----------------------|
| Government grants & subsidies | 1,523,251,348 | 1,303,780,772 | 1,525,626,145 | 1,349,111,016 |
| Public contributions and donations | - | 236,323 | - | 236,323 |
| Income from Agency Services | 65,599 | 87,741 | 407,060 | 714,406 |
| | 1,523,316,947 | 1,304,104,836 | 1,526,033,205 | 1,350,061,745 |

41. Fair value adjustments

| | | | | |
|--|-----------|---|-----------|----------|
| Biological assets - (Fair value model) | (136,500) | - | (276,050) | (81,105) |
|--|-----------|---|-----------|----------|

42. Auditors' remuneration

| | | | | |
|------------------------------|------------------|----------------|------------------|----------------|
| Fees | 8,048,619 | 7,123,470 | 8,184,790 | 7,123,470 |
| Adjustment for previous year | - | 222,879 | - | 222,879 |
| Amount paid - Current year | - | (6,565,694) | - | (6,565,694) |
| Amount paid - Prior year | - | (222,879) | - | (222,879) |
| | 8,048,619 | 557,776 | 8,184,790 | 557,776 |

43. Financial instruments disclosure

Categories of financial instruments

Group - 2017

Financial assets

| | At fair value | At amortised cost | Total |
|---|---------------|-------------------|------------|
| Receivables from Exchange - Sewerage | - | 7,062,097 | 7,062,097 |
| Receivables from Exchange - Water | - | 41,475,924 | 41,475,924 |
| Receivables from Exchange - Other Receivables | - | 6,063,980 | 6,063,980 |

OR Tambo District Municipality

(Registration number : DC15)

Consolidated Annual Financial Statements for the year ended 30 June 2017

Notes to the Consolidated Annual Financial Statements

| Figures in Rand | Municipality | | Group | |
|---|--------------|------|--------------|--------------------|
| | 2017 | 2016 | 2017 | 2016 |
| 43. Financial instruments disclosure (continued) | | | | |
| Receivables from Non-Exchange - Short-term Loans | - | | 18,805 | 18,805 |
| Receivables from Non-Exchange - Sundry debtors | - | | 11,927,024 | 11,927,024 |
| Cash and cash equivalents - Call deposits | - | | 186,053,522 | 186,053,522 |
| Cash and cash equivalents - Bank Balances | - | | 105,275,860 | 105,275,860 |
| Cash and cash equivalents - Cash Floats and Advances | 9,352 | | - | 9,352 |
| Current Portion of Long-term Receivables - Other Loans | - | | 1,199,163 | 1,199,163 |
| | | | 9,352 | 359,076,375 |
| | | | | 359,085,727 |

Financial liabilities

| | At amortised cost | Total |
|--|--------------------|--------------------|
| Payables from exchange transactions - Payments received in advance | 4,659,377 | 4,659,377 |
| Payables from exchange transactions - Trade Creditors | 114,164,276 | 114,164,276 |
| Payables from exchange transactions - Retentions | 22,170,154 | 22,170,154 |
| Payables from exchange transactions - Other Creditors | 133,774,661 | 133,774,661 |
| Payables from exchange transactions - VAT Accrued Account | 43,711,162 | 43,711,162 |
| Payables from Non-exchange transactions - Income Received in Advance | 16,353,486 | 16,353,486 |
| Payables from exchange transactions - Salary Control | 2,743,553 | 2,743,553 |
| | 337,576,669 | 337,576,669 |

Group - 2016

Financial assets

| | At fair value | At amortised cost | Total |
|---|---------------|--------------------|--------------------|
| Receivables from Exchange transactions - Other Loans | - | 1,197,650 | 1,197,650 |
| Receivables from Exchange transactions - Sewerage | - | 8,371,428 | 8,371,428 |
| Receivables from Exchange transactions - Water | - | 35,779,609 | 35,779,609 |
| Receivables from Exchange transactions - Other Debtors | - | 59,039,727 | 59,039,727 |
| Receivables from Non-Exchange transactions - Short-term loans | - | 4,386 | 4,386 |
| Receivables from Non-Exchange transactions - Sundry Debtors | - | 8,815,696 | 8,815,696 |
| Receivables from Non-exchange Transactions | - | 375,267 | 375,267 |
| Receivables from Non-Exchange transactions - Other Control Accounts | - | 73,163 | 73,163 |
| Cash and cash equivalents - Call deposits | - | 309,667,533 | 309,667,533 |
| Cash and cash equivalents - Bank Balances | - | 59,760,178 | 59,760,178 |
| Cash and cash equivalents - Cash Floats and Advances | 11,437 | - | 11,437 |
| | 11,437 | 483,084,637 | 483,096,074 |

Financial liabilities

| | At amortised cost | Total |
|--|--------------------|--------------------|
| Payables from exchange transactions - Payments received in advance | 5,063,393 | 5,063,393 |
| Payables from exchange transactions - Trade Creditors | 256,651,781 | 256,651,781 |
| Payables from exchange transactions - Retentions | 21,692,053 | 21,692,053 |
| Payables from exchange transactions - Other Creditors | 3,705,505 | 3,705,505 |
| Payables from exchange transactions - VAT Accrued Account | 51,144,151 | 51,144,151 |
| Payables from Non-exchange transactions - Income received in advance | 1,854,416 | 1,854,416 |
| Payables from exchange transactions - Salary Control Account | 926,341 | 926,341 |
| Current Portion of long-term Liabilities - Finance Lease Liabilities | 20,436 | 20,436 |
| | 341,058,076 | 341,058,076 |

