

**POLOKWANE
LOCAL MUNICIPALITY**



**CONSOLIDATED ANNUAL FINANCIAL
STATEMENTS
FOR THE YEAR ENDED
30 JUNE 2016
AUDITED**

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POLOKWANE MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS 30 JUNE 2016

Reporting entity's mandate

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

The principal activities of the City are to:

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

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

General information

Legal form of the entity

Local Municipality

Jurisdiction

Polokwane Local Municipality demarcated area

Members of the Council

| | |
|---------------|---------------------------------|
| TP Nkadimeng | Executive Mayor |
| MC Mathiba | Speaker |
| MK Teffo | Chief Whip |
| LE Hardy | Member of the Mayoral Committee |
| MJ Kaka | Member of the Mayoral Committee |
| ME Maleka | Member of the Mayoral Committee |
| SJ Malope | Member of the Mayoral Committee |
| SM Mashabela | Member of the Mayoral Committee |
| RC Molepo | Member of the Mayoral Committee |
| SE Nkadimeng | Member of the Mayoral Committee |
| MJ Ralefatane | Member of the Mayoral Committee |
| MJ Sello | Member of the Mayoral Committee |
| MS Tjale | Member of the Mayoral Committee |
| AH Botha | Member of Council |
| HE Chauke | Member of Council |
| FA Haas | Member of Council |
| ME Khalo | Member of Council |
| MF Kubjane | Member of Council |
| D Kwenaitse | Member of Council |
| LM Legodi | Member of Council |
| MJ Lekota | Member of Council |
| MM Lemekoana | Member of Council |
| MW Letsoalo | Member of Council |
| RF Lourens | Member of Council |
| M Maake | Member of Council |
| MG Mabelebele | Member of Council |
| MM Mabitsele | Member of Council |
| MT Mabutla | Member of Council |
| NE Machaba | Member of Council |
| MD Madikoto | Member of Council |

POLOKWANE MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS 30 JUNE 2016

| | |
|-----------------|-------------------|
| TJ Magoro | Member of Council |
| RT Makgabo | Member of Council |
| KP Makgoba | Member of Council |
| MP Maifala | Member of Council |
| SM Mahlatji | Member of Council |
| MM Mailula | Member of Council |
| MM Maja | Member of Council |
| CM Mamabolo | Member of Council |
| ML Mamabolo | Member of Council |
| SN Mamabolo | Member of Council |
| MA Manong | Member of Council |
| HF Marx | Member of Council |
| MC Mashiane | Member of Council |
| A Mashie | Member of Council |
| MR Mashitsho | Member of Council |
| MA Mathabatha | Member of Council |
| JM Matlou | Member of Council |
| MJ Manamela | Member of Council |
| QN Mehlape | Member of Council |
| ST Mehlape | Member of Council |
| JA Moabelo | Member of Council |
| MA Moakamedi | Member of Council |
| PJ Modikoa | Member of Council |
| TJ Mogale | Member of Council |
| TSP Mojapelo | Member of Council |
| NJ Mokgokong | Member of Council |
| JS Mokonyama | Member of Council |
| MH Morwana | Member of Council |
| SM Motseo | Member of Council |
| M Mothiba | Member of Council |
| ML Motshekga | Member of Council |
| MM Peta | Member of Council |
| MP Phadu | Member of Council |
| RH Phoshoko | Member of Council |
| M Pretorius | Member of Council |
| MJ Raletjena | Member of Council |
| CS Ramabu | Member of Council |
| DM Ramakgwakgwa | Member of Council |
| MJ Sedibane | Member of Council |
| MR Sekgobela | Member of Council |
| ND Setjie | Member of Council |
| TC Shilajoe | Member of Council |
| MMP Sono | Member of Council |
| KG Tsheola | Member of Council |
| MA Thobejane | Member of Council |
| MJ Willemse | Member of Council |

Members of the Audit and Performance Audit Committee

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

Acting Municipal Manager
Maboya TF

Seconded Acting Chief Financial Officer
N Essa

Auditors
Auditor General South Africa

**POLOKWANE MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS 30 JUNE 2016**

Grading of Local Authority

Grade 10

Business address

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

Postal address

P O Box 111
Polokwane
0700

Bankers

Standard Bank

Lawyers

Pule Incorporated
Mogaswa Attorneys
AM Carrims Attorneys
Maboku Mangena Attorneys
Kgatla Incorporated
Matabane Incorporated
Noko Maimela Incorporated
Rachoeane Attorneys

POLOKWANE MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS ENDED 30 JUNE 2016

APPROVAL AND CERTIFICATION

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

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

Maboya TF

ACTING MUNICIPAL MANAGER

DATE

POLOKWANE MUNICIPALITY
STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 30 JUNE 2016

| | Note | 2 016 R | GROUP 2015 R Restated | 2 016 R | MUNICIPALITY 2015 R Restated |
|---|------|-----------------------|--------------------------------|----------------------|---------------------------------------|
| ASSETS | | | | | |
| Current assets | | | | | |
| Cash and cash equivalents | 15 | 88 257 390 | 324 293 546 | 86 225 049 | 322 864 242 |
| Trade and other receivables from exchange transactions unless specified otherwise | 12 | 335 515 560 | 360 641 904 | 331 842 106 | 357 382 880 |
| Other receivables from non-exchange transactions | 13 | 33 096 784 | 14 457 071 | 33 022 716 | 14 377 071 |
| Inventories | 11 | 62 995 698 | 36 214 414 | 62 995 698 | 36 214 414 |
| Current portion of receivables | 10 | 3 317 | 5 666 187 | 3 317 | 5 666 187 |
| VAT receivable | 14 | 0 | 8 710 246 | 0 | 8 710 246 |
| Total Current Assets | | 519 868 749 | 749 983 369 | 514 088 886 | 745 215 041 |
| Non-current assets | | | | | |
| Non-current receivables | 10 | 160 512 | 375 671 | 160 512 | 375 671 |
| Investments | 9 | 59 000 800 | 86 972 025 | 59 000 800 | 59 000 800 |
| Property, plant and equipment | 8 | 8 795 903 860 | 8 844 675 009 | 8 687 435 052 | 8 727 041 740 |
| Intangible assets | 8.1 | 2 203 463 | 2 385 615 | 2 073 968 | 2 315 361 |
| Investment property | 8.2 | 658 489 238 | 639 243 193 | 658 489 238 | 639 243 192 |
| Heritage assets | 8.3 | 15 609 153 | 15 609 153 | 15 609 153 | 15 609 153 |
| Biological assets | 8.4 | 8 999 025 | 14 277 750 | 8 999 025 | 14 277 750 |
| Total Non-current assets | | 9 540 366 052 | 9 603 538 417 | 9 431 767 748 | 9 457 863 668 |
| Total Assets | | 10 060 234 801 | 10 353 521 786 | 9 945 856 633 | 10 203 078 709 |
| LIABILITIES | | | | | |
| Current liabilities | | | | | |
| Trade and other payables from exchange transactions | 6 | 371 168 371 | 357 727 769 | 368 609 418 | 355 199 907 |
| Consumer deposits | 5 | 68 863 503 | 67 612 259 | 68 863 503 | 67 612 259 |
| Unspent conditional grants and receipts | 7 | 11 827 752 | 195 134 950 | 11 827 752 | 195 134 950 |
| Current portion of borrowings | 4 | 75 616 026 | 42 228 519 | 65 065 521 | 37 263 987 |
| Current portion of finance lease liability | 38 | 39 642 218 | 38 261 366 | 39 642 218 | 38 261 366 |
| VAT payable | 14 | 30 911 357 | 0 | 30 911 357 | 0 |
| Total Current Liabilities | | 598 029 226 | 700 964 863 | 584 919 768 | 693 472 469 |
| Non-current liabilities | | | | | |
| Non-current borrowings | 4 | 165 622 037 | 232 729 546 | 165 622 038 | 188 024 387 |
| Non-current finance lease liability | 38 | 31 051 947 | 56 394 085 | 30 995 518 | 56 298 715 |
| Non-current Provisions | 35 | 264 084 655 | 244 712 945 | 264 084 655 | 244 712 945 |
| Total Non-current Liabilities | | 460 758 639 | 533 836 576 | 460 702 211 | 489 036 047 |
| Total liabilities | | 1 058 787 865 | 1 234 801 440 | 1 045 621 979 | 1 182 508 517 |
| Net assets | | 9 001 446 935 | 9 118 720 347 | 8 900 234 654 | 9 020 570 193 |
| NET ASSETS | | | | | |
| Housing Development Fund | 2 | 0 | 6 955 962 | 0 | 6 955 962 |
| Revaluation Reserves | 3 | 3 484 143 285 | 3 512 635 430 | 3 408 519 201 | 3 433 074 767 |
| Accumulated surplus | | 5 517 303 650 | 5 599 128 955 | 5 491 715 453 | 5 580 539 464 |
| Total net assets | | 9 001 446 935 | 9 118 720 347 | 8 900 234 654 | 9 020 570 193 |

POLOKWANE MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2016

| | Note | GROUP | | MUNICIPALITY | |
|---|------|----------------------|-----------------------|----------------------|-----------------------|
| | | 2016 R | 2015 R Restated | 2016 R | 2015 R Restated |
| REVENUE | | | | | |
| Revenue from Exchange Transactions | | | | | |
| Service charges | 17 | 1 086 880 799 | 911 678 912 | 1 086 880 799 | 911 678 912 |
| Rental of facilities | 18 | 22 758 008 | 23 431 885 | 12 342 192 | 12 973 612 |
| Investment Revenue – external investments | 21 | 27 593 499 | 35 720 999 | 27 592 762 | 35 720 658 |
| Interest earned – outstanding debtors | | 54 307 169 | 45 797 676 | 54 307 169 | 45 797 676 |
| Licences and permits | | 8 100 962 | 9 195 509 | 8 100 962 | 9 195 509 |
| Income for agency services | | 15 931 818 | 15 608 127 | 15 931 818 | 15 608 127 |
| Other revenue | 22 | 120 839 784 | 73 315 700 | 118 874 975 | 73 160 300 |
| | | 1 336 412 038 | 1 114 748 808 | 1 324 030 677 | 1 104 134 794 |
| Total revenue from exchange transactions | | | | | |
| Taxation revenue | | | | | |
| Property rates | 16 | 281 023 721 | 254 918 504 | 281 023 721 | 255 375 942 |
| Revenue from Non Exchange Transactions | | | | | |
| Fines | | 33 049 072 | 9 846 497 | 33 049 072 | 9 846 497 |
| Government grants recognised - operating | 19 | 616 432 887 | 547 555 480 | 616 432 887 | 547 555 480 |
| Government grants recognised - capital | 19 | 473 584 799 | 555 234 831 | 473 584 799 | 555 234 831 |
| Public contributions, donated and contributed property, plant and equipment | 19 | 3 355 674 | 2 797 470 | 3 355 674 | 2 797 470 |
| Other revenue | 22 | 1 763 235 | 5 492 335 | 1 763 235 | 5 492 335 |
| | | 1 409 209 388 | 1 375 845 117 | 1 409 209 388 | 1 376 302 555 |
| Total revenue from non exchange transactions | | | | | |
| Total Revenue | | | | | |
| | | 2 745 621 426 | 2 490 593 925 | 2 733 240 065 | 2 480 437 347 |
| EXPENDITURE | | | | | |
| Employee related costs | 23 | 605 098 759 | 525 448 257 | 598 398 759 | 520 315 822 |
| Remuneration of councillors | 24 | 27 019 623 | 25 405 636 | 27 019 623 | 25 405 636 |
| Bad debts | | 197 502 183 | 149 415 890 | 192 987 885 | 145 389 711 |
| Depreciation/Amortisation | | 482 495 166 | 553 255 805 | 477 163 890 | 547 910 665 |
| Repairs and maintenance | | 199 312 144 | 163 670 451 | 198 971 424 | 163 392 950 |
| Finance cost | 25 | 36 358 120 | 43 615 498 | 34 578 938 | 38 879 905 |
| Bulk purchases | 26 | 748 278 150 | 674 894 906 | 748 278 150 | 674 894 906 |
| Grants and subsidies paid | 27 | 480 000 | 240 000 | 17 180 000 | 6 740 000 |
| Contracted services | 28 | 68 927 685 | 70 932 263 | 68 927 685 | 70 932 263 |
| General expenses | 28 | 465 168 188 | 421 920 844 | 461 846 831 | 419 692 997 |
| | | 2 830 640 018 | 2 628 799 550 | 2 825 353 185 | 2 613 554 855 |
| Total Expenditure | | | | | |
| Impairment of assets | 8 | 0 | -315 183 | 0 | -315 183 |
| Impairment of receivables (PHA Loan) | | 0 | 0 | 0 | -7 595 282 |
| Loss on disposal/derecognition of assets | 8 | -49 877 268 | -25 848 721 | -49 782 100 | -25 848 721 |
| Gain (loss) on fair value adjustment | 43 | 36 939 080 | 22 985 744 | 36 939 080 | 22 985 744 |
| | | -97 956 780 | -141 383 785 | -104 956 140 | -143 890 950 |
| NET SURPLUS / (DEFICIT) FOR THE YEAR | | | | | |

POLOKWANE MUNICIPALITY STATEMENT OF CHANGES IN NET ASSETS 30 JUNE 2016

| | Notes | Housing Fund | Revaluation Reserve | Total | Accumulated Surplus/ (Deficit) | Total |
|--|-------|-------------------|----------------------|----------------------|--------------------------------|----------------------|
| | | | R | | R | R |
| Balance at 30 June 2014 | | 10 444 441 | 3 402 773 733 | 3 413 218 174 | 5 590 487 541 | 9 003 705 714 |
| Correction of error | | | 37 972 207 | 37 972 207 | 96 388 866 | 134 361 073 |
| Restated 2015 opening | | 10 444 441 | 3 440 745 940 | 3 451 190 381 | 5 686 876 401 | 9 138 066 782 |
| Correction of error | | | | 0 | 21 956 155 | 21 956 155 |
| Realisation of Revaluation Reserve - Derecognition | | 0 | -7 671 173 | -7 671 173 | 7 671 173 | 0 |
| Correction to realisation of Revaluation Reserve- Derecognition | | | | | 7 926 684 | 7 926 684 |
| Net gains and (losses) not recognised in the statement of financial performance (Housing Development Fund) | | -3 488 480 | 0 | -3 488 480 | 0 | -3 488 480 |
| Transfers to/ from accumulated surplus (provisions) | | | | 0 | | 0 |
| Surplus (deficit) for the period | | 0 | 0 | 0 | -143 890 949 | -143 890 949 |
| Balance at 30 June 2015 | | 6 955 961 | 3 433 074 767 | 3 440 030 728 | 5 580 539 464 | 9 020 570 192 |
| Adjustments on amounts receivable | | | | | -18 687 655 | -18 687 655 |
| Trade and other payables | | | | | 834 | 834 |
| Correction Leased assets- Photocopiers | | | | | -50 724 | -50 724 |
| Correction Leased assets- Cell phones | | | | | -4 661 552 | -4 661 552 |
| Contribution bad debt provision | | | | | 14 975 660.00 | 14 975 660 |
| Net gains and (losses) not recognised in the statement of financial performance (Housing Development Fund) | | 19 675 | 0 | 19 675 | | 19 675 |
| Realisation of Revaluation Reserve - Derecognition | | | -24 555 566 | -24 555 566 | 24 555 566 | 0 |
| Transfers to/ from accumulated surplus (reserves) | | -6 975 636 | | -6 975 636 | | -6 975 636 |
| Surplus (deficit) for the period | | 0 | 0 | 0 | -104 956 140 | -104 956 140 |
| Balance at 30 June 2016 | | 0 | 3 408 519 201 | 3 433 074 767 | 5 491 715 453 | 8 900 234 655 |

POLOKWANE MUNICIPALITY
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2016

| | Note | 2016 R | GROUP 2015 R Restated | 2016 R | MUNICIPALITY 2015 R Restated |
|---|-----------|---------------------|--------------------------------|---------------------|---------------------------------------|
| CASH FLOW FROM OPERATING ACTIVITIES | | | | | |
| Cash received from ratepayers, government and others | | 2 370 598 117 | 2 353 850 170 | 2 363 076 240 | 2 346 709 449 |
| Cash paid to suppliers and employees | | -2 127 740 782 | -1 874 467 500 | -2 134 056 834 | -1 872 686 491 |
| Cash generated from operations | 30 | 242 857 335 | 479 382 670 | 229 019 405 | 474 022 956 |
| Interest received | | 27 593 499 | 35 720 999 | 27 592 762 | 35 720 658 |
| Finance cost paid | | -36 358 856 | -43 615 498 | -34 578 938 | -38 371 116 |
| Tax -VAT (receivable) payable | | 39 621 603 | -18 377 908 | 39 621 603 | -18 377 908 |
| Net cash from operating activities | | 273 713 582 | 453 110 264 | 261 654 833 | 452 994 591 |
| CASH FLOW FROM INVESTING ACTIVITIES | | | | | |
| Acquisitions Property Plant & Equipment | | -486 330 195 | -505 255 379 | -486 150 140 | -505 082 520 |
| Acquisitions Intangible assets | | -827 406 | -987 844 | -750 000 | -927 367 |
| Acquisitions Investment property | | 0 | 0 | 0 | 0 |
| Increase/(decrease) in receivables | | 5 878 029 | 13 614 750 | 5 878 029 | 9 957 284 |
| Net cash from investment activities | | -481 279 572 | -492 628 473 | -481 022 111 | -496 052 603 |
| CASH FLOW FROM FINANCING ACTIVITIES | | | | | |
| Recieve (repayment) of long term borrowing | | -5 747 778 | -40 373 553 | 5 399 184 | -36 905 953 |
| Receive (repayment) of consumer deposits | | 1 251 244 | 1 961 986 | 1 251 244 | 1 961 986 |
| Receive (repayment) of finance lease liability | | -23 973 632 | -21 596 427 | -23 922 345 | -21 691 797 |
| Net cash from financing activities | | -28 470 166 | -60 007 994 | -17 271 917 | -56 635 764 |
| Increase/(decrease) in cash and cash equivalents | | -236 036 156 | -99 526 201 | -236 639 195 | -99 693 777 |
| Cash and cash equivalents at beginning of the year | 15 | 324 293 546 | 423 819 747 | 322 864 242 | 422 558 018 |
| Cash and cash equivalents at end of the year | 15 | 88 257 390 | 324 293 546 | 86 225 049 | 322 864 242 |

POLOKWANE MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL FOR THE YEAR ENDED 30 JUNE 2016

| Description | GROUP | | | | | | | |
|--|----------------------|--|---|----------------------|----------------------|----------------------|------------------------------|--|
| | 2015/2016 | | | | | | | |
| | Original Budget | Budget Adjustments (i.t.o. s28 and s31 of MFMA) | Virement (i.t.o Council approved policy) | Final Budget | Actual Outcome | Variance | Actual Outcome as % of Final | Actual Outcome as % of Original Budget |
| | R | R | R | R | R | R | | |
| 1 | 2 | 3 | 4 | 5 | 7 | 8 | 9 | |
| Financial Performance | | | | | | | | |
| Property Rates | 332 477 244 | 314 000 000 | 314 000 000 | 314 000 000 | 281 023 721 | (32 976 279) | 89.50 | 84.52 |
| Service Charges-electricity revenue | 793 523 342 | 793 523 342 | 793 523 342 | 793 523 342 | 763 318 328 | (30 205 014) | 96.19 | 96.19 |
| Service Charges-water revenue | 182 516 033 | 182 516 033 | 182 516 033 | 182 516 033 | 207 759 368 | 25 243 335 | 113.83 | 113.83 |
| Service Charges-sanitation revenue | 55 325 708 | 55 325 708 | 55 325 708 | 55 325 708 | 51 771 304 | (3 554 404) | 93.58 | 93.58 |
| Service Charges-refuse revenue | 63 982 984 | 63 982 984 | 63 982 984 | 63 982 984 | 64 031 799 | 48 815 | 100.08 | 100.08 |
| Rental of facilities | 32 229 657 | 19 503 077 | 19 503 077 | 30 021 557 | 22 758 008 | (7 263 549) | 75.81 | 70.61 |
| Investment Revenue – external investments | 31 000 800 | 37 000 000 | 37 000 000 | 37 000 000 | 27 593 499 | (9 406 501) | 74.58 | 89.01 |
| Interest earned – outstanding debtors | 31 800 000 | 25 800 000 | 25 800 000 | 25 800 800 | 54 307 169 | 28 506 369 | 210.49 | 170.78 |
| Fines | 13 725 784 | 13 725 784 | 13 725 784 | 13 725 784 | 33 049 072 | 19 323 288 | 240.78 | 240.78 |
| Licenses and permits | 9 569 079 | 9 570 079 | 9 570 079 | 9 570 079 | 8 100 962 | (1 469 117) | 84.65 | 84.66 |
| Agency services | 16 595 572 | 16 595 572 | 16 595 572 | 16 595 572 | 15 931 818 | (663 754) | 96.00 | 96.00 |
| Transfers recognised - operational | 678 860 000 | 678 860 000 | 678 860 000 | 678 860 000 | 616 432 887 | (62 427 114) | 90.80 | 90.80 |
| Other revenue | 175 223 507 | 267 969 864 | 267 969 864 | 268 005 664 | 122 603 019 | (145 402 645) | 45.75 | 69.97 |
| Total Revenue (Excluding capital transfers and contributions) | 2 416 829 710 | 2 478 372 443 | 2 478 372 443 | 2 488 927 523 | 2 268 680 953 | (220 246 570) | 91.15 | 93.87 |
| Employee Costs | 576 978 991 | 581 351 555 | 581 111 186 | 586 794 815 | 605 098 759 | 18 303 944 | 103.12 | 104.87 |
| Remuneration of Councillors | 25 779 550 | 28 348 587 | 28 348 587 | 28 348 587 | 27 019 623 | (1 328 964) | 95.31 | 104.81 |
| Debt Impairment | 50 000 000 | 50 000 000 | 50 000 000 | 50 000 000 | 197 502 183 | 147 502 183 | 395.00 | 395.00 |
| Depreciation and asset impairment | 209 600 000 | 205 000 000 | 205 000 000 | 496 564 008 | 482 495 166 | (14 068 842) | 97.17 | 230.20 |
| Finance Charges | 39 200 000 | 38 428 000 | 35 585 363 | 37 785 363 | 36 358 120 | (1 427 243) | 96.22 | 92.75 |
| Bulk purchases | 767 000 000 | 755 500 000 | 748 891 192 | 748 891 192 | 748 278 150 | (613 042) | 99.92 | 97.56 |
| Other materials | 177 520 394 | 203 941 962 | 200 517 454 | 203 941 962 | 198 971 424 | (4 970 538) | 97.56 | 112.08 |
| Donations | 6 480 000 | 17 180 000 | 17 180 000 | 17 180 000 | 17 180 000 | - | 100.00 | 265.12 |
| Contracted services | 77 745 000 | 71 534 192 | 71 029 726 | 71 029 726 | 68 927 685 | (2 102 041) | 97.04 | 88.66 |
| General Expenditure | 370 772 925 | 383 778 673 | 380 881 984 | 380 881 984 | 465 168 188 | 84 286 204 | 122.13 | 125.46 |
| adjustment/disposal/impairment of | - | - | - | - | 33 071 390 | 33 071 390 | 0.00 | 0.00 |
| Loss on disposal of assets | - | - | - | - | - | - | 0.00 | 0.00 |
| Total Expenditure | 2 301 076 860 | 2 335 062 969 | 2 318 545 492 | 2 621 417 637 | 2 880 070 688 | 225 581 661 | 109.87 | 125.16 |
| Loss: Impairment of Assets | | | | | - | - | 0.00 | 0.00 |
| Surplus/(Deficit) | 115 629 400 | 156 646 343 | 156 646 343 | 156 646 343 | (611 389 735) | (768 036 078) | -390.30 | -528.75 |
| Transfer Recognised - capital contributed assets | 466 288 000 | 470 853 657 | 470 853 657 | 470 853 657 | 473 584 799 | 2 731 142 | 100.58 | 101.56 |
| | | | | | 3 355 674 | 3 355 674 | 0.00 | 0.00 |
| Surplus/(Deficit) after capital transfer and contributions | 581 917 400 | 627 500 000 | 627 500 000 | 627 500 000 | (134 449 262) | (761 949 262) | -21.43 | -23.10 |
| Share of Surplus/Deficit of associate | - | - | - | - | - | - | 0.00 | 0.00 |
| | | | | | | | 0.00 | 0.00 |
| Capital expenditure and funds resources | | | | | | | | |
| Capital Expenditure | | | | | | | 0.00 | 0.00 |
| Transfers recognised - Capital | 466 288 000 | 470 854 000 | 509 097 000 | 509 097 000 | 473 584 799 | (35 512 201) | 93.02 | 101.56 |
| Public Contributions and Donations | - | 3 355 000 | 3 355 000 | 3 355 000 | 3 355 674 | 674 | 100.02 | 0.00 |
| Borrowing | | | | | | | 0.00 | 0.00 |