OR Tambo District Municipality

(Registration number : DC15)

Consolidated Annual Financial Statements for the year ended 30 June 2017

Notes to the Consolidated Annual Financial Statements

| Figures in Rand | Municipality | | Group | |
|---|------------------|------------------|------------------|------------------|
| | 2017 | 2016 | 2017 | 2016 |
| 44. Other Gains and losses | | | | |
| Gains in Fair Value of Biological Assets | 2,614,669 | 1,774,552 | 2,614,669 | 1,774,552 |
| Losses in Fair Value of Biological Assets | (136,500) | - | (136,500) | - |
| | 2,478,169 | 1,774,552 | 2,478,169 | 1,774,552 |

Gains and Losses in Fair Value of Biological Assets are attributable to continuing operations.

45. Related Party Transactions

All Related Party Transactions are conducted at arm's length, unless stated otherwise.

Interest of Related Parties

No Related Party Interests have been identified/declared for the two financial years under review.

Kei Fresh Produce Agency is wholly controlled by the municipality.

O R Tambo Ntinga Development Agency is wholly controlled by the municipality.

O R Tambo Ntinga Development Agency is utilising free offices provided by the municipality.

Loans granted to Related Parties

In terms of the MFMA, the municipality may not grant loans to its Councillors, Management, Staff and Public with effect from 1 July 2004. Loans, together with the conditions thereof, granted prior to this date are disclosed in Note 12 to the Annual Financial Statements.

Compensation of Related Parties

Compensation of Key Management Personnel and Councillors is set out in Notes 30, 31 Statement of Remuneration of Management, to the Annual Financial Statements.

Purchases from Related Parties

The municipality did not buy goods from any companies which can be considered to be Related Parties.

Other Related Party Transactions

Grants paid by the Municipality:

The amounts below include a grant that the municipality pays to Ntinga Development Agency for operations at Adam Kok Farms. Farm Assets belong to the municipality and the entity is only responsible for operations.

| | | | | |
|------------------------------------|------------|------------|------------|------------|
| Ntinga OR Tambo Development Agency | 54,421,940 | 36,185,216 | 54,421,940 | 36,185,216 |
|------------------------------------|------------|------------|------------|------------|

OR Tambo District Municipality

(Registration number : DC15)

Consolidated Annual Financial Statements for the year ended 30 June 2017

Notes to the Consolidated Annual Financial Statements

| Figures in Rand | Municipality | | Group | |
|--|---------------|---------------|-------------|---------------|
| | 2017 | 2016 | 2017 | 2016 |
| 46. Commitments | | | | |
| Authorised capital expenditure | | | | |
| Approved and contracted for: | | | | |
| • Infrastructure | 1,006,154,737 | 1,002,762,625 | 551,950,644 | 591,049,782 |
| Approved but not yet contracted for: | | | | |
| • Infrastructure | - | - | - | - |
| Total capital commitments | | | | |
| This expenditure will be financed from Government Grants | 1,006,154,737 | 1,002,762,625 | 551,950,644 | 591,049,782 |
| Total commitments | | | | |
| Authorised capital expenditure | 1,006,154,737 | 1,002,762,625 | 551,950,644 | 1,002,923,378 |
| This committed expenditure relates to Infrastructure and will be financed from Government grants. | | | | |
| 47. Contingencies | | | | |
| Municipality: | | | | |
| (i) Claims for Services Rendered: | | | | |
| Claims in lieu of services rendered have been lodged against the municipality. On the basis of legal opinion, the municipality is contesting the claims. The outcome of the cases are still uncertain. | - | - | 13,946,858 | 49,540,258 |
| (ii) Failure to honour a Cession Agreement: | | | | |
| Claims have been lodged for failure to honour a cession agreement. The municipality is contesting the claim based on legal advice. The outcome of the case is still uncertain. | - | - | 903,507 | 3,693,780 |
| (iii) Claim for Payments to Unauthorised Accounts: | | | | |
| Claims have been lodged for making payments to unauthorised accounts. The municipality is contesting the claims. The outcome of the cases are still uncertain. | - | - | 546,280 | 300,000 |
| | - | - | - | 1 |
| (iv) Labour Cases: | | | | |
| a) Claims have been for the payment of secondment allowance for an employee seconded from the Ntinga O.R Tambo Development Agency to O.R Tambo DM. The matter is still pending in arbitration | - | - | 726,189 | - |
| b) Claims have been for unfair labour practices with respect to the validity of the contract. The matter is now being referred for review in the Labour Court. | - | - | 2,800,000 | - |

OR Tambo District Municipality

(Registration number : DC15)