POLOKWANE MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL FOR THE YEAR ENDED 30 JUNE 2016

| | | | | | | | | |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|---------------------|--------------|---------------|
| Internally generated funds | 113 833 000 | 152 076 000 | 113 833 000 | 113 833 000 | 111 527 560 | (2 305 440) | 97.97 | 97.97 |
| Total sources of capital | 580 121 000 | 626 285 000 | 626 285 000 | 626 285 000 | 588 468 033 | (37 816 967) | 93.96 | 101.44 |
| Cash Flows | | | | | | | | |
| Cash/cash equivalents at the beginning of | 236 990 000 | 322 963 000 | 322 963 000 | 322 963 000 | 324 293 546 | 1 330 546 | 100.41 | 136.84 |
| Net Cash from (Used) operating | 692 942 000 | 477 270 000 | 477 270 000 | 477 270 000 | 273 713 582 | (203 556 418) | 57.35 | 39.50 |
| Net Cash from (Used) Investing | (558 581 000) | (601 258 000) | (601 258 000) | (601 258 000) | (481 279 572) | 119 978 428 | 80.05 | 86.16 |
| Net Cash from (Used) Financing | (56 100 000) | (56 100 000) | (56 100 000) | (56 100 000) | (28 470 166) | 27 629 834 | 50.75 | 50.75 |
| Cash/cash equivalents at the year end | 315 251 000 | 142 875 000 | 142 875 000 | 142 875 000 | 88 257 390 | (54 617 610) | 61.77 | 28.00 |

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

The amount for 2014/15 is R287 269 083 and for 2015/16 R286 964 008. This was done in accordance with MFMA Circular 58

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

| MUNICIPALITY | | | | | | | | |
|--|----------------------|---|--|----------------------|----------------------|----------------------|--|---|
| Description | 2015/2016 | | | | | | | |
| | Original Budget | Budget Adjustments (i.t.o. s28 and s31 of MFMA) | Virement (i.t.o Council approved policy) | Final Budget | Actual Outcome | Variance | Actual Outcome as % of Final Budget | Actual Outcome as % of Original Budget |
| | R | R | R | R | R | R | | |
| | 1 | 2 | 3 | 4 | 5 | 7 | 8 | 9 |
| Financial Performance | | | | | | | | |
| Property Rates | 332 477 244 | 314 000 000 | 314 000 000 | 314 000 000 | 281 023 721 | (32 976 279) | 89.50 | 84.52 |
| Service Charges-electricity revenue | 793 523 342 | 793 523 342 | 793 523 342 | 793 523 342 | 763 318 328 | (30 205 014) | 96.19 | 96.19 |
| Service Charges-water revenue | 182 516 033 | 182 516 033 | 182 516 033 | 182 516 033 | 207 759 368 | 25 243 335 | 113.83 | 113.83 |
| Service Charges-sanitation revenue | 55 325 708 | 55 325 708 | 55 325 708 | 55 325 708 | 51 771 304 | (3 554 404) | 93.58 | 93.58 |
| Service Charges-refuse revenue | 63 982 984 | 63 982 984 | 63 982 984 | 63 982 984 | 64 031 799 | 48 815 | 100.08 | 100.08 |
| Rental of facilities | 21 711 177 | 19 711 177 | 19 711 177 | 19 711 177 | 12 342 192 | (7 368 985) | 62.62 | 56.85 |
| Investment Revenue – external investments | 31 000 000 | 37 000 000 | 37 000 000 | 37 000 000 | 27 592 762 | (9 407 238) | 74.58 | 89.01 |
| Interest earned – outstanding debtors | 31 800 000 | 25 800 000 | 25 800 000 | 25 800 000 | 54 307 169 | 28 507 169 | 210.49 | 170.78 |
| Fines | 13 725 784 | 13 725 784 | 13 725 784 | 13 725 784 | 33 049 072 | 19 323 288 | 240.78 | 240.78 |
| Licenses and permits | 9 569 079 | 9 570 079 | 9 570 079 | 9 570 079 | 8 100 962 | (1 469 117) | 84.65 | 84.66 |
| Agency services | 16 595 572 | 16 595 572 | 16 595 572 | 16 595 572 | 15 931 818 | (663 754) | 96.00 | 96.00 |
| Transfers recognised - operational | 678 860 000 | 678 860 000 | 678 860 000 | 678 860 000 | 616 432 887 | (62 427 114) | 90.80 | 90.80 |
| Other revenue | 173 376 077 | 268 005 664 | 268 005 664 | 268 005 664 | 122 603 019 | (145 402 645) | 45.75 | 70.72 |
| Total Revenue (Excluding capital transfers and contributions) | 2 404 463 000 | 2 478 616 343 | 2 478 616 343 | 2 478 616 343 | 2 258 264 400 | (220 351 943) | 91.11 | 93.92 |
| Employee Costs | 571 535 731 | 581 111 186 | 581 111 186 | 581 111 186 | 598 398 759 | 17 287 573 | 102.97 | 104.70 |
| Remuneration of Councillors | 25 779 550 | 28 348 587 | 28 348 587 | 28 348 587 | 27 019 623 | (1 328 964) | 95.31 | 104.81 |
| Debt Impairment | 50 000 000 | 50 000 000 | 50 000 000 | 50 000 000 | 192 987 885 | 142 987 885 | 385.98 | 385.98 |
| Depreciation and asset impairment | 205 000 000 | 205 000 000 | 205 000 000 | 491 964 008 | 477 163 890 | (14 800 118) | 96.99 | 232.76 |
| Finance Charges | 37 000 000 | 35 585 363 | 35 585 363 | 35 585 363 | 34 578 938 | (1 006 425) | 97.17 | 93.46 |
| Bulk purchases | 767 000 000 | 748 891 192 | 748 891 192 | 748 891 192 | 748 278 150 | (613 042) | 99.92 | 97.56 |
| Other materials | 177 520 394 | 200 517 454 | 203 941 962 | 203 941 962 | 198 971 424 | (4 970 538) | 97.56 | 112.08 |
| Donations | 6 480 000 | 17 180 000 | 17 180 000 | 17 180 000 | 17 180 000 | - | 100.00 | 265.12 |
| Contracted services | 77 745 000 | 71 534 192 | 71 029 726 | 71 029 726 | 68 927 685 | (2 102 041) | 97.04 | 88.66 |
| General Expenditure | 370 772 925 | 383 778 673 | 380 881 984 | 380 881 984 | 461 846 831 | 80 964 847 | 121.26 | 124.56 |

POLOKWANE MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL FOR THE YEAR ENDED 30 JUNE 2016

| | | | | | | | | |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|---------------|---------------|
| Gain / (loss) on fair value adjustment/disposal/impairment of assets/Investment property | | | | | 12 843 020 | 12 843 020 | 0.00 | 0.00 |
| Total Expenditure | 2 288 833 600 | 2 321 946 647 | 2 321 970 000 | 2 608 934 008 | 2 838 196 205 | 229 262 197 | 108.79 | 124.00 |
| Loss: Impairment of Assets | | | | | - | | | |
| Surplus/(Deficit) | 115 629 400 | 156 669 696 | 156 646 343 | 156 646 343 | (579 931 805) | (736 578 148) | -370.22 | -501.54 |
| Transfer Recognised - capital | 466 288 000 | 470 853 657 | 470 853 657 | 470 853 657 | 473 584 799 | 2 731 142 | 100.58 | 101.56 |
| Contributions Recognised - capital & contributed assets | | | | | 3 355 674 | 3 355 674 | 100.00 | 0.00 |
| Surplus/(Deficit) after capital transfer and contributions | 581 917 400 | 627 523 353 | 627 500 000 | 627 500 000 | (102 991 332) | (730 491 332) | -16.41 | -17.70 |
| Share of Surplus/Deficit of associate | - | - | - | - | - | - | | |
| Surplus for the year | 581 917 400 | 627 523 353 | 627 500 000 | 627 500 000 | (102 991 332) | (730 491 332) | -16.41 | -17.70 |
| Capital expenditure and funds resources | | | | | | | | |
| Capital Expenditure | | | | | - | | | |
| Transfers recognised - Capital | 466 288 000 | 470 854 000 | 509 097 000 | 509 097 000 | 473 584 799 | (35 512 201) | 93.02 | 101.56 |
| Public Contributions and Donations | - | 3 355 000 | 3 355 000 | 3 355 000 | 3 355 674 | 674 | 100.02 | 0.00 |
| Internally generated funds | 113 833 000 | 152 076 000 | 113 833 000 | 113 833 000 | 111 527 560 | (2 305 440) | 97.97 | 97.97 |
| Total sources of capital | 580 121 000 | 626 285 000 | 626 285 000 | 626 285 000 | 588 468 033 | (37 816 967) | 93.96 | 101.44 |
| Cash Flows | | | | | | | | |
| Cash/cash equivalents at the beginning of | 236 990 000 | 322 963 000 | 322 963 000 | 322 963 000 | 322 864 242 | (98 758) | 99.97 | 136.24 |
| Net Cash from (Used) operating | 692 942 000 | 477 270 000 | 477 270 000 | 477 270 000 | 261 654 833 | (215 615 167) | 54.82 | 37.76 |
| Net Cash from (Used) Investing | (558 581 000) | (601 258 000) | (601 258 000) | (601 258 000) | (481 022 111) | 120 235 889 | 80.00 | 86.12 |
| Net Cash from (Used) Financing | (56 100 000) | (56 100 000) | (56 100 000) | (56 100 000) | (17 271 917) | 38 828 083 | 30.79 | 30.79 |
| Cash/cash equivalents at the year end | 315 251 000 | 142 875 000 | 142 875 000 | 142 875 000 | 86 225 049 | (56 649 951) | 60.35 | 27.35 |

For the purpose of calculating unauthorised expenditure on depreciation, the depreciation portion on the revalued component of assets are deducted from the real overspending. The amount for 2014/15 is R287 269 083 and for 2015/16 R286 964 008. This was done in accordance with MFMA Circular 58
 Explanations for material variances of the Municipality's actual financial performance with the budgeted is set out in Appendix E.1

Accounting Policies

1. Presentation of Annual Financial Statements

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

The Municipality is in full compliance with GRAP

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

These accounting policies are consistent with the previous period.

1.1 Consolidation

Basis of consolidation

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

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

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

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

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

1.2 Significant judgments and sources of estimation uncertainty

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

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

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

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

Allowance for slow moving, damaged and obsolete stock

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

Fair value estimation

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

Impairment testing

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest
that the carrying amount may not be recoverable.

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

Provisions

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

Useful lives of assets

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

Post-retirement benefits

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

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

Interest rate

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

Allowance for doubtful debts

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

Residual value

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

Inventories

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

Renewal- estimation of meter readings

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

* Where readings are not available other than as a result of a meter fault, estimations are done by using the consumption of the readings of the same period the preceding year, or an average of any consecutive two months.

* Where Council or the owner are of the opinion that the meter are at fault, such a meter must be replaced and sent for testing. The results of the testing of the meters will determine the correction of the account as prescribed in the respective year's Tariff of Charges Policy.

1.3 Presentation of Currency

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

1.4 Going concern assumption

In terms of the accounting standard GRAP 1 paragraphs 27 to 30 the annual financial statements are prepared on a going concern basis ie. The assumption that the Municipality will continue to operate as a going concern for at least the next 12 months. Refer to note 46

1.5 Comparative figures

Current year comparatives

POLOKWANE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

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

Prior year comparatives

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

1.6 Offsetting

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

1.7 Housing development fund

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

1.8 Revaluation Reserve

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

1.9 Property, plant and equipment

1.9.1 Initial recognition

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

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

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

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

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

Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at date of acquisition. Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

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

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

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

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

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

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

1.9.2 Subsequent recognition

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

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

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

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

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

equipment is transferred directly to retained earnings when the asset is derecognised.

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

1.9.3 Depreciation

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

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

Item useful life range

Infrastructure

| | |
|------------------------|-------------|
| → Roads and stormwater | 5-100 years |
| → Electricity | 3-100 years |
| → Sanitation | 5-100 years |
| → Water | 5-100 years |
| → Housing | 3-100 years |

| | |
|-----------------------------|---------------|
| → Halls | 5 - 100 years |
| → Libraries | 5 - 100 years |
| → Parks | 5 - 80 years |
| → Fire / Ambulance stations | 5 - 100 years |
| → Clinics | 5 - 80 years |
| → Sport fields | 15 - 30 years |
| → Stadium | 50 years |
| → Landfill sites | 5-100 years |

Other

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

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

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

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

1.10 Biological Assets

Initial Recognition

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

- the municipality controls the asset as a result of past events;
- it is probable that future economic benefits associated with the asset will flow

to the municipality
→ and the fair value or cost of the asset can be measured reliably.

Subsequent Measurement:

Biological assets are measured at their fair value less estimated point-of-sale costs. The fair value of livestock is determined based on market prices of livestock of similar age, breed, and genetic merit.

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

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

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

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

1.11 Heritage Assets

Recognition of Assets

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

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

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

Subsequent Measurement

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

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

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

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

De-recognition of Asset

The carrying amount of a heritage is de-recognised:

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

The gain or loss arising from the de-recognition, of a heritage asset should be determined as

the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

1.12 Investment Property

Initial recognition and measurement

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

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

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

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

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

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

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

Subsequent measurement

Fair value model

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

Derecognition

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

1.13 Inventories

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

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

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

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

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

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

1.14 Financial instruments

Financial instrument is any contract that gives rise to a financial asset of one municipality and a financial liability or a residual interest of another municipality

Financial instruments comprise of financial assets and liabilities in accordance with GRAP 104.

A financial asset is cash; a residual interest of another municipality; or a contractual right to receive cash or

A residual interest is any contract that entitles the holder to an interest in the assets of an municipality after deducting all of its liabilities (i.e. net assets).

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another municipality; or exchange financial assets or financial liabilities under conditions that are potentially unfavourable
Financial instruments, depending on its category, are initially measured at fair value, cost or amortised costs in accordance with GRAP 104. Transaction costs are only included in financial instruments that are initially measured at amortised costs.

Initial recognition

Financial instruments classified at fair value (fair value measurement considerations)

The best evidence of fair value is a quoted price in an active market.

from an exchange, broker, dealer, etc., and those prices represent actual and regularly occurring market

Where there is no active market, the fair value is determined using a valuation technique such as;

- recent arm's length market transaction;
 - if available, reference to the current fair value of another instrument that is substantially the same;
 - discounted cash flow analysis, discounting the future receipts (payments) of a financial instrument over the period of the contract, by using a market interest rate (adjusted for credit risk), to its present value
- Short-term receivables and payables with no stated interest rate is be measured at the original invoice amount if the effect of discounting is immaterial.

Financial instruments classified at amortised cost

For financial instruments measured at amortised cost, the interest expense (for financial liabilities) or revenue (for financial assets) is calculated by using the effective interest rate method. The interest rate used is equal to the prevailing rate of return for financial instruments having substantially the same terms and characteristics of the municipality's financial instrument which include:

- the credit quality;
- the remaining term over which the contractual interest rate is fixed;
- the remaining period to repayment of the principal; and
- the currency (if applicable).

Financial instruments classified at cost

If the fair value of a financial instrument cannot be reliably measured, it is measured at cost.

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Financial assets at fair value are subsequently measured by using the fair value measurement considerations. Any gains or losses due to changes in fair market value during the period are reported as gains or losses in the statement of financial performance, because such investments will usually be sold in the near future at their market value.

This effective interest rate method is used for these financial instruments. The interest rate used is necessary to discount the estimated stream of principal and interest cash flows through the expected life of the financial instrument to equal the amount recognised at initial recognition. The rate is then applied to the carrying amount at each reporting date to determine the interest expense or revenue for the period.

Subsequent measurement

Impairment and uncollectability of financial assets

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

Impairment and uncollectability of financial assets

If there is objective evidence that an impairment loss on a financial asset has occurred, the loss must be recognised in surplus or deficit. Objective evidence that a financial asset or municipality of assets is impaired can be as a result of the occurrence of one or more of the following events:

- Significant financial difficulty experienced by the borrower/debtor;
 - Delays in payments (including interest payments) or failure to pay/defaults;
 - For economic or legal reasons, allowing disadvantaged customers who are experiencing financial difficulties to pay as and when they can. The municipality would not otherwise have considered this concession. For example, allowing disadvantaged customers to pay their account when they can due to the fact the water it supplies to the customer is a basic human right;
 - It is probable that the borrower/debtor will enter sequestration (bankruptcy) or other financial reorganisation;
 - The disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data, for example historical data, indicating that there is a decrease in the estimated future cash flows that will be received (which can be measured reliably), from a municipality of financial assets (financial assets with similar credit risk characteristics municipality together) since the initial recognition of those assets. The decrease may not yet be identified for the individual financial assets in the municipality. These can include:
- the payment status of borrowers/debtors in the municipality has deteriorated (e.g. an increased number of delayed payments); or
 - national or local economic conditions that are in line with non-payments in the municipality (e.g. an increase in the unemployment rate in the geographical area of the borrowers/debtors, or adverse changes in market conditions that affect the borrowers/debtors in the municipality)

A municipality assesses financial assets individually, when assets are individually significant, and individually or collectively for financial assets that are not individually significant. Where no objective evidence of impairment exists for an individually assessed asset (whether individually significant or not), a municipality includes the assets in a municipality of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

The carrying amount of a financial asset is reduced directly through the use of an allowance account. The impairment loss is recognised in the statement of financial performance.

Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised, are not included in the collective assessment of impairment.

As soon as information becomes available that specifically identifies losses on individually impaired assets in a municipality (that are collectively assessed for impairment), those assets are removed from the municipality and assessed individually for impairment.

For collective assessment of impairment, as indicated above, assets with similar credit risk characteristics are municipalities together. The credit risk characteristics should be indicative of the debtors' ability to pay all amounts due according to the contractual terms.

Gains and losses

Gain or loss can arise from both a financial asset and financial liability measured at fair value, at amortised cost or cost. Any gains and losses are recognised in the statement of financial performance.

Fair value – Changes in fair value will result in either a gain or loss.

Amortised cost and cost – gains and losses are recognised when derecognised, impaired or through the amortisation process

Categories of financial instruments

The municipality has the following categories of financial instruments:

- Trade and other receivables including traffic fines
- Trade and other payables

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- Cash and cash equivalents
- Long –term borrowings

Trade and other receivables

Trade and other receivables are initially designated at fair value.

Short-term receivables with no stated interest rate is to be measured at the original invoice amount if the effect of discounting is immaterial.

Trade and other payables

Financial liabilities consist of trade payables. They are categorised as financial liabilities held at fair value.

Short-term payables with no stated interest rate is to be measured at the original invoice amount if the effect of discounting is immaterial.

Cash and cash equivalents

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 that 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, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

Traffic fines

IGRAP indicates that entities should not consider the probability of non-payment on the initial recognition of revenue. This is considered as a subsequent event when assessing impairment.

Long-term borrowings

The long-term borrowings meet the definition of finance liabilities. Therefore it is initially measured at fair value and subsequently measured at amortised cost. The liability is classified as long-term as it is payable after twelve months.

Long-term receivables

The long-term receivables meet the definition of financial assets. Therefore it is initially measured at fair value and subsequently measured at amortised cost. The asset is classified as long-term as it is receivables after twelve months.

Derecognition

The municipality derecognises a financial asset only when:

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

If the municipality has not transferred substantially all of the risks and rewards of ownership of the financial asset, it should continue to recognise the asset.

The municipality derecognises a financial liability only when:

- Discharges the liability (or part thereof) by paying the creditor, normally with cash, other financial liabilities, goods or services;
- Is legally released from primary responsibility for the liability (of part of it) either by process of law (expires) or by the creditor (cancelled). If the debtor has given a guarantee, this condition may still be met; or
- Waives the debt or it is assumed by another entity by way of a non-exchange transaction. These transactions are accounted for by considering the requirements in GRAP 104 and GRAP 23 - Revenue from Non-exchange Transactions (Taxes and Transfers).

1.15 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting

period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

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

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

Measurement

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

Sale of goods

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

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

Rendering of services

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

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

→ the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

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

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

Interest, royalties and dividends

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

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

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

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

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

1.16 Revenue from non-exchange transactions

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

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

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

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

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

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified. Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government.

Taxes do not include fines or other penalties imposed for breaches of the law.

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

Recognition

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

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

Measurement

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

Transfers

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

Fines

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

Bequests

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

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality

and the fair value of the assets can be measured reliably.