Consolidated Annual Financial Statements for the year ended 30 June 2017

Notes to the Consolidated Annual Financial Statements

| Figures in Rand | Municipality | | Group | |
|--|--------------|------|------------------|------------------|
| | 2017 | 2016 | 2017 | 2016 |
| 47. Contingencies (continued) | | | | |
| c) Claim from an employee who wanted his employment to be converted into a permanent position. The matter is now being referred for review in the Labour Court | - | - | - | - |
| d) Claims from former EPWP employees, seeking a court order directing the district municipality to furnish information regarding their employment status and contracts. | - | - | - | - |
| | - | - | 3,526,189 | - |
| (vi) Claim for Damages Suffered: | | | | |
| a) Claims have been lodged for the house burnt down and, due to the unavailability of water on the day. The claimant has issued summons and the municipality attorneys have filed their opposing documents. | - | - | 1,850,000 | - |
| b) Claims have been lodged for damage suffered in a motor vehicle accident. The municipality is contesting the claims. The outcome of the cases are still uncertain. | - | - | 21,976 | - |
| | - | - | 1,871,976 | - |
| Ntinga Development Agency | | | | |
| Delta Property Fund Limited is claiming an amount of R 410,460 from the agency regarding a lease agreement for premises the agency previously used. The new property owner, Motseng Investment Holdings is demanding a payment of R1,393,578.86 for breach of contract and payment of R 410,469.51 for payment of notice period. The matter is being defended by the Entity. The Entity is demanding its rental deposit of R 183,141.00. | - | - | 410,460 | 410,460 |
| The Entity filed a criminal case against an employee at Ikwezi Dairy Farm. The concerned employee won the internal case. The matter is being investigated by the South African Police Services. | - | - | 59,715 | 59,715 |
| There is a matter brought by the Department of Correctional Services alleging that their pigs that were brought for slaughter at the abattoir were not returned in full. The Entity is awaiting for the formal withdrawal of the matter by the complainant. | - | - | 5,361 | 5,361 |
| The Entity is a second defendant on a matter involving a collision between a truck and a cow at Adam Kok Farms. | - | - | 218,254 | - |
| The Entity is a defendant on a matter involving one of its employees. The matter involved a motor vehicle accident and the affected employee has not accepted responsibility. | - | - | 34,845 | 34,845 |
| | - | - | 728,635 | 2,151,461 |
| Kei Fresh Produce Market | | | | |
| Kei Fresh Produce Market | | | | |
| B Munala | - | - | 800,000 | 750,000 |
| S.G Cemgimbo | - | - | 1,500,000 | 1,500,000 |
| K. Joni | - | - | 213,937 | 213,937 |
| | - | - | 2,513,937 | 2,463,937 |

A court case in respect of a claim for unfair labour practices has been instituted against the company by former employees listed above. Three cases had not been finalised as at year end.

OR Tambo District Municipality

(Registration number : DC15)

Consolidated Annual Financial Statements for the year ended 30 June 2017

Notes to the Consolidated Annual Financial Statements

| Figures in Rand | Municipality | | Group | |
|-----------------|--------------|------|-------|------|
| | 2017 | 2016 | 2017 | 2016 |

47. Contingencies (continued)

CONTINGENT ASSETS

Ntinga Development Agency

The Entity filed a criminal case against an employee at Ikwezi Dairy Farm. The concerned employee won the internal case. The matter is being investigated by the South African Police Services.

| | | | |
|---|---|--------|--------|
| - | - | 59,715 | 59,715 |
|---|---|--------|--------|

Contingent assets

Subsequent to the disciplinary hearing in respect of the fruitless and wasteful expenditure referred to in Note 56, civil proceedings have commenced against the employees concerned to recover an amount of -. According to Council's legal advisors, it is probable that the proceedings will result in the recovery of the full amount but this recovery is virtually certain.

48. Prior period errors

Property, plant and equipment and accumulated Surplus were restated due to overstatement of impairment in Other assets.

The irregular expenditure for the prior year was restated from R2 089 264 386 to R4 491 132 303 due to understatement of prior year figure.

The correction of the error(s) results in adjustments as follows:

Statement of Financial Position

| | | | | |
|---|--------------|---|--------------|---|
| Increase / (Decrease) Buildings | (561,608) | - | (561,608) | - |
| Increase / (Decrease) Infrastructure | 1,272,184 | - | 1,272,184 | - |
| Increase / (Decrease) Other Assets | 12,593,305 | - | 12,616,142 | - |
| (Increase) / Decrease Employee Benefits | (2,531,000) | - | (2,531,000) | - |
| (Increase) / Decrease Payables from Exchange Transactions | (528,480) | - | (528,480) | - |
| (Increase) / Decrease Accumulated surplus / (Deficit) | (10,244,400) | - | (10,267,237) | - |
| Increase / (Decrease) Other Assets | 4,924,298 | - | 4,924,298 | - |
| Increase / (Decrease) Infrastructure | (4,924,298) | - | (4,924,298) | - |
| Increase / (Decrease) Buildings | 138,905 | - | 138,905 | - |
| Increase / (Decrease) Infrastructure | (138,905) | - | (138,905) | - |
| (Increase) / Decrease in Retentions | 75,678,960 | - | 75,678,960 | - |
| Increase / (Decrease) Infrastructure WIP | (75,678,960) | - | (75,678,960) | - |

Statement of Financial Performance

| | | | | |
|---|--------------|---|--------------|---|
| Increase / (Decrease) Repairs and Maintenance | (24,967,752) | - | (24,967,752) | - |
| Increase / (Decrease) Grants and Subsidies paid | 36,236,917 | - | 36,236,917 | - |
| Increase / (Decrease) General Expenses | (11,269,165) | - | (11,269,165) | - |

49. Prior-year adjustments

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

Statement of financial position

Group - 2017

| | Note | As previously reported | Correction of Error | Restated |
|--|------|------------------------|---------------------|----------------------|
| Property, Plant and Equipment | | 4,808,493,386 | (62,352,243) | 4,746,141,144 |
| Post Employment benefits | | (52,306,304) | (2,531,000) | (54,837,304) |
| Payables from Exchange transactions | | (462,400,083) | 75,150,480 | (387,249,603) |
| Opening Accumulated Surplus or Deficit | | (4,874,776,190) | (10,267,237) | (4,885,043,426) |
| Kei Fresh - Accumulated Surplus or Deficit | | 963,959 | (1,363,512) | (399,553) |
| | | (580,025,232) | (1,363,512) | (581,388,742) |

OR Tambo District Municipality

(Registration number : DC15)

Consolidated Annual Financial Statements for the year ended 30 June 2017

Notes to the Consolidated Annual Financial Statements

| Figures in Rand | Municipality | | Group | |
|-----------------|--------------|------|-------|------|
| | 2017 | 2016 | 2017 | 2016 |

49. Prior-year adjustments (continued)

Statement of financial performance

Group - 2017

| | Note | As previously reported | Correction of Error | Restated |
|-----------------------------|------|------------------------|---------------------|--------------------|
| Repairs and Maintenance | | 99,994,905 | (24,967,752) | 75,027,153 |
| Grants and Subsidies Paid | | 45,375,022 | 36,236,917 | 81,611,939 |
| General Expenses | | 387,982,117 | (11,269,165) | 376,712,952 |
| Surplus for the year | | 533,352,044 | - | 533,352,044 |

50. Comparative figures

The comparative figures were restated as a result of the effect of Prior Period Errors (Note 48).

51. Risk management

Market Risk

Market Risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the municipality's income or the value of its holdings in Financial Instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

OR Tambo District Municipality

(Registration number : DC15)

Consolidated Annual Financial Statements for the year ended 30 June 2017

Notes to the Consolidated Annual Financial Statements

| Figures in Rand | Municipality | | Group | |
|-----------------|--------------|------|-------|------|
| | 2017 | 2016 | 2017 | 2016 |

51. Risk management (continued)

Liquidity risk

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

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

Maturity analysis for Financial Liabilities (where applicable) that shows the remaining undiscounted contractual maturities is disclosed in Notes xx to the Annual Financial Statements

Credit risk

Credit Risk is the risk of financial loss to the municipality if a customer or counterparty to a Financial Instrument fails to meet its contractual obligations and arises principally from the municipality's receivables from customers and investment securities.

Market risk

Interest rate risk

Interest Rate Risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

Potential concentrations of interest rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

The municipality limits its counterparty exposures from its money market investment operations by only dealing with Absa Bank, First National Bank, Nedbank and Standard Bank. No investments with a tenure exceeding twelve months are made.

Consumer Debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Consumer debtors are presented net of a provision for impairment.

In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy. Consumer Deposits are increased accordingly.

The municipality is not exposed to interest rate risk as the municipality borrows funds at fixed interest rates

The municipality's exposures to interest rates on Financial Assets and Financial Liabilities are detailed in the Credit Risk Management section of this note.

Interest Rate Sensitivity Analysis

The sensitivity analysis has been determined based on the exposure to interest rates at the Statement of Financial Position date. The analysis is prepared by averaging the amount of the investment at the beginning of the financial year and the amount of the investment at the end of the financial year. A 100 basis point increase or decrease was used, which represents management's assessment of the reasonably possible change in interest rates.

Cash and Cash Equivalents:

If interest rates had been 100 basis points higher / lower and all other variables were held constant, the municipality's:

Foreign exchange risk

OR Tambo District Municipality

(Registration number : DC15)

Consolidated Annual Financial Statements for the year ended 30 June 2017

Notes to the Consolidated Annual Financial Statements

| Figures in Rand | Municipality | | Group | |
|-----------------|--------------|------|-------|------|
| | 2017 | 2016 | 2017 | 2016 |

51. Risk management (continued)

The municipality's activities do not expose it to the financial risks of foreign currency and therefore has no formal policy to hedge volatilities in the interest rate market.

Credit Risk Management

Credit Risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality. The municipality has a sound credit control and debt collection policy and obtains sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The municipality uses its own trading records to assess its major customers. The municipality's exposure of its counterparties are monitored regularly

Potential concentrations of credit rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

Investments/Bank, Cash and Cash Equivalents

The municipality limits its counterparty exposures from its money market investment operations (financial assets that are neither past due nor impaired) by only dealing with Absa Bank, First National Bank, Nedbank and Standard Bank. No investments with a tenure exceeding twelve months are made.