1.17 Grants and receipts

Conditional Grants

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

Unconditional Grants

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

1.18 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision. No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding agreement.

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 33.

1.19 Unauthorised expenditure

Unauthorised expenditure means:

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

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

1.20 Irregular expenditure

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

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

1.21 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised. All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.22 Leases

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

Finance leases – lessee

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

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

Operating leases – lessor

Operating lease income is recognised as an income on a straight-line basis over the lease

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

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

Operating leases – lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability. This liability is not discounted.

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

1.23 Intangible assets

An asset is identified as an intangible asset when it:

- . is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, assets or liability; or
- . arises from contractual rights or other legal rights, regardless whether those rights are transferable or separate from the municipality or from other rights and obligations.

An intangible asset is recognised when:

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

Intangible assets are initially recognised at cost.

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

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

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

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses. An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows. Amortisation is not provided for these property, plant and equipment. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed

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

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

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

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

Amortisation begins when the asset is available for use.

Intangible assets are derecognised:

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

1.24 Impairment of cash-generating assets

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

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

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

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

Identification

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

Cash-generating units

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

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

Reversal of impairment loss

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

Re-designation

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

1.25 Impairment of non-cash-generating assets

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

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

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

Value in use

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

Depreciated replacement cost approach

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

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

Restoration cost approach

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

Service units approach

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

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying

amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss. An impairment loss is recognised immediately in surplus or deficit. Any impairment loss of a re-valued non-cash-generating asset is treated as a revaluation decrease. When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP. After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Reversal of an impairment loss

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

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

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

Re-designation

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

1.26 Employee benefits

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

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

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

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

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

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

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

Short-term employee benefits

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

Short-term employee benefits include items such as:

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

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

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

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

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

Post-employment benefits

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

informal arrangements under which an entity provides post-employment benefits for one or more employees.

Post-employment benefits: Defined contribution plans

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

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

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

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

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans. Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the municipality recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting municipality) that are held by an municipality (a fund) that is legally separate from the reporting municipality and exists solely to pay or fund

employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting municipality's own creditors (even in liquidation), and cannot be returned to the reporting municipality, unless either:

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

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

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

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies. The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself. The entity account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the municipality's informal practices. Informal practices give rise to a constructive obligation where the municipality has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the municipality's informal practices would cause unacceptable damage to its relationship with employees.

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

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

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

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

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

The municipality determine the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date. The municipality recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

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

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

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, a municipality shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, a municipality shall attribute benefit on a straight-line basis from:

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

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

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

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

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

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

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

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

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

The schemes are funded through payments to financial consultant companies or trustee-administered funds, determined by periodic actuarial calculations. The Municipality has both defined benefit and defined contribution plans. A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. A defined contribution plan is a pension plan under which the Municipality pays fixed

contributions into a separate entity. The Municipality has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

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

1.27 Borrowing costs

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

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

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

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

When the carrying amount or the expected ultimate cost of the qualifying asset exceeds its recoverable amount or recoverable service amount or net realisable value, the carrying amount is written down or written off in accordance with the accounting policy on Impairment of Assets as per accounting policy number 1.22. In certain circumstances, the amount of the write-down or write-off is written back in accordance with the same accounting policy.

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

1.28 Investments

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

1.29 Grants in aid

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

1.30 Presentation of Budget Information in the Financial Statements

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

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

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

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

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

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

1.31 Commitments

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

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

1.32 Changes in accounting policy

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

GRAP 25 Employee benefits

The change in accounting policy did not have any effect on the financial statements for the year ended 30 June 2016.

1.33 Related parties

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

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

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

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations.

GRAP 18: Segment Reporting - Issued March 2005

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

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

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

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

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

GRAP 20: Related Party – Issued June 2011

Related party relationships exist throughout the public sector, because:

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

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

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

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

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

The effective date of the standard has not yet been determined.
The municipality does not envisage the adoption of the standard until such time as it

becomes applicable to the municipality's operation.

At present the impact of the standard is not material.

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

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

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

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

GRAP 107: Mergers – Issued November 2010

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

GRAP 32: Service Concession Agreement – Issued November 2013

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

GRAP 108: Statutory Receivables – Issued September 2013

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

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

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

POLOKWANE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

| | GROUP | | MUNICIPALITY | |
|---|----------------------|-----------------------|----------------------|-----------------------|
| | 2016 R | 2015 R Restated | 2016 R | 2015 R Restated |
| 2. HOUSING DEVELOPMENT FUND | 0 | 6 955 962 | 0 | 6 955 962 |
| Unappropriated Surplus | 0 | 3 975 991 | 0 | 3 975 991 |
| Loans extinguished by Government on 1 April 1998 | 0 | 2 979 971 | 0 | 2 979 971 |
| The Housing Fund is represented by the following assets: | | | | |
| Housing selling scheme loans | 0 | 166 836 | 0 | 166 836 |
| Bank and cash | 0 | 9 189 304 | 0 | 9 189 304 |
| | 0 | 6 955 962 | 0 | 6 955 962 |
| Opening Balance | 6 955 962 | 10 444 441.98 | 6 955 962 | 10 444 441.98 |
| Contributions | 19 675 | -3 488 480 | 19 675 | -3 488 480 |
| Transfer to revenue | -6 975 637 | 0 | -6 975 637 | 0 |
| Closing balance | 0 | 6 955 962 | 0 | 6 955 962 |
| Council took a decision to pay (NHFC) Polokwane Housing Agency Loan which was funded through Housing Development Fund The balance of the Fund was transferred to revenue during the 2015/16 Adjustment Budget. The funds were then transferred to Polokwane Housing Agency. Refer to note 27 | | | | |
| 3. RESERVES | | | | |
| Revaluation Reserve | 3 484 143 285 | 3 512 635 430 | 3 408 519 201 | 3 433 074 767 |
| - Balance Beginning of the Year | 3 512 635 430 | 3 520 109 567 | 3 433 074 767 | 3 440 548 904 |
| - Derecognition/ impairment | (28 492 146) | (7 474 137) | (24 555 567) | (7 474 137) |
| Revaluation of Land | - | | - | |
| 4. BORROWINGS | | | | |
| Non-Current Borrowings | | | | |
| Local Registered Stock loans | 0 | 136 829 | 0 | 136 829 |
| Deferred Income (PHA) | -1 | 27 972 224 | | |
| National Housing Finance Corporation Loan (PHA) | 0 | 16 732 935 | | |
| Annuity loans | 165 622 038 | 187 887 558 | 165 622 038 | 187 887 558 |
| | 165 622 037 | 232 729 546 | 165 622 038 | 188 024 387 |
| Current Portion of Borrowings | 75 616 026 | 42 228 519 | 65 065 521 | 37 263 987 |
| Local Registered Stock loans | | 27 799 | | 27 799 |
| National Housing Finance Corporation Loan (PHA) | 10 550 505 | 4 964 532 | | |
| Annuity loans | 65 065 521 | 37 236 188 | 65 065 521 | 37 236 188 |
| | 241 238 062 | 274 958 066 | 230 687 558 | 225 288 375 |

POLOKWANE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

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

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

Long term loan commitments:

The Municipality had entered into a loan agreement with the Development Bank of Southern Africa in February 2011 to borrow R320 million at a interest rate of 8.875% over 10 years. The last installment is repayable on 30 June 2021.

The Municipality had entered into a loan agreement with the Development Bank of Southern Africa in February 2011 to borrow R50 million at a interest rate of 11.52% over 10 years. The last installment is repayable on 30 June 2020.

The Municipality had entered into a loan agreement with the Development Bank of Southern Africa in February 2016 to borrow R42,8 million at a interest rate of 9.00% over 1.96 years. The last installment is repayable on 30 June 2018. The loan will be funded through Integrated National Electrification Programme Grant.

The Stock loans are from different sporting bodies at an interest rate of 10% repayable over 20 years. The last loans are repayable in 2016.

No loans are secured against any assets of the Municipality

5. CONSUMER DEPOSITS

Water and electricity & other

Guarantees held in lieu of electricity and water deposits

| | 2016 R | GROUP 2015 R | 2016 R | MUNICIPALITY 2015 R |
|--|------------|--------------------|------------|---------------------------|
| | 68 863 503 | 67 612 259 | 68 863 503 | 67 612 259 |
| | 9 772 800 | 9 772 800 | 9 772 800 | 9 772 800 |

POLOKWANE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

| | GROUP | | MUNICIPALITY | |
|---|--------------------|--------------------|---------------------|--------------------|
| | 2016 | 2015 | 2016 | 2015 |
| | R | R | R | R |
| 6. TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS | | | | |
| Trade Creditors | 153 312 741 | 160 762 028 | 151 334 192 | 158 656 587 |
| Amounts received in advance | 47 376 484 | 40 815 700 | 47 376 484 | 40 815 700 |
| Deferred income elec pre-paid | 4 020 914 | 4 060 115 | 4 020 914 | 4 060 115 |
| Leave bonus (13th cheque) | 12 544 832 | 10 145 041 | 12 544 832 | 10 145 041 |
| Staff leave | 82 607 480 | 66 759 454 | 82 607 480 | 66 759 454 |
| Retention withheld on projects | 49 257 064 | 48 026 978 | 49 257 064 | 48 026 978 |
| Unidentified receipts | 21 179 405 | 25 191 392 | 21 179 405 | 25 191 392 |
| Other | 869 451 | 1 967 062 | 289 047 | 1 544 641 |
| | 371 168 371 | 357 727 769 | 368 609 418 | 355 199 907 |
| 7. CURRENT UNSPENT CONDITIONAL GRANTS FROM GOVERNMENT AND PUBLIC DONATIONS | | | | |
| Public Transport Infrastructure and Systems Grant | 0 | 28 167 868 | 0 | 28 167 868 |
| Municipal Infrastructure Grant | 0 | 133 711 394 | 0 | 133 711 394 |
| Limpopo Provincial Government | 2 949 710 | 2 949 710 | 2 949 710 | 2 949 710 |
| Water Services Refurbishment Grant | 0 | 20 840 184 | 0 | 20 840 184 |
| Housing Accreditation Grant | 427 591 | 404 429 | 427 591 | 404 429 |
| Neighbourhood Development Partnership Grant | 8 450 451 | 5 705 692 | 8 450 451 | 5 705 692 |
| National Lottery | 0 | 3 355 674 | 0 | 3 355 674 |
| | 11 827 752 | 195 134 950 | 11 827 752 | 195 134 950 |

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

FOLKSWANE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

8 PROPERTY, PLANT & EQUIPMENT

GROUP

| | Land | | Community Facilities | | Infrastructure | | Other and Moveable | | Finance lease | | Total | |
|--|-------------|---------------|----------------------|-------------|----------------|----------------|--------------------|---|---------------|---|-------|---|
| | R | R | R | R | R | R | R | R | R | R | R | R |
| Carrying values at 30 June 2014 | | | | | | | | | | | | |
| | 179 302 341 | 1 713 879 887 | 6 748 605 184 | 46 461 124 | 186 874 332 | 8 888 688 261 | | | | | | |
| Cost | 263 371 341 | 3 214 461 861 | 13 777 307 749 | 158 002 917 | 132 629 417 | 17 549 692 405 | | | | | | |
| Accumulated impairment | 0 | 8 462 | 0 | 19 021 | 0 | 27 483 | | | | | | |
| Accumulated depreciation – cost | 0 | 1 500 579 029 | 7 029 702 665 | 31 640 893 | 23 755 085 | 8 851 246 112 | | | | | | |
| Acquisitions | 610 000 | 3 069 922 | 238 608 708 | 16 301 067 | 5 680 051 | 269 223 696 | | | | | | |
| Capital Work in Progress | 0 | 27 547 384 | 236 735 254 | 0 | 0 | 264 282 638 | | | | | | |
| Depreciation – based on cost | 0 | 94 245 801 | 399 717 003 | 23 819 676 | 28 802 345 | 344 505 625 | | | | | | |
| Impairment | 0 | 122 883 | 0 | 0 | 0 | 122 883 | | | | | | |
| Loss on disposal of assets | 0 | 0 | 38 092 157 | 41 403 688 | 45 999 | 85 495 844 | | | | | | |
| Cost | 0 | 0 | 17 128 703 | 8 678 440 | 43 523 | 25 855 666 | | | | | | |
| Accumulated depreciation | 0 | 0 | 38 092 157 | 41 403 688 | 45 999 | 85 495 844 | | | | | | |
| Carrying values at 30 June 2015 | | | | | | | | | | | | |
| | 263 381 341 | 1 642 823 321 | 6 882 887 892 | 30 993 970 | 85 729 510 | 8 844 426 065 | | | | | | |
| Cost | 263 381 341 | 3 298 979 329 | 14 220 817 814 | 152 872 911 | 139 212 969 | 18 504 609 261 | | | | | | |
| Accumulated impairment | 0 | 131 286 | 0 | 19 021 | 0 | 150 307 | | | | | | |
| Accumulated depreciation – cost | 0 | 1 609 020 000 | 7 414 326 730 | 33 779 891 | 29 264 956 | 9 354 301 264 | | | | | | |
| Acquisitions | 0 | 3 815 756 | 587 449 788 | 15 522 828 | 5 097 280 | 611 795 201 | | | | | | |
| Transfer | -1 000 | 0 | 0 | 0 | 0 | -1 000 | | | | | | |
| Capital Work in Progress | 5 500 000 | -4 336 379 | 0 | 0 | 0 | -3 936 379 | | | | | | |
| Depreciation – based on cost | 0 | 48 348 832 | 173 812 788 | 0 | 0 | 125 464 156 | | | | | | |
| Impairment | 0 | 94 245 801 | 336 829 025 | 18 809 847 | 29 727 568 | 348 608 041 | | | | | | |
| Loss on disposal of assets | 0 | 0 | 48 944 187 | 51 791 373 | 2 942 660 | 101 978 160 | | | | | | |
| Cost | 0 | 0 | 0 | 0 | 0 | 0 | | | | | | |
| Accumulated depreciation | 0 | 0 | 48 944 187 | 51 791 373 | 2 942 660 | 101 978 160 | | | | | | |
| Carrying values at 30 June 2016 | | | | | | | | | | | | |
| | 269 480 341 | 1 598 589 314 | 6 829 914 897 | 46 109 912 | 80 789 450 | 8 687 439 052 | | | | | | |
| Cost | 269 480 341 | 3 301 139 714 | 14 547 310 427 | 146 603 766 | 140 279 064 | 18 395 576 792 | | | | | | |
| Accumulated impairment | 0 | 131 286 | 0 | 19 021 | 0 | 150 307 | | | | | | |
| Accumulated depreciation – cost | 0 | 1 702 425 891 | 7 717 378 720 | 39 936 324 | 79 487 615 | 9 599 226 741 | | | | | | |

Refer to Appendix B for more detail on property, plant & equipment, including the capital under construction.
Infrastructure and Community Assets: Annual review meetings were conducted with all Strategic Business Units during which impairment triggers and asset performance indicators were discussed and more were noted. In addition, physical field assessments were conducted where information pertaining to the condition and performance of these assets were recorded and further analysed.

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

| | Community assets | | Infrastructure | | Total | |
|--|--------------------|----------------------|----------------------|----------|----------------------|----------|
| | R | R | R | R | R | R |
| Opening balance at 1 July 2014 | | | | | | |
| Addition cost | 30 803 641 | 253 728 557 | 254 532 159 | 0 | 509 064 357 | 0 |
| Transfer to asset register | 9 204 626 | 329 148 181 | 334 203 126 | 0 | 663 555 933 | 0 |
| Opening balance at 1 July 2015 | 40 008 267 | 582 876 738 | 588 735 285 | 0 | 1 029 614 330 | 0 |
| Addition cost | 30 073 470 | 466 406 514 | 496 480 514 | 0 | 992 960 508 | 0 |
| Transfer to asset register | 27 620 080 | 329 148 181 | 329 678 261 | 0 | 676 946 522 | 0 |
| Closing balance at 30 June 2015 | 97 621 817 | 1 378 431 433 | 1 414 893 560 | 0 | 2 791 946 810 | 0 |
| Addition cost | 49 842 111 | 411 045 611 | 450 887 722 | 0 | 911 775 444 | 0 |
| Transfer to asset register | (693 483) | (779 987 159) | (800 480 592) | 0 | (1 673 951 234) | 0 |
| Closing balance at 30 June 2016 | 136 960 445 | 1 609 489 885 | 1 665 293 690 | 0 | 3 411 744 020 | 0 |

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

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

During the year Remaining Useful Lives were reviewed on all depreciable assets and adjusted where necessary. Refer to note 45 for the effect of the change in estimate.

Land: Properties to the value of R725 452 000 for which title deeds are registered under the name of the Municipality, have not been included in the Municipality's financial records. These properties are represented by R 229 and other land parcels, vacant and improved, over which the municipality does not exercise any form of control or have any legal claim to ownership.

As at 30 June 2016 all impaired assets are carried at value in use. Assets are not pledged as collateral.

INTANGIBLE ASSETS

R 2016 R 2015

| | R | R |
|---|------------------|------------------|
| Carrying Value Opening Balance | 2 441 172 | 3 189 495 |
| Cost | 11 700 881 | 10 773 434 |
| Accumulated amortisation | (8 259 709) | (7 583 939) |
| Acquisitions | 750 000 | 527 367 |
| Impairment | 0 | 102 299 |
| Amortisation and impairment – based on cost | (872 284) | (1 338 848) |
| Cost | 0 | 0 |
| Accumulated amortisation | 1 771 256 | 0 |
| Carrying Value Closing Balance | 2 308 888 | 2 380 313 |
| Cost | 10 950 881 | 11 700 881 |
| Accumulated amortisation | (8 641 993) | (9 320 568) |

Reconciliation of Intangible Assets - 2016

| Carrying value Opening Balance | Opening Balance | Additions | Capital Work in Progress | Amortisation/Transfer | Carrying value Closing Balance |
|---------------------------------|------------------|----------------|--------------------------|-----------------------|--------------------------------|
| | | | | | |
| Computer infrastructure/systems | 2 236 680 | 827 406 | 0 | (403 527) | 2 740 559 |
| Aerial photographs | 204 498 | 0 | 0 | (168 736) | 2 176 284 |
| | 2 381 178 | 827 406 | 0 | (572 263) | 2 636 321 |

Reconciliation of Intangible Assets - 2015

| Carrying value Opening Balance | Opening Balance | Additions | Capital Work in Progress | Amortisation | Carrying value Closing Balance |
|---------------------------------|------------------|----------------|--------------------------|--------------------|--------------------------------|
| | | | | | |
| Computer infrastructure/systems | 2 831 954 | 887 844 | 0 | (1 300 612) | 2 419 186 |
| Aerial photographs | 357 539 | 0 | 0 | (168 836) | 188 703 |
| | 3 189 493 | 887 844 | 0 | (1 469 448) | 2 607 889 |

No intangible assets were pledged as security.

MUNICIPALITY

| | Land | | Community Facilities | | Infrastructure | | Other and Moveable | | Finance lease | | Total | |
|--|-------------|---------------|----------------------|-------------|----------------|----------------|--------------------|---|---------------|---|-------|--|
| | R | R | R | R | R | R | R | R | R | R | R | |
| Carrying values at 30 June 2014 | | | | | | | | | | | | |
| | 179 302 341 | 1 616 048 471 | 6 748 605 184 | 46 975 498 | 186 874 332 | 8 773 281 232 | | | | | | |
| Cost | 236 871 341 | 3 088 417 736 | 13 777 307 749 | 157 110 836 | 132 629 417 | 17 302 307 009 | | | | | | |
| Accumulated impairment | 0 | 4 462 | 0 | 19 021 | 0 | 27 483 | | | | | | |
| Accumulated depreciation – cost | 0 | 1 472 365 883 | 7 029 702 665 | 31 936 439 | 23 755 085 | 8 817 228 215 | | | | | | |
| Acquisitions | 610 000 | 3 069 922 | 238 608 708 | 16 301 067 | 5 680 051 | 269 223 696 | | | | | | |
| Capital Work in Progress | 0 | 27 547 384 | 236 735 254 | 0 | 0 | 264 282 638 | | | | | | |
| Depreciation – based on cost | 0 | 94 245 801 | 399 717 003 | 23 819 676 | 28 802 345 | 344 505 625 | | | | | | |
| Impairment | 0 | 122 883 | 0 | 0 | 0 | 122 883 | | | | | | |
| Loss on disposal of assets | 0 | 0 | 38 092 157 | 41 403 688 | 45 999 | 85 495 844 | | | | | | |
| Cost | 0 | 0 | 17 128 703 | 8 678 440 | 43 523 | 25 855 666 | | | | | | |
| Accumulated depreciation | 0 | 0 | 38 092 157 | 41 403 688 | 45 999 | 85 495 844 | | | | | | |
| Carrying values at 30 June 2015 | | | | | | | | | | | | |
| | 263 381 341 | 1 556 197 379 | 6 882 887 892 | 30 993 970 | 86 789 510 | 8 744 461 168 | | | | | | |
| Cost | 263 381 341 | 3 116 925 330 | 14 220 817 814 | 131 724 344 | 138 212 460 | 17 846 902 009 | | | | | | |
| Accumulated impairment | 0 | 131 286 | 0 | 19 021 | 0 | 150 307 | | | | | | |
| Accumulated depreciation – cost | 0 | 1 596 020 000 | 7 414 326 730 | 34 328 116 | 29 264 956 | 9 354 301 264 | | | | | | |
| Acquisitions | 0 | 3 815 756 | 587 449 788 | 15 365 641 | 5 097 280 | 611 675 201 | | | | | | |
| Transfer | -1 000 | 0 | 0 | 0 | 0 | -1 000 | | | | | | |
| Capital Work in Progress | 5 500 000 | -4 336 379 | 0 | 0 | 0 | -3 936 379 | | | | | | |
| Depreciation – based on cost | 0 | 48 348 832 | 173 812 788 | 0 | 0 | 125 464 156 | | | | | | |
| Impairment | 0 | 94 245 801 | 336 829 025 | 18 809 847 | 29 727 568 | 348 608 041 | | | | | | |
| Loss on disposal of assets | 0 | 0 | 48 944 187 | 51 791 373 | 2 942 660 | 101 978 160 | | | | | | |
| Cost | 0 | 0 | 0 | 0 | 0 | 0 | | | | | | |
| Accumulated depreciation | 0 | 0 | 48 944 187 | 51 791 373 | 2 942 660 | 101 978 160 | | | | | | |
| Carrying values at 30 June 2016 | | | | | | | | | | | | |
| | 237 481 341 | 1 513 146 959 | 6 829 914 897 | 46 109 912 | 80 789 450 | 8 687 439 052 | | | | | | |
| Cost | 237 481 341 | 3 171 088 549 | 14 547 310 427 | 140 279 712 | 140 279 064 | 18 217 450 057 | | | | | | |
| Accumulated impairment | 0 | 131 286 | 0 | 19 021 | 0 | 150 307 | | | | | | |
| Accumulated depreciation – cost | 0 | 1 667 899 304 | 7 717 378 720 | 39 936 324 | 79 487 615 | 9 599 226 741 | | | | | | |

Refer to Appendix B for more detail on property, plant & equipment, including the capital under construction.
Infrastructure and Community Assets: Annual review meetings were conducted with all Strategic Business Units during which impairment triggers and asset performance indicators were discussed and more were noted. In addition, physical field assessments were conducted where information pertaining to the condition and performance of these assets were recorded and further analysed.

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

| | Community assets | | Infrastructure | | Total | |
|--|-------------------|--------------------|--------------------|----------|----------------------|----------|
| | R | R | R | R | R | R |
| Opening Balance at 1 July 2015 | | | | | | |
| Addition cost | 30 073 470 | 466 406 514 | 496 480 514 | 0 | 992 960 508 | 0 |
| Transfer to asset register | 27 620 080 | 329 148 181 | 329 678 261 | 0 | 676 946 522 | 0 |
| Closing balance at 30 June 2015 | 57 693 550 | 795 554 695 | 826 158 775 | 0 | 1 672 307 027 | 0 |
| Addition cost | 49 842 111 | 411 045 611 | 450 887 722 | 0 | 911 775 444 | 0 |
| Transfer to asset register | (693 483) | (779 987 159) | (800 480 592) | 0 | (1 673 951 234) | 0 |
| Closing balance at 30 June 2016 | | | | | | |

POLOKWANE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 LUNE 2016

GROUP

8.2. INVESTMENT PROPERTY

| | Vacant land | Commercial Property | Total |
|---------------------------------------|-----------------------|------------------------|--------------------|
| 2015 | | | |
| Carrying Value Opening Balance | 619 855 700 | 25 862 999 | 645 718 699 |
| Fair Value | 619 855 700 | 25 862 999 | 645 718 699 |
| Fair value adjustment | 21 843 282 | 2 769 212 | 24 612 494 |
| Transfer | -31 088 000 | 0 | -31 088 000 |
| Fair value | 610 610 982 | 28 632 211 | 639 243 193 |
| 2016 | | | |
| Carrying Value Opening Balance | 610 610 982 | 28 632 211 | 639 243 193 |
| Fair Value | 0 | 17 025 245 | 17 025 245 |
| Fair value adjustment | 24 552 667.00 | 639 893 | 25 192 560 |
| Reclassification | (22 972 760.00) | 0 | -22 972 760 |
| Transfer | 1 000.00 | 0 | 1 000 |
| Fair value | 612 191 889.00 | 46 297 349.00 | 658 489 238 |

Rental income from investment property amounts to R1 732 010 (2015:R2 033 587)

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

No Investment Properties were pledged as security.

There are no restrictions on investment properties.

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

The values were determined by an external Professional Valuer registered with the South African Council for the Property Valuers Profession, Registration No. 5000/05

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

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

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

8.3 HERITAGE ASSETS

| | 2016 R | 2015 R |
|---------------------------------------|-------------------|-------------------|
| Carrying Value Opening Balance | 15 609 153 | 3 671 704 |
| Cost | 15 609 153 | 15 609 153 |
| Accumulated depreciation | - | - |
| Changes in fair value adjustments | | |
| Accumulated depreciation | - | - |
| Depreciation – based on cost | - | - |
| Carrying value of disposals | | |
| Cost/Accumulated depreciation | | |
| Carrying Value Closing Balance | 3 671 704 | 3 671 704 |
| Carrying Value Closing Balance | 15 609 153 | 15 609 153 |
| Accumulated depreciation | - | - |

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

- R74921 Tank
 - 2x Cannon - Pro Gloria Et Patria 1897
- Assets are not pledged as collateral

8.4 BIOLOGICAL ASSETS

| | 2016 R | 2015 R |
|---------------------------------------|-------------------|-------------------|
| Carrying Value Opening Balance | 14 277 750 | 16 633 000 |
| Fair value | 14 277 750 | 16 633 000 |
| Accumulated depreciation | - | - |
| Acquisitions | | |
| Changes in fair value adjustments | (5 278 725) | -1 626 750 |
| Depreciation – based on cost | - | - |
| Revaluation/ Impairment | | |
| Prior year adjustments -acquisitions | | |

POLOKWANE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 LUNE 2016

| | | |
|---------------------------------------|------------------|-------------------|
| Carrying value of disposals | | (728 500) |
| Cost/Accumulated depreciation | | |
| Carrying Value Closing Balance | 8 999 025 | 14 277 750 |
| Fair value | 8 999 025 | 14 277 750 |
| Accumulated depreciation | 0 | - |

All biological assets relate to game.
 There were 1,162 game at year end. (2015: 1,789)

| | | MUNICIPALITY | | |
|---------------------------------------|------|-----------------------|-----------------------------|--------------------|
| 8.2. INVESTMENT PROPERTY | 2015 | Vacant land R | Commercial Property R | Total |
| Carrying Value Opening Balance | | 619 855 700 | 25 862 999 | 645 718 699 |
| Fair Value | | 619 855 700 | 25 862 999 | 645 718 699 |
| Fair value adjustment | | 21 843 282 | 2 769 212 | 24 612 494 |
| Transfer | | -31 088 000 | 0 | -31 088 000 |
| Fair value | | 610 610 982 | 28 632 211 | 639 243 193 |
| | 2016 | | | |
| Carrying Value Opening Balance | | 610 610 982 | 28 632 211 | 639 243 193 |
| Fair Value | | 0 | 17 025 245 | 17 025 245 |
| Fair value adjustment | | 24 552 667.00 | 639 893 | 25 192 560 |
| Reclassification | | (22 972 760.00) | 0 | -22 972 760 |
| Transfer | | 1 000.00 | 0 | 1 000 |
| Fair value | | 612 191 889.00 | 46 297 349.00 | 658 489 238 |

Rental income from investment property amounts to R1 732 010 (2015:R2 033 587)
 A register containing the information required by section 63 of the Municipal Finance Management
 Per accounting policy note 1.10, the municipality is on the fair value model for investment property.

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

The values were determined by an external Professional Valuer registered with the South African Council for the Property Valuers Profession, Registration No. 5000/05
 The value of investment property, comprising of land and buildings was determined by using a combination of valuation approaches. Each of these approaches assessed the relevance of each specific property based on their nature, use and comparable market transactions.
 The preferred valuation methodology applied to vacant land was that of comparable market related sales,

based on use, location and extent. In cases where no reasonable comparable sales were for similar properties.

| 8.3. HERITAGE ASSETS | 2016 R | 2015 R |
|---------------------------------------|-------------------|-------------------|
| Carrying Value Opening Balance | 15 609 153 | 3 671 704 |
| Cost | 15 609 153 | 15 609 153 |
| Changes in fair value adjustments | | |
| Carrying Value Closing Balance | 15 609 153 | 15 609 153 |

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

| 8.4. BIOLOGICAL ASSETS | 2016 R | 2015 R |
|---------------------------------------|-------------------|-------------------|
| Carrying Value Opening Balance | 14 277 750 | 16 633 000 |
| Fair value | 14 277 750 | 16 633 000 |
| Changes in fair value adjustments | (5 278 725) | -1 626 750 |
| Carrying value of disposals | | (728 500) |
| Carrying Value Closing Balance | 8 999 025 | 14 277 750 |
| Fair value | 8 999 025 | 14 277 750 |

All biological assets relate to game.
 There were 1,162 game at year end. (2015: 1,789)

POLOKWANE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

| | GROUP | | MUNICIPALITY | |
|--|----------------------|-----------------------|----------------------|-----------------------|
| | 2016 R | 2015 R Restated | 2016 R | 2015 R Restated |
| 9. INVESTMENTS | | | | |
| Long Term Investments | | | | |
| Standard Bank (Credit rating BBB-) | 58 999 800 | 58 999 800 | 58 999 800 | 58 999 800 |
| Call Account: 338711465(001) | 0 | 0 | 1 000 | 1 000 |
| Investment in municipal entity (PHA) | 0 | 27 972 225 | | |
| PHA - Long Term Investments | 0 | | | |
| | 58 999 800 | 86 972 025 | 59 000 800 | 59 000 800 |
| Total Investments | 58 999 800 | 86 972 025 | 59 000 800 | 59 000 800 |
| Council's valuation of investments | 59 000 800 | 86 972 025 | 59 000 800 | 59 000 800 |
| <p>Polokwane Municipality has a 100% controlling interest in PHA. The subsidiary provide social housing to the community. Investments are held to maturity.</p> <p>The Standard Bank long term investment serves as guarantee for Eskom bulk purchases</p> | | | | |
| 10. RECEIVABLES | | | | |
| Housing selling scheme loans | 163 829 | 166 836 | 163 829 | 166 836 |
| Sport loans | 0 | 187 670 | 0 | 187 670 |
| Erven loans | 5 512 448 | 5 687 352 | 5 512 448 | 5 687 352 |
| Less: Provision for bad debts | (5 512 448) | | (5 512 448) | |
| Total Receivables | 163 829 | 6 041 858 | 163 829 | 6 041 858 |
| Current Portion Transferred to Current Receivables | 3 317 | 5 666 187 | 3 317 | 5 666 187 |
| Housing selling scheme loans | 3 317 | 2 241 | 3 317 | 2 241 |
| Sport loans | 0 | 27 799 | 0 | 27 799 |
| Erven loans | 0 | 5 636 147 | 0 | 5 636 147 |
| Non-Current Portion of Receivables | 160 512 | 375 671 | 160 512 | 375 671 |
| Housing selling scheme loans | | | | |
| These loans attract interest rates at 9% and were given over a period of 30 years. | | | | |
| Sport loans | | | | |
| These loans were given to sporting bodies at an interest rate of 10% repayable over 20 years. The remaining loans are repayable in 2016. | | | | |
| Erven loans | | | | |
| These loans were granted to the community for the purchase of stands. The loans attract interest rates at 9% over a period of 5 years. | | | | |
| 11. INVENTORY | | | | |
| Opening balance of inventories | 36 214 414 | 40 386 116 | 36 214 414 | 40 386 116 |
| Consumables stores - at cost | 35 817 952 | 39 976 306 | 35 817 952 | 39 976 306 |
| Water | 396 462 | 409 810 | 396 462 | 409 810 |
| Additions | 233 712 330 | 192 415 318 | 233 712 330 | 192 415 318 |
| Consumables stores | 38 615 530 | 35 252 490 | 38 615 530 | 35 252 490 |
| Other goods held for resale-land | 22 972 760 | - | 22 972 760 | - |
| Own water | 15 138 171 | - | 15 138 171 | - |
| Water purchases external | 156 985 869 | 157 162 828 | 156 985 869 | 157 162 828 |
| Issued (Expensed) | (206 932 046) | -196 587 020 | (206 932 046) | -196 587 020 |
| Consumables stores | (34 988 541) | -39 410 845 | (34 988 541) | -39 410 845 |
| Distribution loss | -35 696 299 | 0 | -35 696 299 | 0 |
| Water | (136 247 206) | -157 176 175 | (136 247 206) | -157 176 175 |
| Closing balances of inventories | 62 995 698 | 36 214 414 | 62 995 698 | 36 214 414 |
| Consumable stores - at cost | 39 444 941 | 35 817 951 | 39 444 941 | 35 817 951 |
| Other goods held for sale-land | 22 972 760 | - | 22 972 760 | - |
| Water - at cost | 577 997 | 396 463 | 577 997 | 396 463 |
| <p>Consumable stores are disclosed at the lower of cost or net realisable value in line with the accounting policy on the weighted average calculation method. No inventory is pledged as security</p> <p>Inventory were corrected and consist of the following: Surplus inventory to the value of R1 546 Shortages to the value of (R51 092) Damaged stock written off (R55 743) Stolen cables written off (R86 148) Transformers transferred to PPE (R3 830 731) Fuel shortages and other corrections to the value of (R371 116)</p> | | | | |

POLOKWANE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

| | GROUP | | MUNICIPALITY | |
|--|--------------------|--------------------|--------------------|--------------------|
| | 2016 R | 2015 R | 2016 R | 2015 R |
| 12. TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS UNLESS SPECIFIED OTHERWISE | | | | |
| Consumer Debtors | 889 699 599 | 765 518 000 | 869 170 392 | 749 917 521 |
| Sale of water and electricity 15 to 30 June | 33 520 552 | 29 314 507 | 33 520 552 | 29 314 507 |
| | 923 220 151 | 794 832 507 | 902 690 944 | 779 232 028 |
| Less Provision for bad debts | (589 150 558) | (435 852 342) | (572 294 805) | (423 510 887) |
| Plus outstanding RD cheques | 1 445 967 | 1 661 740 | 1 445 967 | 1 661 740 |
| | 335 515 560 | 360 641 904 | 331 842 106 | 357 382 880 |
| Ageing of consumer debtors | | | | |
| Current (0-30 days) | 151 747 559 | 120 281 619 | 151 747 559 | 120 281 619 |
| 31-60 days | 56 993 973 | 42 689 915 | 56 993 973 | 42 689 915 |
| 61-90 days | 35 920 905 | 32 093 030 | 35 920 905 | 32 093 030 |
| 91-120 days | 29 656 657 | 31 355 934 | 29 656 657 | 31 355 934 |
| 120+ days | 632 045 304 | 556 070 553 | 628 371 850 | 552 811 529 |
| | 906 364 398 | 782 491 052 | 902 690 944 | 779 232 028 |
| Consumer debtors per category | | | | |
| Government | 33 505 771 | 69 298 510 | 33 505 771 | 69 298 510 |
| Business | 133 235 558 | 188 929 212 | 133 235 558 | 188 929 212 |
| Individuals | 733 899 691 | 435 502 116 | 733 899 691 | 435 502 116 |
| Other | 2 049 924 | 85 502 192 | 2 049 924 | 85 502 192 |
| | 902 690 944 | 779 232 030 | 902 690 944 | 779 232 030 |
| The analysis and ageing of consumer debtors per service. | | | | |
| Water | | | | |
| Current (0-30 days) | 39 180 669 | 26 647 517 | 39 180 669 | 26 647 517 |
| 31-60 days | 20 777 730 | 15 843 812 | 20 777 730 | 15 843 812 |
| 61-90 days | 14 421 343 | 10 311 891 | 14 421 343 | 10 311 891 |
| 91-120 days | 12 072 557 | 11 184 222 | 12 072 557 | 11 184 222 |
| 120+ days | 214 998 049 | 159 370 194 | 214 998 049 | 159 370 194 |
| | 301 450 348 | 223 357 637 | 301 450 348 | 223 357 637 |
| Electricity | | | | |
| Current (0-30 days) | 69 064 436 | 60 968 854 | 69 064 436 | 60 968 854 |
| 31-60 days | 17 025 075 | 12 710 231 | 17 025 075 | 12 710 231 |
| 61-90 days | 10 206 550 | 8 552 907 | 10 206 550 | 8 552 907 |
| 91-120 days | 8 356 895 | 6 764 954 | 8 356 895 | 6 764 954 |
| 120+ days | 77 844 129 | 63 049 893 | 77 844 129 | 63 049 893 |
| | 182 497 086 | 152 046 839 | 182 497 086 | 152 046 839 |
| Property Rates - Non Exchange Transactions | | | | |
| Current (0-30 days) | 31 036 597 | 21 274 353 | 31 036 597 | 21 274 353 |
| 31-60 days | 10 476 074 | 9 396 886 | 10 476 074 | 9 396 886 |
| 61-90 days | 7 789 461 | 8 463 106 | 7 789 461 | 8 463 106 |
| 91-120 days | 6 372 213 | 6 159 934 | 6 372 213 | 6 159 934 |
| 120+ days | 117 169 233 | 113 962 091 | 117 169 233 | 113 962 091 |
| | 172 843 577 | 159 256 370 | 172 843 577 | 159 256 370 |
| Sewerage | | | | |
| Current (0-30 days) | 3 683 834 | 3 467 252 | 3 683 834 | 3 467 252 |
| 31-60 days | 1 768 617 | 1 549 319 | 1 768 617 | 1 549 319 |
| 61-90 days | 1 145 039 | 1 168 710 | 1 145 039 | 1 168 710 |
| 91-120 days | 937 271 | 968 778 | 937 271 | 968 778 |
| 120+ days | 14 844 975 | 12 821 937 | 14 844 975 | 12 821 937 |
| | 22 379 737 | 19 975 996 | 22 379 737 | 19 975 996 |
| Refuse | | | | |
| Current (0-30 days) | 5 049 835 | 4 942 416 | 5 049 835 | 4 942 416 |
| 31-60 days | 2 310 964 | 2 121 804 | 2 310 964 | 2 121 804 |
| 61-90 days | 1 572 305 | 1 546 124 | 1 572 305 | 1 546 124 |
| 91-120 days | 1 299 322 | 1 323 367 | 1 299 322 | 1 323 367 |
| 120+ days | 25 520 367 | 20 112 264 | 25 520 367 | 20 112 264 |
| | 35 752 792 | 30 045 974 | 35 752 792 | 30 045 974 |
| Other Consumer Receivables | | | | |
| Current (0-30 days) | 3 732 188 | 2 981 228 | 3 732 188 | 2 981 228 |
| 31-60 days | 4 635 512 | 1 067 863 | 4 635 512 | 1 067 863 |
| 61-90 days | 786 208 | 2 050 293 | 786 208 | 2 050 293 |
| 91-120 days | 618 400 | 4 954 679 | 618 400 | 4 954 679 |
| 120+ days | 177 995 097 | 183 495 150 | 177 995 097 | 183 495 150 |
| | 187 767 405 | 194 549 212 | 187 767 405 | 194 549 212 |
| Total outstanding | 902 690 944 | 779 232 028 | 902 690 944 | 779 232 028 |
| Reconciliation of bad debt provision | | | | |
| Balance at beginning of year | 420 876 687 | 384 903 260 | 408 535 232 | 376 587 984 |
| Contributions to provision | 80 205 634 | 118 622 229 | 185 960 979 | 114 596 050 |
| Bad debts recovered/(written off) against provision | (16 688 959) | (82 648 802) | (16 688 959) | (82 648 802) |
| Balance at year end | 572 294 805 | 420 876 687 | 577 807 252 | 408 535 232 |

POLOKWANE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

| | GROUP | | MUNICIPALITY | |
|--|--------------------|--------------------|--------------------|--------------------|
| | 2016 R | 2015 R | 2016 R | 2015 R |
| 13 OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS UNLESS SPECIFIED OTHERWISE | | | | |
| Other debtors | 695 344 | 841 492 | 695 344 | 841 492 |
| Stock adjustments- Non exchange | 628 847 | 5 134 398 | 628 847 | 5 134 398 |
| Fines - Non exchange | 23 570 291 | 1 269 690 | 23 570 291 | 1 269 690 |
| Creditor overpayment | 550 050 | | 550 050 | |
| Computicket | 0 | 112 065 | 0 | 112 065 |
| Banks- Accrued Interest | 1 020 463 | 1 217 763 | 1 020 463 | 1 217 763 |
| Amounts paid in advance | 5 946 915 | 5 226 490 | 5 872 847 | 5 146 490 |
| Deposits | 684 874 | 655 174 | 684 874 | 655 174 |
| | 33 096 784 | 14 457 071 | 33 022 716 | 14 377 071 |
| 13.1 Provision for outstanding traffic fines | 29 262 695 | 14 536 586 | 29 262 695 | 14 536 586 |
| Carrying amount at beginning of year | 10 472 981 | 15 818 004 | 10 472 981 | 15 818 004 |
| Additions during the year | (3 448 075) | (1 091 895) | (3 448 075) | (1 091 895) |
| Reductions during the year | 36 287 601 | 29 262 695 | 36 287 601 | 29 262 695 |
| Carrying amount at end of year | | | | |
| 14 VAT - EXCHANGE TRANSACTIONS | | | | |
| VAT Claimable (Not due) | 17 119 487 | 17 234 943 | 17 119 487 | 17 234 943 |
| VAT Payable (Output) | -54 185 717 | -41 360 351 | -54 185 717 | -41 360 351 |
| Nett VAT refundable by SARS | 6 154 872 | 32 835 654 | 6 154 872 | 32 835 654 |
| | -30 911 357 | 8 710 246 | -30 911 357 | 8 710 246 |
| VAT is payable on cash basis. | | | | |
| 15 CASH AND CASH EQUIVALENTS | | | | |
| The municipality has the following bank accounts: | | | | |
| Current account (primary bank account) | | | | |
| Standard Bank: Polokwane | 17 468 008 | 66 006 995 | 17 468 008 | 66 006 995 |
| Account number: 030172349 | | | | |
| Cash book balance at end of year | 17 468 008 | 66 006 995 | 17 468 008 | 66 006 995 |
| Current account (DBSA) | | | | |
| Standard Bank: Polokwane | 3 | | 3 | |
| Account number: 80472818 | | | | |
| Cash book balance at end of year | 3 | 0 | 3 | 0 |
| Current account (Conditional Grants) | | | | |
| Standard Bank: Polokwane | 68 304 737 | 226 428 108 | 68 304 737 | 226 428 108 |
| Account number: 251753846 | | | | |
| Cash book balance at end of year | 68 304 737 | 226 428 108 | 68 304 737 | 226 428 108 |
| Current Account (People Housing Project) | | | | |
| Standard Bank: Polokwane | 427 591 | 404 429 | 427 591 | 404 429 |
| Account number: 330535269 | | | | |
| Cash book balance at end of year | 427 591 | 404 429 | 427 591 | 404 429 |
| Short Term Fixed Deposits | | | | |
| Interest rate Tenure | | | | |
| Standard Bank 6.55 % 3 months | 0 | 30 000 000 | 0 | 30 000 000 |
| | 0 | 30 000 000 | 0 | 30 000 000 |
| Other | | | | |
| Petty cash | 24 710 | 24 710 | 24 710 | 24 710 |
| PHA Cash and cash equivalents | 2 032 341 | 1 429 304 | 0 | 0 |
| Total cash and cash equivalents | 88 257 390 | 324 293 546 | 86 225 049 | 322 864 242 |
| 16 PROPERTY RATES | | | | |
| Residential | 101 746 482 | 91 710 946 | 101 746 482 | 91 710 946 |
| Government | 24 428 075 | 7 904 851 | 24 428 075 | 7 904 851 |
| Commercial | 125 780 607 | 121 970 947 | 125 780 607 | 121 970 947 |
| Other | 29 068 557 | 33 331 759 | 29 068 557 | 33 789 197 |
| | 281 023 721 | 254 918 503 | 281 023 721 | 255 375 942 |
| VALUATIONS | R000's | R000's | R000's | R000's |
| Residential | 26 136 132 | 26 017 318 | 26 136 132 | 26 017 318 |
| Government | 2 603 150 | 1 823 150 | 2 603 150 | 1 823 150 |
| Commercial | 17 748 136 | 17 246 618 | 17 748 136 | 17 246 618 |
| Municipal | 1 215 688 | 1 217 927 | 1 215 688 | 1 217 927 |
| Other | 8 101 070 | 7 934 134 | 8 101 070 | 7 934 134 |
| | 55 804 176 | 54 239 147 | 55 804 176 | 54 239 147 |
| Valuations on property are performed every four years and the last general valuation come into effect on 1 July 2014. The basic rate on residential vacant land for 2015/16 was .02115c (2014/15:0.1935) in the Rand on the market value of the property. Different rebates are granted to owners depended on the category of the rateable property. | | | | |
| 17 SERVICE CHARGES | | | | |
| Sale of electricity | 763 318 328 | 655 882 069 | 763 318 328 | 655 882 069 |
| Sale of water | 207 759 368 | 150 307 664 | 207 759 368 | 150 307 664 |
| Refuse removal | 64 031 799 | 57 234 780 | 64 031 799 | 57 234 780 |