Trade and Other Receivables

Trade and Other Receivables are amounts owed by consumers and are presented net of impairment losses. The municipality has a credit risk policy in place and the exposure to credit risk is monitored on an ongoing basis. The municipality is compelled in terms of its constitutional mandate to provide all its residents with basic minimum services without recourse to an assessment of creditworthiness. Subsequently, the municipality has no control over the approval of new customers who acquire properties in the designated municipal area and consequently incur debt for sewerage and water services rendered to them.

The municipality limits this risk exposure in the following ways, in addition to its normal credit control and debt management procedures:

- The application of section 118(3) of the Municipal Systems Act (MSA), which permits the municipality to refuse connection of services whilst any amount remains outstanding from a previous debtor on the same property;
- A new owner is advised, prior to the issue of a revenue clearance certificate, that any debt remaining from the previous owner will be transferred to the new owner, if the previous owner does not settle the outstanding amount;
- The requirement of a deposit for new service connections, serving as guarantee and are reviewed annually;
- Encouraging residents to install water management devices that control water flow to households, and/or prepaid electricity meters.

There were no material changes in the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the year under review. The municipality's maximum exposure to credit risk is represented by the carrying value of each financial asset in the Statement of Financial Position, without taking into account the value of any collateral obtained. The municipality has no significant concentration of credit risk, with exposure spread over a large number of consumers, and is not concentrated in any particular sector or geographical area.

The municipality establishes an allowance for impairment that represents its estimate of anticipated losses in respect of trade and other receivables.

Payment of accounts of consumer debtors, who are unable to pay, are renegotiated as an ongoing customer relationship in response to an adverse change in the circumstances of the customer in terms of the Credit Control and Debt Collection Policy

Long-term Receivables and Other Debtors are individually evaluated annually at reporting date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The municipality does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The municipality defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings.

The table below shows the balance of the 5 major counterparties at the balance sheet date. Management is of the opinion that, although these parties are the 5 counterparties with highest outstanding balances, no significant credit risk exposure exists based on the payment history of the parties They have been included in the Provision for Impairment of Consumer Debtors.

OR Tambo District Municipality

(Registration number : DC15)

Consolidated Annual Financial Statements for the year ended 30 June 2017

Notes to the Consolidated Annual Financial Statements

| Figures in Rand | Municipality | | Group | |
|-----------------|--------------|------|-------|------|
| | 2017 | 2016 | 2017 | 2016 |

52. Going concern

(i) On 31 May 2016 the Council adopted the 2016/17 to 2018/19 Budget. This three-year Medium Term Revenue and Expenditure Framework (MTREF) to support the ongoing delivery of municipal services to residents reflected that the Budget was cash-backed over the three-year period.

ii) The municipality's Budget is subjected to a very rigorous independent assessment process to assess its cash-backing status before it is ultimately approved by Council.

(iii) Strict daily cash management processes are embedded in the municipality's operations to manage and monitor all actual cash inflows and cash outflows in terms of the cash-flow forecast supporting the Budget. The cash management processes is complemented by monthly reporting, highlighting the actual cash position, including the associated risks and remedial actions to be instituted.

(iv) As the municipality has the power to levy fees, tariffs and charges, this will result in an on-going inflow of revenue to support the on-going delivery of municipal services. Certain key financial ratios, such as liquidity, cost coverage, debtors' collection rates and creditors' payment terms are closely monitored and the necessary corrective actions instituted.

Taking the aforementioned into account, management has prepared the Annual Financial Statements on the Going Concern Basis.

53. Events after the reporting date

The following events which have financial reporting implications took place after the year end:

- Kei Fresh Produce siezed to be a separate entity and incorporated under Ntinga Development Agency with effect from 01 July 2017. The Net Asset value of Kei Fresh Produce as at 30 June 2017 was R70,521
- Adam Kok farms that were previously under OR Tambo District Municipality were taken over by Ntinga Development Agency on 01 July 2017. The carrying value of Adam Kok farm assets was R20,194,646 as at 30 June 2017.

54. Private Public Partnerships

The municipality was not a party to any Private Public Partnerships during the year under review.

55. Unauthorised expenditure

Municipality

| | | | | |
|---------------------------------------|------------------|----------------------|-----------------|----------------------|
| Opening balance | 2,277,804,145 | 2,259,504,197 | 2,277,804,145 | 2,259,504,197 |
| Unauthorised expenditure current year | 1,005,909 | 18,299,948 | 1,005,909 | 18,299,948 |
| Approved by Council or condoned | (2,277,804,145) | - | (2,277,827,443) | - |
| To be recoverd - contingent asset | - | - | - | - |
| Transfer to receivables for recovery | - | - | - | - |
| | 1,005,909 | 2,277,804,145 | 982,611 | 2,277,804,145 |

The prior year figure for Unauthorised expenditure was restated to R2 277 804 145 from R2 132 388 410 subsequent to the investigation conducted on unauthorised on the prior year unauthorised expenditure.