POLOKWANE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

| | 2016 | 2015 | 2016 | 2015 |
|---|----------------------|--------------------|----------------------|--------------------|
| | R | R | R | R |
| Sewerage and sanitation charges | 51 771 304 | 48 254 398 | 51 771 304 | 48 254 398 |
| | 1 086 880 799 | 911 678 912 | 1 086 880 799 | 911 678 912 |
| RENTAL OF FACILITIES AND EQUIPMENT | | | | |
| Rental of facilities | 22 758 008 | 23 431 885 | 12 342 192 | 12 973 612 |
| Total rentals | 22 758 008 | 23 431 885 | 12 342 192 | 12 973 612 |

POLOKWANE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

| | GROUP | | MUNICIPALITY | |
|---|----------------------|----------------------|----------------------|----------------------|
| | 2016 | 2015 | 2016 | 2015 |
| | R | R | R | R |
| 19 GOVERNMENT GRANTS & SUBSIDIES & PUBLIC CONTRIBUTIONS | | | | |
| Operating Grants from Government | 616 432 887 | 547 555 480 | 616 432 887 | 547 555 480 |
| Equitable share | 522 595 000 | 455 799 000 | 522 595 000 | 455 799 000 |
| Municipal systems improvement grant | 930 000 | 930 000 | 930 000 | 930 000 |
| Finance management grant | 1 241 731 | 1 800 000 | 1 241 731 | 1 800 000 |
| Municipal infrastructure grant | 32 962 854 | 44 973 055 | 32 962 854 | 44 973 055 |
| Integrated national electrification programme grant | 40 000 000 | 31 000 000 | 40 000 000 | 31 000 000 |
| Expanded public works programme incentive grant | 2 703 301 | 3 960 000 | 2 703 301 | 3 960 000 |
| Public transport infrastructure and systems grant | 11 000 000 | 6 093 425 | 11 000 000 | 6 093 425 |
| Infrastructure skills development grant | 5 000 000 | 3 000 000 | 5 000 000 | 3 000 000 |
| PHA Operating Grant from Polokwane Municipality Sport & Recreation | 0 | 0 | - | 0 |
| | - | 0 | - | 0 |
| Capital Grants from Government | 473 584 799 | 555 234 831 | 473 584 799 | 555 234 831 |
| Municipal infrastructure grant | 247 160 415 | 262 336 166 | 247 160 415 | 262 336 166 |
| Finance management grant | 633 269 | - | 633 269 | - |
| Electricity demand side management grant | - | 4 057 090 | - | 4 057 090 |
| Public transport infrastructure and systems grant | 201 356 868 | 277 656 398 | 201 356 868 | 277 656 398 |
| Water services refurbishment grant | - | 6 890 869 | - | 6 890 869 |
| Neighbourhood development grant | 22 621 549 | 4 294 308 | 22 621 549 | 4 294 308 |
| Expanded public works programme incentive grant | 1 812 699 | - | 1 812 699 | - |
| Capital Grants from Public Contributions | 3 355 674 | 2 797 470 | 3 355 674 | 2 797 470 |
| KFW German bank | - | - | - | - |
| National Lottery | 3 355 674 | 2 797 470 | 3 355 674 | 2 797 470 |
| CoGHSTA | - | - | - | - |
| Total Government Grants & Subsidies & Public Contributions | 1 093 373 360 | 1 105 587 781 | 1 093 373 360 | 1 105 587 781 |
| 19.1 Equitable Share | | | | |
| Balance unspent at beginning of year | - | - | - | - |
| Current year receipts | 522 595 000 | 455 799 000 | 522 595 000 | 455 799 000 |
| Conditions met – transferred to revenue | (522 595 000) | (455 799 000) | (522 595 000) | (455 799 000) |
| | - | - | - | - |
| This grant is an unconditional grant and is partially utilized for the provision of indigent support through free basic services. Registered indigents receive a maximum monthly subsidy of R220.00 (2014/15: R205.00) which is funded from this grant. | | | | |
| 19.2 Finance Management Grant | | | | |
| Balance unspent at beginning of year | - | - | - | - |
| Current year receipts | 1 875 000 | 1 800 000 | 1 875 000 | 1 800 000 |
| Conditions met – transferred to revenue | (1 875 000) | (1 800 000) | (1 875 000) | (1 800 000) |
| Unspent amount transferred to liabilities | - | - | - | - |
| (see note 7) | | | | |
| This grant was used to promote and support reforms to municipal financial management and the implementation of the MFMA, 2003. The conditions of the grant were met. No funds have been withheld. | | | | |
| 19.3 Public Transport Infrastructure and Systems Grant | | | | |
| Balance unspent at beginning of year | 28 167 868 | 111 917 691 | 28 167 868 | 111 917 691 |
| Current year receipts | 184 189 000 | 200 000 000 | 184 189 000 | 200 000 000 |
| Conditions met – transferred to revenue | -212 356 868 | (283 749 823) | -212 356 868 | (283 749 823) |
| Paid back to National Treasury | 0 | - | 0 | - |
| Unspent amount transferred to liabilities | 0.00 | 28 167 868 | 0.00 | 28 167 868 |
| (see note 7) | | | | |
| The grant was used for public transport and non motorised transport infrastructure. | | | | |

POLOKWANE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

| | GROUP | | MUNICIPALITY | |
|---|------------------|--------------------|------------------|--------------------|
| | 2016 R | 2015 R | 2016 R | 2015 R |
| 19.4 | | | | |
| Municipal Systems Improvement Grant | | | | |
| Balance unspent at beginning of year | - | - | - | - |
| Current year receipts | 930 000 | 930 000 | 930 000 | 930 000 |
| Conditions met – transferred to revenue | (930 000) | (930 000) | (930 000) | (930 000) |
| Unspent amount transferred to liabilities | - | - | - | - |
| (see note 7) | | | | |
| The purpose of the grant is for institutional systems. The grant was utilised. | | | | |
| GOVERNMENT SUBSIDIES & GRANTS (CONTINUED) | | | | |
| 19.5 | | | | |
| Department of Sport & Recreation | | | | |
| Balance unspent at beginning of year | - | 3 270 508 | - | 3 270 508 |
| Current year receipts | - | - | - | - |
| Conditions met – transferred to revenue | - | - | - | - |
| Paid back to National Treasury | - | (3 270 508) | - | (3 270 508) |
| Unspent amount transferred to liabilities | - | - | - | - |
| (see note 7) | | | | |
| This grant was utilised for sport related operating expenses including CHAN Games. The conditions of the grant were met and no funds have been withheld. | | | | |
| 19.6 | | | | |
| Municipal Infrastructure Grant | | | | |
| Balance unspent at beginning of year | 133 711 393 | 136 106 614 | 133 711 393 | 136 106 614 |
| Current year receipts | 275 800 000 | 304 914 000 | 275 800 000 | 304 914 000 |
| Conditions met – transferred to revenue | -280 123 269 | (307 309 221) | -280 123 269 | (307 309 221) |
| Paid back to National Treasury | -129 388 125 | - | -129 388 125 | - |
| Unspent amount transferred to liabilities | 0.00 | 133 711 393 | 0.00 | 133 711 393 |
| (see note 7) | | | | |
| This grant was used to construct municipal infrastructure to provide basic services for the benefit of poor households. The conditions of the grant were met and no funds have been withheld. | | | | |
| 19.7 | | | | |
| Limpopo Provincial Government | | | | |
| Balance unspent at beginning of year | 2 949 710 | 2 949 710 | 2 949 710 | 2 949 710 |
| Current year receipts | - | - | - | - |
| Conditions met – transferred to revenue | - | - | - | - |
| Unspent amount transferred to liabilities | 2 949 710 | 2 949 710 | 2 949 710 | 2 949 710 |
| (see note 7) | | | | |
| The grant was utilised in the planning phase of the Convention Centre | | | | |
| 19.8 | | | | |
| Water Services Refurbishment Grant | | | | |
| Balance unspent at beginning of year | 20 840 184 | 7 731 053 | 20 840 184 | 7 731 053 |
| Current year receipts | - | 20 000 000 | - | 20 000 000 |
| Conditions met – transferred to revenue | - | (6 890 869) | - | (6 890 869) |
| Transaction reversed- Previous year expenditure | - | - | - | - |
| Paid back to National Treasury | (20 840 184) | - | (20 840 184) | - |
| Unspent amount transferred to liabilities | 0 | 20 840 184 | 0 | 20 840 184 |
| (see note 7) | | | | |
| The grant was utilised to subsidise water & sewer schemes transferred by DWAF. | | | | |
| 19.9 | | | | |
| Limpopo Local Government & Housing | | | | |
| Balance unspent at beginning of year | 404 429 | 385 777 | 404 429 | 385 777 |
| Current year receipts | 23 162 | 18 652 | 23 162 | 18 652 |
| Conditions met – transferred to revenue | - | - | - | - |
| Unspent amount transferred to liabilities | 427 591 | 404 429 | 427 591 | 404 429 |
| (see note 7) | | | | |
| The grant was used to fund the housing accreditation process | | | | |
| 19.10 | | | | |
| Integrated National Electrification Programme Grant | | | | |
| Balance unspent at beginning of year | - | - | - | - |
| Current year receipts | 40 000 000 | 31 000 000 | 40 000 000 | 31 000 000 |
| Conditions met – transferred to revenue | (40 000 000) | (31 000 000) | (40 000 000) | (31 000 000) |
| Paid back to National Treasury | - | - | - | - |
| Unspent amount transferred to liabilities | - | - | - | - |
| (see note 7) | | | | |
| The grant was used to fund projects to address electrification backlogs in rural areas . | | | | |

POLOKWANE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

| | GROUP | | MUNICIPALITY | |
|---|--------------------|--------------------|--------------------|--------------------|
| | 2016 R | 2015 R | 2016 R | 2015 R |
| 19.11 Electricity Demand Side Management Grant | | | | |
| Balance unspent at beginning of year | - | 4 057 090 | - | 4 057 090 |
| Current year receipts | - | - | - | - |
| Conditions met – transferred to revenue | - | (4 057 090) | - | (4 057 090) |
| Paid back to National Treasury | - | - | - | - |
| Unspent amount transferred to liabilities | - | - | - | - |
| (see note 7) | | | | |
| The grant was used to fund projects in order to mitigate the risk of load shedding and supply interruptions . | | | | |
| 19.12 Expanded Public Works Programme Incentive Grant | | | | |
| Balance unspent at beginning of year | - | - | - | - |
| Current year receipts | 4 516 000 | 3 960 000 | 4 516 000 | 3 960 000 |
| Conditions met – transferred to revenue | (4 516 000) | (3 960 000) | (4 516 000) | (3 960 000) |
| Unspent amount transferred to liabilities | - | - | - | - |
| (see note 7) | | | | |
| The grant was used to fund projects in order to maximise job creation and skills development . | | | | |
| 19.13 Neighbourhood Development Partnership Grant | | | | |
| Balance unspent at beginning of year | 5 705 692 | - | 5 705 692 | - |
| Current year receipts | 31 072 000 | 10 000 000 | 31 072 000 | 10 000 000 |
| Conditions met – transferred to revenue | (22 621 549) | (4 294 308) | (22 621 549) | (4 294 308) |
| Paid back to National Treasury | (5 705 692) | - | (5 705 692) | - |
| Unspent amount transferred to liabilities | 8 450 451 | 5 705 692 | 8 450 451 | 5 705 692 |
| (see note 7) | | | | |
| The grant was used to fund projects in order to provide community infrastructure to improve quality of life of residents in townships . | | | | |
| 19.14 Skills Development Fund | | | | |
| Balance unspent at beginning of year | - | - | - | - |
| Current year receipts | 5 000 000 | 3 000 000 | 5 000 000 | 3 000 000 |
| Conditions met – transferred to revenue | (5 000 000) | (3 000 000) | (5 000 000) | (3 000 000) |
| Unspent amount transferred to liabilities | - | - | - | - |
| (see note 7) | | | | |
| The grant was paid over to Lepelle Northern Water Board accordance a 3 party agreement with National Treasury. | | | | |
| 20 PUBLIC CONTRIBUTIONS, DONATED & CONTRIBUTED PROPERTY, PLANT & EQUIPMENT | | | | |
| Balance unspent at beginning of year (Lottery) | 3 355 674 | 6 153 144 | 3 355 674 | 6 153 144 |
| Balance unspent at beginning of year (German Bank) | - | 2 007 735 | - | 2 007 735 |
| Current year receipts (German Bank) | - | 4 347 843 | - | 4 347 843 |
| Conditions met – transferred to revenue (Lottery) | (3 355 674) | (2 797 470) | (3 355 674) | (2 797 470) |
| Conditions met – transferred to revenue (German Bank) | - | (6 355 578) | - | (6 355 578) |
| Unspent amount transferred to liabilities | - | 3 355 674 | - | 3 355 674 |
| (see note 7) | | | | |
| The Lottery funds were partially utilised during the year. | | | | |
| Total Unspent government grants & Subsidies & Public Contributions | 11 827 753 | 195 134 950 | 11 827 753 | 195 134 950 |
| See note 7 for reconciliation | | | | |
| 21 INVESTMENT REVENUE | | | | |
| EXTERNAL INVESTMENTS | | | | |
| Primary account | 11 034 670 | 10 149 419 | 11 034 670 | 10 149 419 |
| Grant account | 6 523 000 | 11 857 586 | 6 523 000 | 11 857 586 |
| External investments | 10 035 828 | 13 713 994 | 10 035 091 | 13 713 653 |
| | 27 593 499 | 35 720 999 | 27 592 762 | 35 720 658 |
| 22 OTHER REVENUE FROM EXCHANGE TRANSACTIONS | | | | |
| 22.1 From non-exchange transactions | | | | |
| Donations | 987 181 | 5 492 335 | 987 181 | 5 492 335 |
| Retention forfeited | 776 054 | 0 | 776 054 | 0 |
| Total revenue from non-exchange transactions | 1 763 235 | 5 492 335 | 1 763 235 | 5 492 335 |
| 22.2 From exchange transactions | | | | |
| Building plan fees | 4 552 516 | 5 020 826 | 4 552 516 | 5 020 826 |
| Burial fees | 583 185 | 569 756 | 583 185 | 569 756 |
| Sale of erven | 2 409 825 | 230 000 | 2 409 825 | 230 000 |
| Surcharge excess water consumption | 78 136 081 | 52 399 325 | 78 136 081 | 52 399 325 |
| Royalties Silicon | 1 138 117 | 1 167 824 | 1 138 117 | 1 167 824 |
| Refund Seta levy | 1 834 589 | 317 734 | 1 834 589 | 317 734 |
| Debtors control | 9 853 904 | - | 9 853 904 | - |
| Insurance claims | 1 365 339 | 1 594 109 | 1 365 339 | 1 594 109 |
| Admission fees | 741 198 | 670 622 | 741 198 | 670 622 |
| Tender deposits | 1 334 186 | 2 014 923 | 1 334 186 | 2 014 923 |
| Recovery Black Leopards | - | 3 000 000 | - | 3 000 000 |
| Unidentified receipts transferred to revenue | 5 314 167 | - | 5 314 167 | - |
| Sundry income | 11 611 870 | 6 175 181 | 11 611 870 | 6 175 181 |
| PHA's waiver of liability | 0 | 0 | - | - |
| PHA other income | 1 964 808 | 155 400 | - | - |
| Total revenue from exchange transactions | 120 839 784 | 73 315 700 | 118 874 975 | 73 160 300 |
| | 120 638 211 | 78 652 634 | 120 638 211 | 78 652 634 |

POLOKWANE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

| 23 | | GROUP | | MUNICIPALITY | |
|----|---|--------------------|--------------------|--------------------|--------------------|
| | | 2016 R | 2015 R | 2016 R | 2015 R |
| | EMPLOYEE RELATED COSTS | | | | |
| | Employee related cost - Salaries and wages | 374 813 027 | 328 528 925 | 374 813 027 | 328 528 925 |
| | Employee related cost - Social contributions | 90 372 257 | 76 671 762 | 90 372 257 | 76 671 762 |
| | Motor car allowances | 38 377 346 | 34 573 173 | 38 377 346 | 34 573 173 |
| | Housing benefits and other allowances | 11 395 269 | 9 994 159 | 11 395 269 | 9 994 159 |
| | Overtime benefits | 46 154 748 | 42 677 095 | 46 154 748 | 42 677 095 |
| | Leave bonus provision | 2 399 791 | 1 078 746 | 2 399 791 | 1 078 746 |
| | Leave reserve provision | 28 821 626 | 24 568 532 | 28 821 626 | 24 568 532 |
| | Long term service awards | 6 064 693 | 2 223 431 | 6 064 693 | 2 223 431 |
| | PHA Employee related costs | 6 700 000 | 5 132 094 | | |
| | | 605 098 759 | 525 447 916 | 598 398 759 | 520 315 822 |
| | There were no advances paid to employees. | | | | |
| | Municipal Manager | | | | |
| | Annual remuneration | 0 | 1 038 716 | 0 | 1 038 716 |
| | Motor car allowance | 0 | 154 000 | 0 | 154 000 |
| | Council Contributions | 0 | 255 945 | 0 | 255 945 |
| | Historic leave | 0 | 180 952 | 0 | 180 952 |
| | Acting allowance | 393 993 | 0 | 393 993 | 0 |
| | Termination settlement | 0 | 1 464 780 | 0 | 1 464 780 |
| | | 393 993 | 3 094 394 | 393 993 | 3 094 394 |
| | The Municipal Manager resigned in June 2015 and was paid a settlement for 10 months. Historic leave was also paid out concurrently. | | | | |
| | The Director Community Development and Director SPME acted in the position for 12 months. | | | | |
| | Chief Financial Officer | | | | |
| | Annual remuneration | 1 154 388 | 1 460 096 | 1 154 388 | 1 460 096 |
| | Motor car allowance | 90 000 | 120 000 | 90 000 | 120 000 |
| | Council Contributions | 1 560 | 1 861 | 1 560 | 1 861 |
| | Acting allowance | 602 312 | 0 | 602 312 | 0 |
| | Termination settlement | 1 439 207 | 0 | 1 439 207 | 0 |
| | | 3 287 466 | 1 581 957 | 3 287 466 | 1 581 957 |
| | The CFO resigned on 31 March 2016 and was paid a settlement for 8 months. Historic leave was also paid out concurrently. | | | | |
| | The Deputy CFO and a seconded official from Provincial Treasury acted in the position for 9 months. | | | | |
| | Director Planning & Economic Development | | | | |
| | Annual remuneration | 808 895 | 755 825 | 808 895 | 755 825 |
| | Motor car allowance | 156 000 | 156 000 | 156 000 | 156 000 |
| | Council Contributions | 196 011 | 193 800 | 196 011 | 193 800 |
| | | 1 160 906 | 1 105 625 | 1 160 906 | 1 105 625 |
| | Director Engineering Services | | | | |
| | Annual remuneration | 849 457 | 759 330 | 849 457 | 759 330 |
| | Motor car allowance | 240 000 | 240 000 | 240 000 | 240 000 |
| | Council Contributions | 215 657 | 195 981 | 215 657 | 195 981 |
| | | 1 305 114 | 1 195 311 | 1 305 114 | 1 195 311 |
| | Director Community Services | | | | |
| | Annual remuneration | 744 317 | 692 091 | 744 317 | 692 091 |
| | Motor car allowance | 216 000 | 216 000 | 216 000 | 216 000 |
| | Council Contributions | 200 589 | 197 534 | 200 589 | 197 534 |
| | | 1 160 906 | 1 105 625 | 1 160 906 | 1 105 625 |
| | Director Corporate & Shared Services | | | | |
| | Annual remuneration | 425 706 | 959 764 | 425 706 | 959 764 |
| | Motor car allowance | 60 000 | 144 000 | 60 000 | 144 000 |
| | Council Contributions | 780 | 1 861 | 780 | 1 861 |
| | Acting allowance | 225 783 | 0 | 225 783 | 0 |
| | Termination settlement | 494 292 | 0 | 494 292 | 0 |
| | | 1 206 560 | 1 105 625 | 1 206 560 | 1 105 625 |
| | The Director resigned on 31 November 2015 and was paid a settlement for 3 months. Historic leave was also paid out concurrently. | | | | |
| | The Manager IDP and Manager PMS acted in the position for 5 months. | | | | |
| | Director Community Development | | | | |
| | Annual remuneration | 1 159 034 | 1 103 764 | 1 159 034 | 1 103 764 |
| | Motor car allowance | 1 872 | 1 861 | 1 872 | 1 861 |
| | Council Contributions | 0 | 0 | 0 | 0 |
| | | 1 160 906 | 1 105 625 | 1 160 906 | 1 105 625 |
| | Director Strategic Planning, Monitoring & Evaluation | | | | |
| | Annual remuneration | 897 934 | 852 714 | 897 934 | 852 714 |
| | Motor car allowance | 48 000 | 48 000 | 48 000 | 48 000 |
| | Council Contributions | 214 972 | 204 911 | 214 972 | 204 911 |
| | | 1 160 906 | 1 105 625 | 1 160 906 | 1 105 625 |
| | Director Transportation Services | | | | |
| | Annual remuneration | 307 737 | 755 841 | 307 737 | 755 841 |
| | Motor car allowance | 70 000 | 168 000 | 70 000 | 168 000 |
| | Council Contributions | 80 329 | 181 784 | 80 329 | 181 784 |
| | Acting allowance | 38 885 | 0 | 38 885 | 0 |
| | Termination settlement | 551 899 | 0 | 551 899 | 0 |
| | | 1 048 850 | 1 105 625 | 1 048 850 | 1 105 625 |
| | The Director resigned on 31 November 2015 and was paid a settlement for 3 months. Historic leave was also paid out concurrently. | | | | |

POLOKWANE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

| | 2016 R | GROUP 2015 R | 2016 R | MUNICIPALITY 2015 R |
|---|-------------------|--------------------|-------------------|---------------------------|
| The Manager Roads and Stormwater acted in the position for 2 months | | | | |
| No performance bonuses were paid out in terms of Section 57 of the Municipal Systems Act. | | | | |
| 24 REMUNERATION OF COUNCILLORS | | | | |
| Executive Mayor | 954 030 | 912 252 | 954 030 | 912 252 |
| Speaker | 779 349 | 740 900 | 779 349 | 740 900 |
| Chief Whip | 712 301 | 676 255 | 712 301 | 676 255 |
| Mayoral Committee members | 6 310 651 | 5 824 848 | 6 310 651 | 5 824 848 |
| Councillors | 18 263 292 | 17 251 381 | 18 263 292 | 17 251 381 |
| | 27 019 623 | 25 405 636 | 27 019 623 | 25 405 636 |
| Refer to Annexure I for full details. | | | | |
| In-kind Benefits | | | | |
| The Executive Mayor, Speaker and certain Mayoral Committee Members are full time. Each is provided with an office and secretarial support at the cost of Council. | | | | |
| The Executive Mayor has use of a Council owned vehicle. | | | | |

POLOKWANE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

| | GROUP | | MUNICIPALITY | |
|---|--------------------|--------------------|--------------------|--------------------|
| | 2016 | 2015 | 2016 | 2015 |
| | R | R | R | R |
| 25 FINANCE COST | | | | |
| Local Registered Stock loans | 23 042 | 32 444 | 23 042 | 32 444 |
| Finance leases | 10 703 868 | 13 615 369 | 10 703 868 | 13 615 369 |
| Annuity loans | 23 852 027 | 25 232 092 | 23 852 027 | 25 232 092 |
| PHA Finance cost | 1 779 182 | 4 735 593 | | |
| | 36 358 120 | 43 615 498 | 34 578 938 | 38 879 905 |
| 26 BULK PURCHASES | | | | |
| Electricity | 591 292 281 | 517 688 732 | 591 292 281 | 517 688 732 |
| Water | 156 985 869 | 157 206 174 | 156 985 869 | 157 206 174 |
| | 748 278 150 | 674 894 906 | 748 278 150 | 674 894 906 |
| 27 GRANT AND SUBSIDIES PAID | | | | |
| Animal care : SPCA | 480 000 | 240 000 | 480 000 | 240 000 |
| Grant - PHA | 0 | 0 | 16 700 000 | 6 500 000 |
| | 480 000 | 240 000 | 17 180 000 | 6 740 000 |
| 28 CONTRACTED SERVICES AND GENERAL EXPENSES | | | | |
| Contracted services | 68 927 685 | 70 932 263 | 68 927 685 | 70 932 263 |
| General expenses | 465 168 188 | 421 920 844 | 461 846 831 | 419 692 997 |
| | 534 095 873 | 492 853 107 | 530 774 516 | 490 625 260 |
| See Annexure H for full information on Other expenditure. | | | | |
| 29 PRIOR PERIOD ADJUSTMENT | | | | |

POLOKWANE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

| | | GROUP | | MUNICIPALITY |
|--|------|-------|--------------------|-------------------|
| | 2016 | 2015 | 2016 | 2015 |
| | R | R | R | R |
| 29.1 ASSETS | | | | |
| In addition to the revaluation of Infrastructure and Community Assets, the municipality also embarked on a process to review all asset portfolios. This process resulted in the identification of a number of errors relating to completeness and existence which were corrected retrospectively. | | | | |
| The nature of each correction has been listed per asset / liability: | | | | |
| <u>Heritage Assets</u> | | | | |
| During the review of this asset portfolio, it was identified that certain pieces of museum artwork was not previously included in the register. As a result, comparative figures had to be restated for this correction. | | | | |
| | | | 2015 | 2014 |
| | | | - | 11 021 024 |
| <hr/> | | | | |
| <u>Land</u> | | | | |
| During the review of this asset portfolio, the extent of a land parcel was identified to be incorrectly captured within the land register. As a result, comparative figures had to be restated to reflect the financial impact of the change. | | | | |
| | | | 2015 | 2014 |
| Additional assets included in the asset register | | | 0 | 68 794 056 |
| <hr/> | | | | |
| <u>Investment Property</u> | | | | |
| During the review of this asset portfolio, a number of properties were identified which were previously recognised but not valued, which were not recognised in the asset register because of the absence of respective valuations. These properties were valued and recognised retrospectively in the investment property register. As a result, comparative figures had to reflect the financial impact of the change. | | | | |
| | | | 2015 | 2014 |
| Additional assets included in the asset register | | | 790 033 | 21 294 700 |
| <hr/> | | | | |
| <u>Movable and other assets</u> | | | | |
| During the current financial period a physical verification process was performed, resulting in a number of assets identified which were not previously recognised in the asset register. As a result comparative figures had to be restated to reflect the financial impact of the change. | | | | |
| | | | 2015 | 2014 |
| | | | 4070748.68 | 7 890.80 |
| | | | 1 318 813.28 | (2 742 029.58) |
| Additional assets included in the asset register | | | <u>5 389 562</u> | <u>-2 734 139</u> |
| <hr/> | | | | |
| <u>Community Facilities</u> | | | | |
| During the review of the asset class, certain inaccuracies were identified relating to amongst others, cost of projects, classification, completeness and existence. As a result, comparative figures had to be restated to reflect the financial impact of the changes. | | | | |
| | | | 2015 | 2014 |
| Reallocation of AUC projects between Opex and Capex, and corrections to project cost | | | 99 704 | 0 |
| Depreciation changes | | | 1 031 | 0 |
| Reclassification between Community Facilities and Infrastructure Assets | | | 2 253 508 | -87 319 |
| | | | <u>2 354 244</u> | <u>-87 319</u> |
| <hr/> | | | | |
| <u>Infrastructure Assets</u> | | | | |
| During the review of this asset class, certain inaccuracies were identified relating to amongst others, changes required through the publication of the extra ordinary gazettes dealing with the declaration of roads (Gazette no.2372 and Gazette no.2417), clarity provided by RAL during September 2016 on the exact boundaries for the declared roads, classification, completeness and existence. As a result, comparative figures had to be restated to reflect the financial impact of the changes. | | | | |
| | | | 2015 | 2014 |
| Changes in opening balances due to changes necessitated by the realignment with government gazette | | | 13 618 295 | -5 460 172 |
| Effect of VAT on BRT projects | | | 5 264 264 | 2 093 499 |
| Reallocation of AUC projects between Opex and Capex, and corrections to project cost | | | | |
| Depreciation changes | | | 587 668 | 7 144 901 |
| Corrections of control panels | | | 0 | -6 736 |
| Reclassification between Community Facilities and Infrastructure Assets | | | -2 253 508 | 85 988 |
| Change in revaluation reserve due to restated revaluation | | | 0 | 38 080 862 |
| | | | <u>17 216 719</u> | <u>41 938 343</u> |
| <hr/> | | | | |
| <u>Finance lease asset and liability</u> | | | | |
| During the 2014/15 audit, it was noted that interest relating to the leased assets were calculated using the payment at the beginning of the period as supposed to the at the end of the period. As a result comparative figures had to be restated to reflect these corrections. | | | | |
| | | | 2015 | 2014 |
| <u>Finance lease asset</u> | | | | |
| Correction in value - Vehicles | | | 112 321 | -479 897 |
| Cell phones and tablets | | | -1 318 813 | 2 742 030 |
| Photocopiers | | | 3 561 525 | 0 |
| | | | <u>2 355 032</u> | <u>2 262 132</u> |
| <hr/> | | | | |
| <u>Finance lease liability</u> | | | | |
| Correction in value - Vehicles | | | 114 127 | 811 099 |
| Cell phones and tablets | | | 1 384 375 | -2 659 632 |
| Photocopiers | | | -3 612 249 | 0 |
| | | | <u>-2 113 747</u> | <u>-1 848 533</u> |
| <hr/> | | | | |
| <u>Trade and other payables</u> | | | | |
| During the review of the Infrastructure Assets portfolio, it was noted that costs incurred during the 2015/16 period relating to a project completed and capitalised during the 2014/15 financial period. As a result comparative figures had to be restated to reflect the corrected value. | | | | |
| | | | 2015 | 2014 |
| Accrue for costs incurred | | | -99 704 041 | -2 421 034 |
| | | | <u>-99 704 041</u> | <u>-2 421 034</u> |
| <hr/> | | | | |
| <u>VAT payable</u> | | | | |
| During the review of the Infrastructure Assets portfolio, it was noted that VAT input shall not be claimed in full on transaction costs that relates to BRT projects. As a result, comparative figures had to be restated to reflect the corrected value. | | | | |
| | | | 2015 | 2014 |
| VAT portion not claimable on BRT projects | | | (5 809 524) | (5 809 524) |
| <hr/> | | | | |
| Accumulated Surpluses | | | | |
| Balance previously stated - 30 June 2014 | | | 5 590 487 541 | |
| Heritage assets | | | 11 021 024 | |
| Land | | | 66 569 000 | |
| Investment Property | | | 21 294 700 | |

POLOKWANE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

| | GROUP | | MUNICIPALITY |
|---|-------|------|----------------------|
| | 2016 | 2015 | 2015 |
| | R | R | R |
| Finance lease assets | | | 2 262 132 |
| Movable and other assets | | | -2 734 139 |
| Community Facility assets | | | -47 536 |
| Infrastructure assets | | | 6 151 389 |
| VAT Payable | | | -3 858 137 |
| Finance lease liability | | | -1 848 533 |
| Trade and other payables | | | -2 421 034 |
| Restated balance - 30 June 2014 | | | 5 686 876 406 |
| Heritage assets | | | 0 |
| Land | | | 0 |
| Investment Property | | | 790 033 |
| Movable and other assets | | | 5 389 562 |
| Finance lease assets | | | 2 355 032 |
| Community Facility assets | | | 2 354 244 |
| Infrastructure assets | | | 4 025 775 |
| Finance lease liability | | | -2 113 747 |
| Trade and other payables | | | -99 704 |
| Reflected in Statement of Financial Performance | | | 24 774 215 |
| Restated Opening balance - 30 June 2015 | | | 5 724 351 817 |
| Realisation of Revaluation Reserve - Derecognition | | | 15 597 857 |
| Restated Surplus / (Deficit) for the year as per audited financial statements | | | -143 890 951 |
| Restated closing balance - 30 June 2015 | | | 5 596 058 723 |

Statement of Financial Performance 2015

| | |
|--|---------------------|
| Surplus / (Deficit) for the year as per audited financial statements | -119 116 736 |
| Accumulated depreciation adjusted | -5 010 443 |
| Service charges | -9 508 800 |
| Contribution to bad debt provision | -14 975 655 |
| Finance costs | -508 789 |
| Property rates - Non Exchange Transactions | -811 546 |
| Other revenue | -8 367 311 |
| Loss on sale of asset | 13 618 294 |
| Gain on fair value adjustment | 790 033 |
| Total changes to the Statement of Financial Performance 2015 | -24 774 215 |
| Restated surpluses for 2015 | -143 890 951 |

| | Previously reported | Adjustment |
|--------------------------|---------------------|-----------------------|
| Heritage Assets | 4 588 129 | 11 021 024 |
| Land | 168 687 285 | 68 794 056 |
| Investment Property | 617 158 459 | 22 084 733 |
| Movable assets | 46 940 804 | 2 655 423 |
| Finance leased assets | 81 091 346 | 4 617 165 |
| Community Facilities | 1 549 920 875 | 2 266 925 |
| Infrastructure assets | 6 742 912 821 | 59 155 042 |
| VAT receivable | 18 377 908 | -7 903 024 |
| Finance lease liability | -90 597 801 | -3 962 280 |
| Trade and other payables | -352 680 831 | -2 519 076 |
| TOTAL adjustment | | 156 209 987.28 |

The effect of the changes above on net assets are:

| | |
|---------------------|-----------------------|
| Revaluation reserve | 45 898 891.29 |
| Accumulated surplus | 110 311 095.99 |
| Total | 156 209 987.28 |

Polokwane Housing Association Prior period error:

Revenue

| | |
|---------------------|-------------------|
| Audited amount | 17 103 664 |
| Correction of error | 11 263 098 |
| Restated | 28 366 762 |

Expenses

| | |
|---------------------|-------------------|
| Audited amount | 22 134 059 |
| Correction of error | 68 071 |
| Restated | 22 202 130 |

Property, plant and equipment

| | |
|---------------------|--------------------|
| Audited amount | 145 848 782 |
| Correction of error | (173 037) |
| Restated | 145 675 745 |

Current assets

| | |
|---------------------|------------------|
| Audited amount | 4 827 928 |
| Correction of error | (59 600) |
| Restated | 4 768 328 |

Non-current liabilities

| | |
|---------------------|-------------------|
| Audited amount | 44 705 159 |
| Correction of error | 95 370 |
| Restated | 44 800 529 |

Current liabilities

| | |
|---------------------|------------------|
| Audited amount | 8 393 092 |
| Correction of error | (900 698) |
| Restated | 7 492 394 |

Share capital

| | |
|---------------------|--------------|
| Audited amount | 11 253 748 |
| Correction of error | (11 252 748) |

POLOKWANE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

| | GROUP | | MUNICIPALITY | |
|--|----------------------|----------------------|-----------------------------|----------------------|
| | 2016 | 2015 | 2016 | 2015 |
| | R | R | R | R |
| Restated | | | <u>1 000</u> | |
| Accumulated surplus/deficit | | | | |
| Audited amount | | | 6 764 048.00 | |
| Correction of error | | | 11 825 439.00 | |
| Restated | | | <u>18 589 487.00</u> | |
| 30 CASH GENERATED FROM/(UTILISED IN) OPERATIONS | | | | |
| Net surplus for the year | (97 956 780) | (141 383 785) | (104 956 139) | (143 890 949) |
| Adjustment for: | | | | |
| Housing development fund | (6 955 960) | (3 488 480) | (6 955 960) | (3 488 480) |
| Revaluation reserve | - | 20 595 096 | - | 20 595 096 |
| Prior year adjustments: | - | 751 491 | - | - |
| General expenditure | - | (2 419 372) | - | (2 419 372) |
| Trade and other payables | - | (1 662) | - | (1 662) |
| Provision for bad debt | 197 502 183 | 149 415 890 | 192 987 885 | 145 389 711 |
| Gain / (loss) on fair value adjustment/sale of assets | 95 168 | 10 773 442 | - | 10 773 442 |
| Other revenue (retention forfeited and donation) | (1 763 235) | - | (1 763 235) | - |
| Conditional grant accrual | (27 373 197) | - | (27 373 197) | - |
| Debt incentives | 42 401 822 | - | 42 401 822 | - |
| Fair value and loss on disposal | 12 843 020 | - | 12 843 020 | - |
| Cost of sales | - | 728 500 | - | 728 500 |
| Depreciation charges | 482 495 165 | 553 255 805 | 477 163 889 | 547 910 665 |
| Service charges | - | (12 812 671) | - | (12 812 671) |
| Interest received | (27 593 499) | (35 720 999) | (27 592 762) | (35 720 658) |
| Interest paid | 36 358 120 | 39 314 531 | 34 578 938 | 38 879 905 |
| Impairment PHA Loan | - | 8 217 389 | - | 8 217 389 |
| Recovery Black Leopards | - | (3 000 000) | - | (3 000 000) |
| Donation of assets - Investment properties | - | 31 088 000 | - | 31 088 000 |
| Other non-cash item | 44 273 | (3 848 868) | 33 183 | - |
| Non-operating expenditure | 610 097 080 | 611 464 307 | 591 367 444 | 602 248 916 |
| Operating surplus before working capital changes | | | | |
| (Increase)/decrease in inventories | (26 781 284) | 4 171 701 | (26 781 284) | 4 171 701 |
| (Increase)/decrease in debtors | (128 324 332) | (140 691 302) | (123 458 916) | (137 256 843) |
| (Increase)/decrease in other debtors | (17 883 655) | 6 108 545 | (17 889 587) | 6 147 379 |
| Increase/(decrease) in conditional grants | (183 307 198) | (79 444 372) | (183 307 198) | (79 444 372) |
| Increase/(decrease) in creditors | (11 101 258) | 66 754 641 | (10 911 053) | 67 203 898 |
| Increase/(decrease) in provisions | 157 983 | 11 019 149 | - | 10 952 276 |
| Working capital | (367 239 745) | (132 081 638) | (362 348 039) | (128 225 961) |
| Cash generated by operations | 242 857 335 | 479 382 670 | 229 019 405 | 474 022 956 |
| ADDITIONAL DISCLOSURES IN TERMS OF SECTION 125 OF MUNICIPAL FINANCE MANAGEMENT ACT, 2003 | | | | |
| 31 Contribution to SALGA | | | | |
| 31.1 Council membership fees payable | 5 498 603 | 4 800 000 | 5 498 603 | 4 800 000 |
| Amount paid current year | (5 498 603) | (4 800 000) | (5 498 603) | (4 800 000) |
| Balance unpaid (included in creditors) | - | - | - | - |
| Audit Fees | | | | |
| 31.2 Current year audit fee | 5 354 490 | 4 773 533 | 5 354 490 | 4 773 533 |
| Amount paid current year | (5 354 490) | (4 773 533) | (5 354 490) | (4 773 533) |
| Balance unpaid (included in creditors) | - | - | - | - |
| VAT | | | | |
| Since July 2012 VAT is payable on cash basis. Nett VAT input receivables and VAT output payable are shown in note 14. All VAT returns have been submitted by the due date throughout the year. | | | | |
| 31.3 | | | | |
| Pay as You Earn (PAYE) | | | | |
| 31.4 Current payroll deductions | 81 296 499 | 72 800 959 | 81 296 499 | 72 800 959 |
| Amount paid current year | (81 296 499) | (72 800 959) | (81 296 499) | (72 800 959) |
| Balance unpaid | - | - | - | - |
| Unemployment Insurance Fund (UIF) | | | | |
| 31.5 Current payroll deductions | 5 963 122 | 5 492 364 | 5 963 122 | 5 492 364 |
| Amount paid current year | (5 963 122) | (5 492 364) | (5 963 122) | (5 492 364) |
| Balance unpaid | - | - | - | - |
| Medical Aid | | | | |
| 31.6 Current payroll deductions | 39 353 231 | 33 684 437 | 39 353 231 | 33 684 437 |
| Amount paid current year | (39 353 231) | (33 684 437) | (39 353 231) | (33 684 437) |
| Balance unpaid | - | - | - | - |
| Pension Fund | | | | |
| 31.7 Current payroll deductions | 94 543 606 | 77 079 526 | 94 543 606 | 77 079 526 |
| Amount paid current year | (94 543 606) | (77 079 526) | (94 543 606) | (77 079 526) |
| Balance unpaid | - | - | - | - |
| Councillor's arrear consumer accounts | | | | |

POLOKWANE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

| | GROUP | | MUNICIPALITY | |
|---|----------------|-----------|--------------------------------------|--------------------------------------|
| | 2016 R | 2015 R | 2016 R | 2015 R |
| 31.8 | | | | |
| The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2016 | Total | | Outstanding less than 90 days | Outstanding more than 90 days |
| | R | | R | R |
| MATHABATHA MA | 5 580 | | 3 544 | 2 036 |
| MOABELO JA | 1 449 | | 835 | 614 |
| SELLO MJ | 1 572 | | 538 | 1 034 |
| PETA MM | 984 | | 517 | 467 |
| SEDIBANE MD | 264 | | - | 264 |
| MOJAPPELO TSP | 1 684 | | 264 | 1 420 |
| MOKGOKONG NJ | 14 018 | | 356 | 13 662 |
| LETSOALO MW | 74 374 | | 2 511 | 71 863 |
| THOBEJANE MA | 798 | | 230 | 568 |
| Total Councillor Arrear Consumer Accounts | 100 723 | | 8 794 | 91 928 |

Highest Amount Outstanding

| | R | Ageing Days |
|---------------|--------|-------------|
| LETSOALO MW | 71 863 | 90+ |
| MOKGOKONG NJ | 13 662 | 90+ |
| MATHABATHA MA | 3 544 | 90- |
| MOJAPPELO TSP | 1 420 | 90+ |
| SELLO MJ | 1 034 | 90+ |
| MOABELO JA | 614 | 90+ |
| THOBEJANE MA | 568 | 90+ |
| PETA MM | 467 | 90+ |
| SEDIBANE MD | 264 | 90+ |

COMMITMENTS

32

Commitments in respect of expenditure:

Capital commitments-approved and contracted for
 Infrastructure
 Community
 Other
 Total commitments

| | | | |
|--------------------|----------------------|--------------------|----------------------|
| 534 854 393 | 1 011 297 942 | 534 854 393 | 1 011 297 942 |
| 142 887 117 | 344 041 714 | 142 887 117 | 344 041 714 |
| 123 131 218 | 537 321 308 | 123 131 218 | 537 321 308 |
| 268 836 058 | 129 934 920 | 268 836 058 | 129 934 920 |
| 534 854 393 | 1 016 634 754 | 534 854 393 | 1 016 634 754 |

The expenditure will be financed from:

- Government and other Grants
 - Internally generated funds

| | | | |
|-------------|-------------------|-------------------|-------------------|
| 538 854 392 | 1 016 634 754 | 538 854 392 | 1 016 634 754 |
| 255 941 508 | 839 530 500 | 255 941 508 | 839 530 500 |
| 282 912 884 | 177 104 255 | 282 912 884 | 177 104 255 |
| 0 | 15 274 154 | 22 401 722 | 15 274 154 |
| 0 | 15 274 154 | 22 401 722 | 15 274 154 |