56. Fruitless and wasteful expenditure

| | | | | |
|--------------------------------------|-------------------|-------------------|-------------------|-------------------|
| Opening balance | 24,246,870 | 23,766,222 | 24,393,681 | 23,936,331 |
| Fruitless expenditure current year | 5,906,270 | 480,648 | 5,995,606 | 480,648 |
| Approved by Council or condoned | (8,544,810) | - | (8,568,108) | (23,298) |
| To be recoverd - contingent asset | - | - | - | - |
| Transfer to receivables for recovery | - | - | - | - |
| | 21,608,330 | 24,246,870 | 21,821,179 | 24,393,681 |

Details of fruitless and wasteful expenditure.

OR Tambo District Municipality

(Registration number : DC15)

Consolidated Annual Financial Statements for the year ended 30 June 2017

Notes to the Consolidated Annual Financial Statements

| Figures in Rand | Municipality | | Group | |
|-----------------|--------------|------|-------|------|
| | 2017 | 2016 | 2017 | 2016 |

56. Fruitless and wasteful expenditure (continued)

Kei Fresh - Fruitless and wasteful expenditure of R78,591 (2016: R135,916) relate to panalties and interest incurred on late payments to South African Revenue Services. An amount of R3,093 (2016: R2,151) relate to premiums paid to a medical aid scheme on behalf of L.Mhlanga who had the company. An amount of R7,652 (2016: R8,744) relate to premiums paid to a medical aid scheme on behalf of L. Mhlambiso who cancelled the medical aid and joined another medical aid.

Municipality - Fruitless and wasteful expenditure relates to interest paid the Department of Water Affairs before and interest free agreement was reached.

Ntinga - No fruitless and wasteful expenditure was incurred during the year.

57. Irregular expenditure

| | | | | |
|---|----------------------|----------------------|----------------------|----------------------|
| Opening balance | 4,491,132,303 | 3,400,498,729 | 4,493,379,362 | 3,400,498,729 |
| Add: Irregular Expenditure - current year | 679,850,457 | 1,090,633,574 | 682,946,697 | 1,092,880,633 |
| Approved by Council or condoned | (2,540,798,218) | - | (2,540,798,218) | - |
| To be recoverd - contingent asset | - | - | - | - |
| Transfer to receivables for recovery | - | - | - | - |
| | 2,630,184,542 | 4,491,132,303 | 2,635,527,841 | 4,493,379,362 |

Details of irregular expenditure – current year

| | DISCIPLINARY STEPS TAKEN / CRIMINAL PROCEEDINGS |
|--|--|
| Municipality | |
| Expenditure contrary to SCM Procedures on inviting of Quotations - R40 763 398 (2016: R157 858 684) | No actions taken - to be submitted to Council for condonement. |
| Expenditure contrary to SCM Procedures on awarding of Contracts- R639 087 059 (2016: R989 873 917) | No actions taken - to be submitted to Council for condonement. |
| Ntinga | |
| Expenditure contrary to SCM Procedures on inviting of Quotations - R20 980 (2016: 0) | No actions taken - to be submitted to the board for condonement. |
| Kei Fresh | |
| Amount of R8,346 (2016: R25,038) relates to acting allowance paid to employees for more than 6 months. | No actions taken - to be submitted to the board for condonement. |
| An amount of R2,412,783 (2016: R2,222,021) relate to salaries paid to employees that do not have valid and signed contracts with Kei Fresh Produce Market NPC. | No actions taken - to be submitted to the board for condonement. |
| An amount of R99,245 (2016: R0) relates to payments made to suppliers who are not registered on the companies database of suppliers. | No actions taken - to be submitted to the board for condonement. |
| An amount of R45,826 (2016: R0) relates to payments made for leases that had expired. | No actions taken - to be submitted to the board for condonement. |
| An amount of R300,303 (2016: R0) relates to payments made for leases that do not have valid and signed lease agreements. | No actions taken - to be submitted to the board for condonement. |
| An amount of R7510 (2016: R0) related to payments made for orders that were not signed by delegated official. | No actions taken - to be submitted to the board for condonement. |
| An amount of R100,114 (2016: R0) relates to payments made where declaration of interest was not signed by the supplier. | No actions taken - to be submitted to the board for condonement. |
| An amount of R2,000 (2016: R0) was paid to Ms Cekwayo for directions that were not approved for payment. | No actions taken - to be submitted to the board for condonement. |
| An amount of R78,153.39 (2016:R0) relating to payment of acting allowance to the acting market master for more than six months. | No actions taken - to be submitted to the board for condonement. |

OR Tambo District Municipality

(Registration number : DC15)

Consolidated Annual Financial Statements for the year ended 30 June 2017

Notes to the Consolidated Annual Financial Statements

| Figures in Rand | Municipality | | Group | |
|-----------------|--------------|------|-------|------|
| | 2017 | 2016 | 2017 | 2016 |

58. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government - SALGA

| | | | | |
|---------------------------------|-------------|-------------|-------------|-------------|
| Opening balance | - | - | - | - |
| Current year subscription / fee | 1,021,295 | 3,988,390 | 1,021,295 | 3,988,390 |
| Amount paid - current year | (1,021,295) | (3,988,390) | (1,021,295) | (3,988,390) |
| Amount paid - previous years | - | - | - | - |
| | - | - | - | - |