33

CONTINGENT ASSETS AND LIABILITIES

| 34 | UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED | GROUP | | MUNICIPALITY |
|------|--|--------------------|-----------------------|-----------------------|
| | | 2016 R | 2015 R Restated | 2015 R Restated |
| 34.1 | Unauthorized expenditure | | | |
| | Reconciliation of unauthorized expenditure | | | |
| | Opening balance | 605 956 858 | 374 184 171 | 370 784 431 |
| | Unauthorized expenditure current year | 287 154 715 | 231 772 687 | 231 772 687 |
| | Approved by Council or condoned | (605 956 858) | - | - |
| | Transfer to receivables for recovery | - | - | - |
| | Unauthorized expenditure awaiting authorization | - | - | - |
| | | 287 154 715 | 605 956 858 | 602 557 118 |
| | Current year's unauthorised expenditure is attributed to the fact that the actual expenditure exceeded the budget on the following items : | | | |
| | Provision for bad debt | | | |
| | Contribution to leave provision - non cash item | 17 287 573 | | |
| | Profit/loss on sale of assets/ fair value adjustments - non cash item | 79 516 334 | | |
| | Debt incentive - non cash item | 42 401 822 | | |
| | Contribution to Provision for bad debt - non cash item | 142 987 885 | | |
| | Contribution to Provision for rehabilitation of landfill site - non cash item | 4 961 102 | | |
| | The opening balance on unauthorized has been subjected to MPAC investigation and was authorized by Council. The current year unauthorized expenditure will also be subjected to Council's authorization | | | |
| 34.2 | Fruitless and wasteful expenditure | | | |
| | Reconciliation of fruitless and wasteful expenditure | | | |
| | Opening balance - | 1 605 457 | | 1 603 457 |
| | Fruitless and wasteful expenditure current year: | - | | - |
| | Fruitless and Wasteful Expenditure as per submitted AFS | 50 503 | 46 332 | 44 332 |
| | Add: Current year Expenditure (Subsequent Event Adjustment) | - | 1 559 124 | 1 559 124 |
| | Adjusted Fruitless and Wasteful Expenditure | 1 655 960 | 1 605 457 | 1 603 457 |
| 34.3 | Irregular expenditure | | | |
| | Reconciliation of irregular expenditure | | | |
| | Opening balance | 632 667 839 | 576 351 519 | 565 375 342 |
| | Irregular expenditure current year | 8 832 361 | 302 699 373 | 297 567 685 |
| | Condoned during the year | (616 559 974) | (246 383 053) | (246 383 053) |
| | Irregular expenditure awaiting condonement | - | - | - |
| | | 24 940 226 | 632 667 839 | 616 559 974 |
| | Current year irregular expenditure has been investigated by Municipal Public Account Committee(MPAC) and is awaiting Council decision on whether to condone or not in terms of the MFMA. | | | |
| | Opening Balance | 254 866 865 | | 249 735 177 |
| | Current year irregular expenditure has been made of the following transactions. | | | |
| | Irregular expenditure occurred as result of non compliance to supply chain regulation, regulation 22 and 29. | 379888 | 176 191 498 | 171 059 810 |
| | Irregular expenditure occurred as result of non compliance to Preferential Procurement Policy Framework regulation of 2011 ,PPR 4(4) & PPR 5(2) | | 78 675 367 | 78 675 367 |
| | Irregular expenditure occurred as result of non compliance to MFMA section 116(3) | | 47 832 508 | 47 832 508 |
| | TOTAL | 255 246 753 | 254 866 865 | 249 735 177 |
| 35 | PROVISIONS | | | |
| 35.1 | Provision for rehabilitation of landfill sites | | | |
| | Carrying amount at beginning of year | 52 438 945 | 47 563 669 | 47 563 669 |
| | Increase due to passage of time | 2 699 718 | 4 875 276 | 4 875 276 |
| | Increase due to change in provision | 5 374 992 | | 5 374 992 |
| | Carrying amount at end of year | 60 513 655 | 52 438 945 | 60 513 655 |
| | The Weltevreden Landfill Site is a permitted facility in terms of Section 20 of the Environmental Conservation Act (Act 73 of 1989) and is located on portion 4 of the farm Weltevreden 746 LS - District Polokwane. The expected life span of the site is a further 6 years | | | |
| | Assumptions used: Discount rate used is CPI +2% (2015: 10.25%) | | | |
| | The movement in the current year was just the unwinding of the interest and nothing changed in the structural nature of the waste site. | | | |
| | The expense relating to the provision is included under note 28: General Expenses. | | | |
| 35.2 | Post-Employment Health Care Benefits | | | |
| | Fair value of plan assets | - | - | - |
| | Accrued liability | 162 094 000 | 155 576 000 | 155 576 000 |
| | Unfunded Accrued Liability | 162 094 000 | 155 576 000 | 155 576 000 |
| | Net Liability in Balance Sheet | 162 094 000 | 155 576 000 | 155 576 000 |
| | Reconciling and projecting the unfunded accrued liability | | | |
| | Unfunded Accrued Liability | | | |
| | Opening balance | 155 576 000 | 151 027 000 | 151 027 000 |
| | Current-service cost | 5 589 000 | 5 573 000 | 5 589 000 |
| | Interest cost | 14 243 000 | 13 492 000 | 14 243 000 |
| | Actuarial (Gain)/Loss | (7 662 331) | (9 279 759) | (7 662 331) |
| | Actual employer benefit payments | (5 651 669) | (5 236 241) | (5 651 669) |
| | Closing Balance | 162 094 000 | 155 576 000 | 162 094 000 |
| | Net liability to reflect in the balance sheet | | | |

| | | | | |
|--|--------------------|--------------------|--------------------|--------------------|
| Opening balance | 155 576 000 | 151 027 000 | 155 576 000 | 151 027 000 |
| Current-service cost | 5 589 000 | 5 573 000 | 5 589 000 | 5 573 000 |
| Interest | 14 243 000 | 13 492 000 | 14 243 000 | 13 492 000 |
| Actuarial (Gain)/loss recognised | (7 662 331) | (9 279 759) | (7 662 331) | (9 279 759) |
| Net Periodic Cost Recognised in P&L | 167 745 669 | 160 812 241 | 167 745 669 | 160 812 241 |
| Actual employer benefits payments | (5 651 669) | (5 236 241) | (5 651 669) | (5 236 241) |
| Closing Balance | 162 094 000 | 155 576 000 | 162 094 000 | 155 576 000 |

Valuation Method

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

Post-employment Medical Aid Liabilities

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

We also assumed that 22.5% of in-service members not currently on a medical aid would join the Key-Health Silver medical aid scheme by retirement. This assumption is consistent with that used in the preceding valuation.

Valuation of Assets

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

The following assumptions has been used for current and prior year

| | | | | |
|---------------------------------|---|---|---|---|
| Discount rate | Yield Curve | Yield Curve | Yield Curve | Yield Curve |
| | Difference between nominal and real yield curve | Difference between nominal and real yield curve | Difference between nominal and real yield curve | Difference between nominal and real yield curve |
| CPI (Consumer Price Inflation) | CPI +1% | CPI +1% | CPI +1% | CPI +1% |
| Health care cost inflation rate | Yield Curve | Yield Curve | Yield Curve | Yield Curve |
| Net effective discount rate | Difference between nominal and real yield curve | Difference between nominal and real yield curve | Difference between nominal and real yield curve | Difference between nominal and real yield curve |

35.3 Long Service Awards

| | | | | |
|-----------------------------------|-------------------|-------------------|-------------------|-------------------|
| Accrued liability | 31 892 000 | 27 867 000 | 31 892 000 | 27 867 000 |
| Unfunded Accrued Liability | 31 892 000 | 27 867 000 | 31 892 000 | 27 867 000 |
| Net Liability in Balance Sheet | 31 892 000 | 27 867 000 | 31 892 000 | 27 867 000 |

Reconciling and projecting the unfunded accrued liability

Unfunded Accrued Liability

| | | | | |
|---|--------------------|--------------------|--------------------|--------------------|
| Opening balance | 27 867 000 | 26 932 000 | 27 867 000 | 26 932 000 |
| Current-service cost | 3 009 000 | 2 746 000 | 3 009 000 | 2 746 000 |
| Interest cost | 2 416 000 | 2 204 000 | 2 416 000 | 2 204 000 |
| Actuarial (Gain)/Loss | (114 307) | (2 701 825) | (114 307) | (2 701 825) |
| Actual employer benefit payments | (1 285 693) | (1 313 175) | (1 285 693) | (1 313 175) |
| Closing Balance | 31 892 000 | 27 867 000 | 31 892 000 | 27 867 000 |

Net liability to reflect in the balance sheet

| | | | | |
|-------------------------------------|-------------------|-------------------|-------------------|-------------------|
| Opening balance | 27 867 000 | 26 932 000 | 27 867 000 | 26 932 000 |
| Current-service cost | 3 009 000 | 2 746 000 | 3 009 000 | 2 746 000 |
| Interest cost | 2 416 000 | 2 204 000 | 2 416 000 | 2 204 000 |
| Actuarial (Gain)/loss recognised | (114 307) | (2 701 825) | (114 307) | (2 701 825) |
| Net Periodic Cost Recognised | 33 177 693 | 29 180 175 | 33 177 693 | 29 180 175 |
| Actual employer benefits payments | (1 285 693) | (1 313 175) | (1 285 693) | (1 313 175) |
| Closing Balance | 31 892 000 | 27 867 000 | 31 892 000 | 27 867 000 |

Employees qualify for the following long service awards:

- After 20 years of continuous service a watch to the value of R6 772.26 (2015: R6 449.77) (adjusted annually).
- Additional 10,20 and 30 leave days for 10,15 and each 5 years after 15 years of service respectively

The following assumptions has been used for current and prior year

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

35.4 Ex-gratia benefits

| | | | | |
|-----------------------------------|------------------|------------------|------------------|------------------|
| Fair value of plan assets | - | - | - | - |
| Accrued liability | 9 585 000 | 8 831 000 | 9 585 000 | 8 831 000 |
| Unfunded Accrued Liability | 9 585 000 | 8 831 000 | 9 585 000 | 8 831 000 |
| Net Liability in Balance Sheet | 9 585 000 | 8 831 000 | 9 585 000 | 8 831 000 |

Employees qualify for the following awards:

- After 10 years of continuous service an amount of R748.63 (2015:R712.98) (adjusted annually) per each year of service.

Reconciling and projecting the unfunded accrued liability

POLOKWANE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS ENDED 30 JUNE 2015

Unfunded Accrued Liability

| | | | | |
|---|--------------------|--------------------|--------------------|--------------------|
| Opening balance | 8 831 000 | 8 238 000 | 8 831 000 | 8 238 000 |
| Current-service cost | 884 000 | 789 000 | 884 000 | 789 000 |
| Interest cost | 835 000 | 662 000 | 835 000 | 662 000 |
| Actuarial (Gain)/Loss | (216 000) | (246 263) | (216 000) | (246 263) |
| Employer benefit payments (Estimate) | (749 000) | (611 737) | (749 000) | (611 737) |
| Closing Balance | 9 585 000 | 8 831 000 | 9 585 000 | 8 831 000 |
| Net liability to reflect in the balance sheet | | | | |
| Opening balance | 8 831 000 | 8 238 000 | 8 831 000 | 8 238 000 |
| Current-service cost | 884 000 | 789 000 | 884 000 | 789 000 |
| Interest | 835 000 | 662 000 | 835 000 | 662 000 |
| Actuarial (Gain)/loss recognised | (216 000) | (246 263) | (216 000) | (246 263) |
| Net Periodic Cost Recognised | 10 334 000 | 9 442 737 | 10 334 000 | 9 442 737 |
| Estimated employer benefits payments | (749 000) | (611 737) | (749 000) | (611 737) |
| Closing Balance | 9 585 000 | 8 831 000 | 9 585 000 | 8 831 000 |
| Total Provisions | 264 084 655 | 244 712 945 | 264 084 655 | 244 712 945 |

36 RISK MANAGEMENT

36.1 Fair values

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

Level 1

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

Level 2

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

Level 3

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

| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Level 1</u> |
|---------------------------|----------------|----------------|----------------|----------------|
| Investments | - | - | - | - |
| Cash and cash equivalents | 88 257 390 | 324 293 546 | 86 225 049 | 322 864 242 |
| | <u>Level 2</u> | <u>Level 2</u> | <u>Level 2</u> | <u>Level 2</u> |
| Investments | 59 000 800 | 86 972 025 | 59 000 800 | 59 000 800 |
| Cash and cash equivalents | - | - | - | - |
| | <u>Level 3</u> | <u>Level 3</u> | <u>Level 3</u> | <u>Level 3</u> |
| Investments | 1 000 | 1 000 | 1 000 | 1 000 |
| Cash and cash equivalents | - | - | - | - |
| | Total | Total | Total | Total |
| Investments | 59 001 800 | 86 973 025 | 59 001 800 | 59 001 800 |
| Cash and cash equivalents | 88 257 390 | 324 293 546 | 86 225 049 | 322 864 242 |

36.2 Credit risk

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

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

| | | | | |
|---|--------------------|--------------------|--------------------|--------------------|
| Investments in banks - Standard Bank (Credit rating BBB-) | 58 999 800 | 58 999 800 | 58 999 800 | 58 999 800 |
| Cash and cash equivalents | 88 257 390 | 324 293 546 | 86 225 049 | 322 864 242 |
| Trade and other receivables | 368 612 344 | 375 098 975 | 364 864 822 | 371 759 951 |
| | 515 869 534 | 758 392 322 | 510 089 671 | 753 623 994 |

Investments and cash and equivalents

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

Receivables

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

Refer to note 12 and 13 for additional information relating to the analysis of receivables.

36.3 Liquidity risk

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

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

Liabilities

Borrowings

| | <u>Up to 1 year</u> | <u>Up to 1 year</u> | <u>Up to 1 year</u> | <u>Up to 1 year</u> |
|--------------------------|---------------------|---------------------|---------------------|---------------------|
| Capital repayments | 65 065 521 | 37 263 987 | 65 065 521 | 37 263 987 |
| Interest | 18 115 834 | 20 339 631 | 18 115 834 | 20 339 631 |
| | 83 181 355 | 57 603 618 | 83 181 355 | 57 603 618 |
| | <u>1-5 Years</u> | <u>1-5 Years</u> | <u>1-5 Years</u> | <u>1-5 Years</u> |
| Capital repayments | 165 622 038 | 188 024 388 | 165 622 038 | 188 024 388 |
| Interest | 30 947 758 | 47 535 549 | 30 947 758 | 47 535 549 |
| | 196 569 796 | 235 559 937 | 196 569 796 | 235 559 937 |
| | <u>>5 years</u> | <u>>5 years</u> | <u>>5 years</u> | <u>>5 years</u> |
| Capital repayments | 0 | 0 | 0 | 0 |
| Interest | 0 | 0 | 0 | 0 |
| | 0 | 0 | 0 | 0 |
| | Total | Total | Total | Total |
| Capital repayments | 230 687 559 | 225 288 375 | 230 687 559 | 225 288 375 |
| Interest | 49 063 592 | 67 875 180 | 49 063 592 | 67 875 180 |
| | 279 751 151 | 293 163 555 | 279 751 151 | 293 163 555 |
| | <u>Up to 1 year</u> | <u>Up to 1 year</u> | <u>Up to 1 year</u> | <u>Up to 1 year</u> |
| Trade and other payables | 368 609 418 | 355 199 907 | 368 609 418 | 355 199 907 |
| | 368 609 418 | 355 199 907 | 368 609 418 | 355 199 907 |

Finance lease

| | <u>Up to 1 year</u> | <u>Up to 1 year</u> | <u>Up to 1 year</u> | <u>Up to 1 year</u> |
|--------------------|---------------------|---------------------|---------------------|---------------------|
| Capital repayments | | | | |
| Vehicles | 28 656 125 | 25 324 402 | 28 656 125 | 25 324 402 |
| Cell phones | 2 447 368 | 2 024 378 | 2 447 368 | 2 024 378 |
| Photo copiers | 1 789 587 | 1 942 005 | 1 789 587 | 1 942 005 |
| | 32 893 079 | 29 290 785 | 32 893 079 | 29 290 785 |
| Interest | | | | |
| Vehicles | 6 749 138 | 10 080 861 | 6 749 138 | 10 080 861 |
| Cell phones | 395 204 | 261 847 | 395 204 | 261 847 |
| Photo copiers | 152 419 | 361 161 | 152 419 | 361 161 |
| | 7 296 761 | 10 703 868 | 7 296 761 | 10 703 868 |
| | <u>1-5 Years</u> | <u>1-5 Years</u> | <u>1-5 Years</u> | <u>1-5 Years</u> |
| Capital repayments | | | | |
| Vehicles | 29 000 680 | 57 656 805 | 29 000 680 | 57 656 805 |
| Cell phones | 1 810 792 | 4 258 160 | 1 810 792 | 4 258 160 |
| Photo copiers | 241 817 | 2 031 404 | 241 817 | 2 031 404 |
| | 31 053 290 | 63 946 369 | 31 053 290 | 63 946 369 |
| Interest | | | | |
| Vehicles | 2 575 861 | 9 324 999 | 2 575 861 | 9 324 999 |
| Cell phones | 85986.32 | 481 190 | 85986.32 | 481 190 |
| Photo copiers | 3203.57 | 155 622 | 3203.57 | 155 622 |
| | 2 665 051 | 9 961 811 | 2 665 051 | 9 961 811 |
| Capital repayments | 63 946 369 | 93 237 154 | 63 946 369 | 93 237 154 |
| Interest | 9 961 811 | 20 665 680 | 9 961 811 | 20 665 680 |
| | 73 908 181 | 113 902 834 | 73 908 181 | 113 902 834 |

37 RATIFICATION OF DEVIATIONS FROM BREACHES IN PROCUREMENT PROCESSES

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

| | | | | |
|--|-------------------|-------------------|-------------------|-------------------|
| | 80 367 134 | 43 087 400 | 80 367 134 | 43 087 400 |
|--|-------------------|-------------------|-------------------|-------------------|

38 FINANCE LEASE COMMITMENTS

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

| | | | | |
|---|--------------------|--------------------|--------------------|--------------------|
| Total commitments: | | | | |
| Vehicles | 64 348 172 | 89 672 574 | 64 348 172 | 89 672 574 |
| Cell phones | 4 258 160 | 1 275 258 | 4 258 160 | 1 275 258 |
| Photo copiers | 2 031 404 | 3 612 249 | 2 031 404 | 3 612 249 |
| Total commitments: | 70 637 736 | 94 560 081 | 70 637 736 | 94 560 081 |
| Finance lease obligation | | | | |
| Minimum lease payments due | | | | |
| - within one year | 43 032 411 | 38 687 700 | 43 032 411 | 38 687 700 |
| - in second to fifth year inclusive | 69 123 604 | 104 574 094 | 69 123 604 | 104 574 094 |
| - late than five years | - | - | - | - |
| | 112 156 015 | 143 261 795 | 112 156 015 | 143 261 795 |
| Less: future finance charges | 20 042 672 | 32 909 927 | 20 042 672 | 32 909 927 |
| Present value of minimum lease payments | 92 113 343 | 110 351 867 | 92 113 343 | 110 351 867 |
| Present value of minimum lease payments | | | | |
| - within one year | 29 561 357 | 25 339 255 | 29 561 357 | 25 339 255 |
| - in second to fifth year inclusive | 59 709 415 | 85 012 612 | 59 709 415 | 85 012 612 |
| - late than five years | - | - | - | - |
| | 89 270 772 | 110 351 867 | 89 270 772 | 110 351 867 |
| Non-current | 31 051 947 | 56 394 085 | 30 995 518 | 56 298 715 |
| Current | 39 642 218 | 38 261 366 | 39 642 218 | 38 261 366 |
| | 70 694 165 | 94 655 451 | 70 637 736 | 94 560 081 |

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

POLOKWANE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS ENDED 30 JUNE 2015

39 RELATED PARTIES

Relationships

Members of key management

Move to municipality

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

Other related party relationships

Polkwane Housing Association. Refer to note 10

Related party transactions

Compensation to councillors

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

Property rates received from related parties (PHA)

- 457 438

The Municipality has exempted PHA from paying rates though utilities are still payable

Operational grant - Paid to PHA

16 700 000 6 500 000

The Municipality paid an amount of R10 million to PHA in order to settle the NHFC loan

40 DISTRIBUTION LOSSES

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

| | | | | |
|-------------------------------------|---------------------|----------------------|---------------------|----------------------|
| Water distribution losses In KL | 8 357 628(21%) | 8 993 163 (33%) | 8 357 628(21%) | 8 993 163 (33%) |
| Electricity distribution losses kWh | 74 613 379(10%) | 105 726 349 (14%) | 74 613 379(10%) | 105 726 349 (14%) |
| Monetary value | | | | |
| Water distribution losses | R 35 696 299 | R 49 075 131 | R 35 696 299 | R 49 075 131 |
| Electricity distribution losses | R 57 361 081 | R 71 888 946 | R 57 361 081 | R 71 888 946 |
| | <u>R 93 057 380</u> | <u>R 120 964 077</u> | <u>R 93 057 380</u> | <u>R 120 964 077</u> |

41 COMPARISON WITH THE BUDGET

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

42 CHANGE IN ACCOUNTING POLICY

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

| | | | Heritage Assets | |
|---|-------------------|-------------------|-------------------|-------------------|
| Statement of Financial Position | | | | |
| Restated carrying value as at 1 July 2012 | 4 588 129 | 4 588 129 | 4 588 129 | 4 588 129 |
| Cost | 4 588 129 | 4 588 129 | 4 588 129 | 4 588 129 |
| Accumulated depreciation | - | - | - | - |
| Previously stated Carrying value as at 1 July 2012 | 11 145 453 | 3 671 704 | 3 671 704 | 3 671 704 |
| Less: Cost | 11 145 453 | 3 671 704 | 3 671 704 | 3 671 704 |
| Accumulated depreciation | - | - | - | - |
| Increase / (Decrease) in PPE as at 1 July 2012 | (6 557 323) | 916 425 | 916 425 | 916 425 |
| Less: | | | | |
| Statement of Financial Performance | | | | |
| No effect | - | - | - | - |
| Statement of Changes in Net Assets | | | | |
| Increase / (Decrease) in Accumulated Surplus - 30 June 2013 | (6 557 323) | 916 425 | 916 425 | 916 425 |
| 43 FAIR VALUE ADJUSTMENT | | | | |
| Biological assets | (5 278 725) | (1 626 750) | (5 278 725) | (1 626 750) |
| Investment Property | 42 217 805 | 24 612 494 | 42 217 805 | 24 612 494 |
| | <u>36 939 080</u> | <u>22 985 744</u> | <u>36 939 080</u> | <u>22 985 744</u> |
| Investment Property and biological assets were fair valued at year end. | | | | |

44

EMPLOYEE BENEFIT OBLIGATIONS

Defined contribution and benefit plan

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

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

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

| | 2016 | 2015 | 2016 | 2015 |
|-------------------------------------|-------------------|-------------------|-------------------|-------------------|
| The Joint Municipal Pension Fund | 2 344 748 | 2 414 052 | 2 344 748 | 2 414 052 |
| Municipal Councillors Pension Fund | 4 656 928 | 3 911 419 | 4 656 928 | 3 911 419 |
| Government Employees Pension Fund | 1 996 629 | 2 080 084 | 1 996 629 | 2 080 084 |
| Municipal Employees Pension Fund | 42 188 472 | 35 261 570 | 42 188 472 | 35 261 570 |
| Municipal Gratuity Fund | 20 662 132 | 17 250 696 | 20 662 132 | 17 250 696 |
| Samwu National Provident Fund | 9 258 270 | 8 889 971 | 9 258 270 | 8 889 971 |
| National Fund For Municipal Workers | 13 436 426 | 7 271 736 | 13 436 426 | 7 271 736 |
| | 94 543 605 | 77 079 526 | 94 543 605 | 77 079 526 |

Post-Retirement medical aid contributions

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

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

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

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

Year ended 30 June 2015

| | 2016 | 2015 | 2016 | 2015 |
|-----------------------------------|--------------------|--------------------|--------------------|--------------------|
| Opening balance | 155 576 000 | 151 027 000 | 155 576 000 | 151 027 000 |
| Service cost | 5 589 000 | 5 573 000 | 5 589 000 | 5 573 000 |
| Interest cost | 14 243 000 | 13 492 000 | 14 243 000 | 13 492 000 |
| Actual employer benefits payments | (5 651 669) | (5 236 241) | (5 651 669) | (5 236 241) |
| Expected closing balance | 169 756 331 | 164 855 759 | 169 756 331 | 164 855 759 |
| Actuarial (gain)/loss - | (7 662 331) | (9 279 759) | (7 662 331) | (9 279 759) |
| | | 0 | | 0 |
| Actual closing balance | 162 094 000 | 155 576 000 | 162 094 000 | 155 576 000 |

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

Carrying value

| | | | | |
|--|-------------|---------------|-------------|---------------|
| Present value of the defined benefit obligation- Wholly unfunded | 162 094 000 | (155 576 000) | 162 094 000 | (155 576 000) |
|--|-------------|---------------|-------------|---------------|

Movements for the year

| | | | | |
|------------------------------|--------------------|----------------------|--------------------|----------------------|
| Opening balance | (155 576 000) | (151 027 000) | (155 576 000) | (151 027 000) |
| Contributions - Current year | (6 518 000) | (4 549 000) | (6 518 000) | (4 549 000) |
| Closing balance | 162 094 000 | (155 576 000) | 162 094 000 | (155 576 000) |

Key assumptions used

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

Assumptions used on last valuation on 30 June 2016.