Audit fees

| | | | | |
|---------------------------------|----------------|----------------|----------------|----------------|
| Opening balance | 557,776 | 222,879 | 557,776 | 468,241 |
| Current year subscription / fee | 9,173,691 | 7,123,470 | 11,307,276 | 9,072,671 |
| Amount paid - current year | (8,914,363) | (6,565,694) | (11,047,948) | (8,514,895) |
| Amount paid - previous years | (557,775) | (222,879) | (557,775) | (468,241) |
| | 259,329 | 557,776 | 259,329 | 557,776 |

The balance unpaid represents the audit fee for an interim audit conducted during May and June 2017 and is payable by 31 July 2017.

PAYE and UIF

| | | | | |
|---------------------------------|--------------|--------------|----------------|----------------|
| Opening balance | 6,939 | 6,939 | 347,967 | 12,960 |
| Current year subscription / fee | 73,557,731 | 65,357,212 | 78,094,661 | 69,925,248 |
| Amount paid - current year | (73,557,731) | (65,357,212) | (78,076,816) | (69,590,242) |
| Amount paid - previous years | - | - | - | - |
| | 6,939 | 6,939 | 365,812 | 347,966 |

The balance represents PAYE, SDL and UIF deducted from the June 2017 payroll. These amounts were paid during July 2017.

Pension and Medical Aid Deductions

| | | | | |
|---------------------------------|--------------|--------------|-----------------|----------------|
| Opening balance | - | - | (6,038) | (6,038) |
| Current year subscription / fee | 67,073,514 | 53,538,417 | 69,694,199 | 55,969,000 |
| Amount paid - current year | (67,073,514) | (53,538,417) | (69,700,140) | (55,969,000) |
| | - | - | (11,979) | (6,038) |

VAT

| | | | | |
|----------------|------------|------------|------------|------------|
| VAT receivable | 83,382,717 | 78,435,954 | 90,959,782 | 78,435,954 |
|----------------|------------|------------|------------|------------|

The net of VAT input payables and VAT output receivables are shown in Note 5. All VAT returns have been submitted by the due date throughout the year.

OR Tambo District Municipality

(Registration number : DC15)

Consolidated Annual Financial Statements for the year ended 30 June 2017

Notes to the Consolidated Annual Financial Statements

| Figures in Rand | Municipality | | Group | |
|-----------------|--------------|------|-------|------|
| | 2017 | 2016 | 2017 | 2016 |

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

Councillors' arrear consumer accounts

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

| 30 June 2017 | Arrear accounts outstanding for more than 90 days | Total |
|-------------------|---|----------------|
| Bunzana M | - 15,405 | 15,405 |
| Mandita KD | - 10,712 | 10,712 |
| Mgugudo NO | - 75,784 | 75,784 |
| Socikwa M | - 10,421 | 10,421 |
| Ndzwayiba WN & NA | - 9,596 | 9,596 |
| Maqabuka ZW | - 1,572 | 1,572 |
| Mabongo L. | - 18,307 | 18,307 |
| Mziba L | - 9,974 | 9,974 |
| Mbangatha N. | - 9,883 | 9,883 |
| Mzimane N. | - 13,494 | 13,494 |
| Gwadiso V.O. | - 3,756 | 3,756 |
| Zimela M. | - 20,752 | 20,752 |
| Matomane S | - 21,001 | 21,001 |
| Kwaza N | - 24,748 | 24,748 |
| Mamve N | - 9,276 | 9,276 |
| Tshotsho BL | - 38,318 | 38,318 |
| Mbangatha SS | - 8,578 | 8,578 |
| Mdwantsi PN | - 1,318 | 1,318 |
| Gqwetha AB | - 56,675 | 56,675 |
| | - 359,570 | 359,570 |
| | | |
| 30 June 2016 | Arrear accounts outstanding for more than 90 days | Total |
| Bunzana M | - 8,419 | 8,419 |
| Mandita KD | - 15,581 | 15,581 |
| Mgugudo NO | - 63,663 | 63,663 |
| Mziba L | - 14,570 | 14,570 |
| Ndlela M | - 38,808 | 38,808 |
| Ndzwayiba WN & NA | - 15,581 | 15,581 |
| | - 156,622 | 156,622 |

OR Tambo District Municipality

(Registration number : DC15)

Consolidated Annual Financial Statements for the year ended 30 June 2017

Notes to the Consolidated Annual Financial Statements

| Figures in Rand | Municipality | | Group | |
|-----------------|--------------|------|-------|------|
| | 2017 | 2016 | 2017 | 2016 |

59. Deviation from supply chain management regulations

Paragraph 12(1) 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 written/verbal quotations, formal written quotations and a competitive bidding process, depending on the specified threshold values.

Paragraph 36 of the above mentioned gazette also provides that the accounting officer may dispense with the official procurement process in certain circumstances provided that he/she records the reasons for any deviations, reports them to the next meeting of the Council and include as a note to the financial statements.

Various items were procured during the financial year under review and the process followed in procuring those goods deviated from the provisions of paragraph 12 (1) as stated above. The reasons for the deviations were documented and reported to the Accounting Officer who considered them and subsequently approved the deviations from the normal supply chain management regulation. These deviations have also been reported to Council.

The reasons for the deviations were mainly due to emergency cases, sole/single suppliers and impracticality in following the official procurement processes.

Incident

| | | | | |
|---|-------------------|----------|-------------------|----------|
| Emergency in terms of SCM Policy | 30,797,736 | - | 30,797,736 | - |
| Impractical to obtain quotations | 1,923,055 | - | 1,930,359 | - |
| Sole provider of goods and services in area | 6,188,121 | - | 8,438,632 | - |
| | 38,908,912 | - | 41,166,727 | - |

60. Bulk water losses in terms of section 125 of the MFMA

| | Lost Units | Tariff | Value |
|---|------------|--------|------------|
| 30 June 2017 - Unaccounted Water Losses | 13,421,441 | 1.7 | 22,816,450 |
| 30 June 2016 - Unaccounted Water Losses | 8,461,143 | 1.4487 | 12,257,657 |
| | | | - |

Water Losses occur due to inter alia , leakages, the tampering of meters, the incorrect ratios used on bulk meters, faulty meters and illegal water connections. The problem with tampered meters and illegal connections is an ongoing process, with regular action being taken against defaulters. Faulty meters and leakages are replaced/repared as soon as they are reported.

Volumes in KI / year:

| | | | | |
|---------------------------------|--------------|--------------|--------------|--------------|
| Water Inventory Opening Balance | 62,189 | 170,191 | 62,189 | 170,191 |
| System Input Volume | 24,793,833 | 19,799,498 | 24,793,833 | 19,799,498 |
| Billed Consumption | (11,156,047) | (11,446,357) | (11,156,047) | (11,446,357) |
| Free Basic Water Provided | (115,500) | - | (115,500) | - |
| Water Inventory Closing Balance | (163,034) | (62,189) | (163,034) | (62,189) |
| Distribution Loss | (13,421,441) | (8,461,143) | (13,421,441) | (8,461,143) |
| | - | - | - | - |

Percentage Distribution Loss 54.13% 42.73%

OR Tambo District Municipality

(Registration number : DC15)

Consolidated Annual Financial Statements for the year ended 30 June 2017

| | Municipality | | | Group | |
|---|----------------------|--------------------|------------------|-------------------------------|----------------------|
| 1. Group Cashflow Workings | | | | | |
| | Municipality | Ntinga | Kei Fresh | Inter-Co. Transactions | Group |
| Receipts | | | | | |
| Service Charges | 131,019,302 | 1,127,787 | 1,045,419 | (3,643,694) | 129,548,814 |
| Government Grants and Subsidies | 1,523,251,348 | 47,248,480 | 5,939,781 | (65,121,862) | 1,511,317,747 |
| Interest income | 54,218,835 | 3,053,611 | 49,599 | - | 57,322,045 |
| Other receipts | 125,201,149 | - | - | (568,579) | 124,632,570 |
| Payments | | | | | |
| Employee related costs | (401,822,458) | (22,648,161) | (4,142,821) | - | (428,613,440) |
| Suppliers Paid | (183,084,321) | (14,547,282) | (3,028,137) | 10,028,746 | (190,630,994) |
| Interest Paid | (5,906,270) | (16,569) | (78,591) | - | (6,001,430) |
| Other payments | (543,123,313) | (5,939,781) | - | 59,305,389 | (489,757,705) |
| Remuneration of Coucillors | (16,746,729) | - | - | - | (16,746,729) |
| Net cash flows from operating activities | 683,007,543 | 8,278,085 | (214,750) | - | 691,070,878 |
| Cash flows from investing activities | | | | | |
| Purchase of property, plant and equipment | (807,495,934) | (1,729,822) | (46,119) | - | (809,271,875) |
| Purchase of biological assets | - | (318,000) | - | - | (318,000) |
| Proceeds from sale of assets (PPE) | - | 539,088 | - | - | 539,088 |
| Proceeds from sale of biological assets | 1,907,802 | 49,900 | - | - | 1,957,702 |
| Purchase of Intangible assets | - | (805,184) | - | - | (805,184) |
| Decrease / (Increase) in Long-term receivables | (1,513) | - | - | - | (1,513) |
| | (805,589,645) | (2,264,018) | (46,119) | - | (807,899,782) |
| Cash flows from financing activities | | | | | |
| Repayment of borrowings | (20,436) | - | - | - | (20,436) |
| (Decrease) / Increase in Long-term receivables | 38,795,339 | - | - | - | 38,795,339 |
| | 38,774,903 | - | - | - | 38,774,903 |
| Net increase/(decrease) in cash and cash equivalents | (83,807,199) | 6,014,066 | (260,869) | - | (78,054,002) |
| Net increase/(decrease) in cash and cash equivalents | 337,629,699 | 30,240,288 | 1,522,750 | - | 369,392,737 |
| Cash and cash equivalents at the end of the year | 253,822,500 | 36,254,354 | 1,261,881 | - | 291,338,735 |

* See Note 2 & 48