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

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

Sensitivity analysis

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

Sensitivity to medical inflation

| | | | | |
|------|--------------------|--------------------|--------------------|--------------------|
| Base | 162 094 000 | 155 576 000 | 162 094 000 | 155 576 000 |
| -1% | 160 473 000 | 142 855 000 | 160 473 000 | 142 855 000 |
| 1% | 163 715 000 | 169 509 000 | 163 715 000 | 169 509 000 |
| | 486 282 000 | 467 940 000 | 486 282 000 | 467 940 000 |

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

| | 2016 | 2015 | 2016 | 2015 |
|-------------------------------------|-------------------|-------------------|-------------------|-------------------|
| Bonitas | 12 080 851 | 10 265 105 | 12 080 851 | 10 265 105 |
| Hosmed | 5 630 021 | 4 947 482 | 5 630 021 | 4 947 482 |
| Key Health | 8 266 806 | 8 890 886 | 8 266 806 | 8 890 886 |
| LA Health | 5 790 132 | 4 001 958 | 5 790 132 | 4 001 958 |
| Samwumed | 6 932 081 | 4 918 278 | 6 932 081 | 4 918 278 |
| Resolution Health | 14 504 | 19 943 | 14 504 | 19 943 |
| Government Employees Medical Scheme | 638 835 | 640 785 | 638 835 | 640 785 |
| Total | 39 353 231 | 33 684 437 | 39 353 231 | 33 684 437 |

45 **CHANGE IN ESTIMATE**

Property, plant and Equipment

During the current financial year, the useful lives of all asset classes were reviewed and adjusted to more accurately reflect the period of economic benefits or service potential derived from these assets. The effect of the review decreased the depreciation charges for the current period by R41 359 401.

Intangible Assets

During the current financial year, the useful lives of intangible asset items were reviewed and adjusted to more accurately reflect the period of economic benefits or service potential derived from these assets. The effect of the review decreased the depreciation charges for the current period by R560 330.

46 EVENTS AFTER THE REPORTING PERIOD

Local Government Elections were held on the 3rd August 2016

The Municipality was amalgamated with a portion of Aganang Municipality with effect from the 3th August 2016

Aganang municipality's assets amounts to R248 138 761 of which approximately R193 548 234 (78%) will be transferred to Polokwane municipality.

Aganang municipality's liability's amounts to R32 417 616 and will be transferred to Polokwane municipality.

47 GOING CONCERN

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

The municipality's budget is substantially funded by the government which has not announced any intention to cease funding the municipality

Furthermore, based on the current solvency and liquidity ratio's tests performed, the municipality's ability to operate as a going concern is not under threat.

APPENDIX A
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2016 (Unaudited)

| External Loans | Loan No. | Redeemable | Balance at 30 June 2015 | Received during the period | Redeemed or written off during the period | Balance at June 2016 | 30 |
|-----------------------------|----------|------------|----------------------------|-------------------------------|--|-------------------------|--------------------|
| | | | R | R | R | R | |
| LONG TERM LOANS | | | | | | | |
| Stock Loan@10% | 518 | 2015/16 | 7 799 | | 7 799 | | 0 |
| Stock Loan@10% | 520 | 2015/16 | 40 000 | | 40 000 | | 0 |
| Stock Loan@10% | 522 | 2015/16 | 6 829 | | 6 829 | | 0 |
| Stock Loan@10% | 524 | 2015/16 | 90 000 | | 90 000 | | 0 |
| Stock Loan@10% | 527 | 2015/16 | 20 000 | | 20 000 | | 0 |
| | | | 164 628 | 0 | 164 628 | | 0 |
| ANNUITY LOAN | | | | | | | |
| ANNUITY LOAN (DBSA) @ 1 | 61000907 | 2019/20 | 31 823 617 | 0 | 5 019 500 | | 26 804 117 |
| ANNUITY LOAN (DBSA) @ 1 | 61006782 | 2020/21 | 193 300 130 | 0 | 32 216 688 | | 161 083 441 |
| ANNUITY LOAN(INEP FROI | 61007274 | 2017/18 | 0 | 42 800 000 | | | 42 800 000 |
| | | | 225 123 747 | 42 800 000 | 37 236 188 | | 230 687 558 |
| Total External Loans | | | 225 288 375 | 42 800 000 | 37 400 816 | | 230 687 558 |

| | Historical cost | | | | | | | Depreciation | | | | Impairments | | | Carrying value | Revaluation reserve |
|--|----------------------------|----------------------------|------------------------|--------------------|------------------------|--------------------------------------|----------------------------|------------------------|---------------------------|--|------------------------|------------------|-------------------------|----------------------|------------------------|----------------------|
| | Opening Cost / Revaluation | Capital under construction | Additions for the year | Donations received | Fair value adjustments | Derecognition/Disposals for the year | Closing Cost / Revaluation | Opening balance | Depreciation for the year | Acc Depreciation on Derecognition/Disposal | Closing balance | Opening balance | Impairment for the year | Closing balance | Carrying value | Closing balance |
| Council | 794 880 153 | - | 96 442 349 | - | 24 304 533 | - | 915 627 035 | (4 095 644) | (2 186 262) | - | (6 281 906) | - | - | - | 909 345 129 | (8 939 086) |
| Council General | 794 880 153 | - | 96 442 349 | - | 24 304 533 | - | 915 627 035 | (4 095 644) | (2 186 262) | - | (6 281 906) | - | - | - | 909 345 129 | (8 939 086) |
| Directorate Budget & Treasury | 19 075 990 | - | - | - | - | - | 19 075 990 | (11 216 406) | (680 286) | - | (11 896 906) | - | - | - | 7 179 097 | (3 956 527) |
| Budget and Treasury | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Chief Financial Officer | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Supply Chain Management | 19 075 990 | - | - | - | - | - | 19 075 990 | (11 216 406) | (680 286) | - | (11 896 906) | - | - | - | 7 179 097 | (3 956 527) |
| Directorate Community Development | 2 589 602 646 | - | 2 558 538 | - | - | - | 2 592 161 185 | (1 342 725 171) | (76 749 222) | - | (1 419 474 394) | - | - | - | 1 172 686 791 | (590 547 204) |
| Cultural Services | 161 043 087 | - | 483 350 | - | - | - | 161 526 437 | (95 626 482) | (5 637 301) | - | (101 263 783) | - | - | - | 60 262 655 | (27 106 521) |
| Director Community Development | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Supply Chain Management | 68 427 300 | - | - | - | - | - | 68 427 300 | (41 918 404) | (2 775 927) | - | (44 693 430) | - | - | - | 25 102 687 | (12 076 168) |
| Facility Management | 1 458 697 | - | - | - | - | - | 1 458 697 | - | - | - | - | - | - | - | 344 735 | - |
| Sports & Recreation | 2 360 132 260 | - | 616 491 | - | - | - | 2 360 748 751 | (1 205 180 286) | (68 336 895) | - | (1 273 517 181) | - | - | - | 1 087 231 570 | (551 364 514) |
| Directorate Community Services | 525 113 860 | - | 4 083 633 | - | - | (1 011 773) | 528 185 720 | (265 615 885) | (22 246 066) | 883 128 | (286 978 822) | (8 402) | (8 402) | 241 198 496 | (102 042 711) | |
| Community Health Services | 5 933 867 | - | 1 067 | - | - | - | 5 934 934 | (3 172 973) | (181 424) | - | (3 354 397) | - | - | - | 2 580 537 | (1 301 970) |
| Director Community Services | 69 427 300 | - | 349 004 | - | - | - | 69 886 987 | (41 918 404) | (2 775 927) | - | (44 693 430) | - | - | - | 25 102 687 | (12 076 168) |
| Disaster Management | 104 522 821 | - | 65 109 | - | - | (1 011 773) | 103 576 157 | (61 249 763) | (5 902 346) | 883 128 | (66 357 981) | - | - | - | 37 218 176 | (16 035 576) |
| Environmental Management | 249 550 136 | - | 150 816 | - | - | - | 249 700 952 | (115 044 778) | (8 011 872) | - | (123 056 651) | (8 402) | (8 402) | 126 635 900 | (59 781 418) | |
| Security Services | 305 769 | - | 8 000 | - | - | - | 313 769 | (223 877) | - | - | (256 455) | - | - | - | 57 314 | - |
| Traffic and Licensing | 21 553 514 | - | 909 919 | - | - | - | 22 363 433 | (14 387 507) | (1 473 552) | - | (15 861 060) | - | - | - | 6 502 374 | (2 950 293) |
| Waste Management | 143 245 991 | - | 2 699 718 | - | - | - | 145 945 709 | (71 536 331) | (6 549 918) | - | (79 086 248) | - | - | - | 67 859 461 | (21 973 454) |
| Directorate Corporate and Shared Services | 171 552 037 | - | 6 564 794 | - | - | (4 713 980) | 173 402 851 | (70 719 639) | (31 526 608) | 4 516 210 | (97 730 038) | - | - | - | 75 672 814 | (3 759 626) |
| Human Resources | 2 628 628 | - | 638 771 | - | - | - | 3 267 399 | (939 433) | (478 120) | - | (1 417 552) | - | - | - | 1 849 846 | - |
| Information services | 37 961 736 | - | 5 757 280 | - | - | (4 713 980) | 38 905 037 | (19 626 066) | (4 812 244) | 4 516 210 | (19 801 039) | - | - | - | 19 003 997 | (3 759 626) |
| Legal Services | 378 344 | - | 163 622 | - | - | - | 541 965 | (261 481) | (99 681) | - | (321 162) | - | - | - | 220 803 | - |
| Mechanical Services | 130 683 329 | - | 5 121 | - | - | - | 130 688 450 | (49 913 719) | (28 176 563) | - | (76 900 282) | - | - | - | 54 598 168 | - |
| Secretariat | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Directorate Engineering Services | 13 202 048 737 | - | 578 255 898 | - | - | (87 351 904) | 13 692 952 730 | (7 120 574 122) | (321 635 115) | 38 204 974 | (7 404 004 263) | (19 021) | (19 021) | 6 288 929 446 | (2 583 103 162) | |
| Director Engineering Services | 196 249 | - | - | - | - | - | 196 249 | (160 201) | (15 797) | - | (175 997) | - | - | - | 20 251 | - |
| Energy services | 2 870 021 351 | - | 9 169 934 | - | - | (483 686) | 2 876 707 599 | (1 788 638 150) | (65 602 099) | 403 139 | (1 853 837 109) | - | - | - | 1 024 870 490 | (500 318 679) |
| Road Transport Infrastructure Services | 6 256 962 557 | - | 420 266 894 | - | - | (82 417 165) | 6 594 812 286 | (3 054 499 655) | (172 004 335) | 35 306 738 | (3 191 197 252) | - | - | - | 3 403 615 034 | (1 378 283 057) |
| Sanitation Services | 1 068 977 035 | - | 2 215 936 | - | - | - | 1 071 092 971 | (608 142 818) | (19 591 290) | - | (628 734 107) | - | - | - | 442 356 763 | (200 865 976) |
| Water Services | 3 005 991 545 | - | 146 603 234 | - | - | (4 451 053) | 3 148 143 725 | (1 668 133 299) | (64 421 594) | 2 495 096 | (1 730 059 797) | (19 021) | (19 021) | 1 418 064 907 | (503 635 471) | |
| Directorate Planning & Economic Development | 417 127 685 | - | 518 915 | - | (6 190 029) | - | 411 456 571 | (230 636 507) | (16 483 444) | - | (247 119 950) | - | - | - | 164 336 621 | (87 665 511) |
| Building Regulations | 2 834 542 | - | 449 136 | - | - | - | 3 283 678 | (1 611 477) | (478 308) | - | (2 089 786) | - | - | - | 1 193 893 | - |
| City & Regional Development | 352 381 129 | - | - | - | - | - | 352 381 129 | (208 898 556) | (14 593 629) | - | (223 492 085) | - | - | - | 128 889 044 | (81 630 704) |
| Director Planning & Economic Development | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Economic Development & Tourism | 38 456 034 | - | 19 601 | - | (6 190 029) | - | 29 285 605 | (3 081 700) | (809 259) | - | (3 890 959) | - | - | - | 25 394 646 | (1 479 322) |
| Housing | 26 456 980 | - | 50 178 | - | - | - | 26 506 159 | (17 044 774) | (602 347) | - | (17 647 120) | - | - | - | 8 859 038 | (4 555 736) |
| Directorate Strategic Planning, Monitoring and Eval | 31 273 932 | - | 279 889 | - | - | (371 783) | 31 182 039 | (22 163 010) | (900 021) | 260 796 | (22 892 235) | - | - | - | 8 289 804 | (6 250 411) |
| IDP | 379 850 | - | - | - | - | - | 379 850 | (284 890) | (36 106) | - | (320 996) | - | - | - | 58 854 | - |
| Performance Management | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Cluster Offices | 30 894 083 | - | 279 889 | - | - | (371 783) | 30 802 180 | (21 878 120) | (953 916) | 260 796 | (22 571 240) | - | - | - | 8 230 950 | (6 250 411) |
| Directorate Transport Operations | 108 654 115 | - | - | - | - | - | 108 654 115 | (59 634 615) | (2 657 979) | - | (62 292 593) | (122 883) | (122 883) | 46 238 638 | (23 254 699) | |
| Transport Operations | 108 654 115 | - | - | - | - | - | 108 654 115 | (59 634 615) | (2 657 979) | - | (62 292 593) | (122 883) | (122 883) | 46 238 638 | (23 254 699) | |
| Office of the Municipal Manager | 483 740 | - | 5 459 | - | - | - | 489 199 | (304 472) | (54 888) | - | (359 360) | - | - | - | 129 839 | - |
| Communications & Marketing | 483 740 | - | 5 459 | - | - | - | 489 199 | (304 472) | (54 888) | - | (359 360) | - | - | - | 129 839 | - |
| Internal Audit | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Municipal Manager | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Risk Management | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Capital under Construction | 566 937 060 | (120 572 626) | - | - | - | - | 446 364 435 | - | - | - | - | - | - | - | 446 364 435 | - |
| Capital under Construction | 566 937 060 | (120 572 626) | - | - | - | - | 446 364 435 | - | - | - | - | - | - | - | 446 364 435 | - |
| TOTAL | 18 426 749 954 | (120 572 626) | 688 709 476 | - | 18 114 504 | (93 449 440) | 18 919 551 869 | (9 127 685 471) | (475 210 190) | 43 865 109 | (9 539 030 552) | (150 306) | (150 306) | 9 380 371 011 | (3 468 519 196) | |

Appendix D Segmental Statement of Financial Performance 30 June 2016 (Unaudited)

| Description | 2014/2015 | 2015/16 | | |
|--|----------------------|----------------------|----------------------|----------------------|
| | Audited Outcome | Original Budget | Adjusted Budget | YearTD actual |
| R thousands | | | | |
| Revenue - Standard | | | | |
| Governance and administration | 1 439 031 024 | 1 587 118 093 | 1 667 836 093 | 1 551 717 459 |
| Executive and council | 0 | 0 | 0 | 0 |
| Budget and treasury office | 325 868 706 | 397 887 495 | 379 410 251 | 380 531 228 |
| Corporate services | 1 113 162 318 | 1 189 230 598 | 1 288 425 842 | 1 171 186 231 |
| Community and public safety | 16 614 707 | 37 581 913 | 35 581 913 | 25 786 889 |
| Community and social services | 2 041 158 | 2 551 606 | 2 551 606 | 2 263 683 |
| Sport and recreation | 4 294 518 | 15 691 800 | 13 691 800 | 6 106 511 |
| Public safety | 10 267 649 | 17 174 650 | 17 174 650 | 17 405 371 |
| Housing | 11 382 | 43 857 | 43 857 | 11 325 |
| Health | 0 | 2 120 000 | 2 120 000 | 0 |
| Economic and environmental services | 41 545 928 | 72 905 912 | 72 906 912 | 41 161 220 |
| Planning and development | 30 794 202 | 61 145 101 | 61 146 101 | 30 012 133 |
| Road transport | 8 841 333 | 9 505 757 | 9 505 757 | 7 942 860 |
| Environmental protection | 1 910 394 | 2 255 054 | 2 255 054 | 3 206 227 |
| Trading services | 989 286 833 | 1 173 145 082 | 1 173 145 082 | 1 170 660 769 |
| Electricity | 658 285 402 | 793 681 150 | 793 681 150 | 764 717 790 |
| Water | 223 249 429 | 259 055 145 | 259 055 145 | 288 462 912 |
| Waste water management | 49 064 812 | 55 325 708 | 55 325 708 | 52 800 385 |
| Waste management | 58 687 189 | 65 083 079 | 65 083 079 | 64 679 682 |
| Total Revenue - Standard | 2 486 478 493 | 2 870 751 000 | 2 949 470 000 | 2 789 326 337 |
| Expenditure - Standard | | | | |
| Governance and administration | 709 484 713 | 508 590 471 | 526 684 087 | 711 430 918 |
| Executive and council | 193 506 479 | 107 554 537 | 117 638 537 | 200 021 673 |
| Budget and treasury office | 124 232 210 | 135 458 441 | 136 686 441 | 125 554 744 |
| Corporate services | 391 746 024 | 265 577 493 | 272 359 109 | 385 854 502 |
| Community and public safety | 348 972 819 | 349 755 798 | 353 912 753 | 371 936 810 |
| Community and social services | 79 755 158 | 80 961 202 | 81 128 218 | 83 198 574 |
| Sport and recreation | 123 353 282 | 101 122 748 | 105 278 628 | 120 445 228 |
| Public safety | 134 147 277 | 154 094 474 | 154 182 093 | 155 011 026 |
| Housing | 7 580 711 | 9 260 737 | 9 031 677 | 9 068 528 |
| Health | 4 136 391 | 4 316 637 | 4 292 137 | 4 213 454 |
| Economic and environmental services | 359 898 734 | 191 358 094 | 206 300 066 | 391 087 897 |
| Planning and development | 60 198 435 | 90 994 157 | 91 409 657 | 64 210 782 |
| Road transport | 291 523 694 | 90 273 597 | 105 361 401 | 318 612 078 |
| Environmental protection | 8 176 605 | 10 090 340 | 9 529 008 | 8 265 036 |
| Trading services | 1 198 276 740 | 1 238 855 637 | 1 235 073 094 | 1 321 666 606 |
| Electricity | 682 887 491 | 792 179 569 | 789 386 888 | 820 140 266 |
| Water | 315 982 856 | 295 408 724 | 291 823 701 | 318 482 385 |
| Waste water management | 133 399 050 | 86 367 546 | 88 690 107 | 112 295 797 |
| Waste management | 66 007 342 | 64 899 798 | 65 172 398 | 70 748 158 |
| Total Expenditure - Standard | 2 616 633 005 | 2 288 560 000 | 2 321 970 000 | 2 796 122 231 |
| Surplus/ (Deficit) for the year | -130 154 512 | 582 191 000 | 627 500 000 | -6 795 894 |

APPENDIX E (1)
ACTUAL OPERATING VERSUS BUDGET FOR THE YEAR ENDED 30 JUNE 2016(Unaudited)

| | 2016 Actual | 2016 Budget | 2016 Variance | 2016 Variance | Explanations of significant variances greater than 10% versus budget |
|---|----------------------|----------------------|----------------------|-----------------|---|
| | R | R | R | % | |
| REVENUE | | | | | |
| Property rates | 281 023 721 | 314 000 000 | (32 976 279) | (10.50) | This came as a result of the implementation of the new valuation which undervalued some properties as compared to the previous valuation roll. |
| Service charges | 1 086 880 799 | 1 095 348 067 | (8 467 268) | (0.77) | |
| Rental of facilities and equipment | 12 342 192 | 19 711 177 | (7 368 985) | (37.38) | Rental of the Peter Mokaba Stadium to the amount of R9 million did not materialize |
| Interest earned – external investments | 27 592 762 | 37 000 000 | (9 407 238) | (25.42) | Over budgeted due to underspending of grant expenditure |
| Interest earned – outstanding debtors | 54 307 169 | 25 800 000 | 28 507 169 | 110.49 | Under budgeted due to non payment of consumer debtors |
| Fines | 33 049 072 | 13 725 784 | 19 323 288 | 140.78 | Over budgeted due to new implementation of doubt full fines provision. |
| Licensing & permits | 0 | 9 570 079 | (9 570 079) | (100.00) | Over budgeted of revenue |
| Revenue for agency services | 15 931 818 | 16 595 572 | (663 754) | (4.00) | |
| Government grants & subsidies – operating | 616 432 887 | 678 860 000 | (62 427 114) | (9.20) | |
| Government grants & subsidies – capital | 473 584 799 | 470 853 657 | 2 731 142 | 0.58 | |
| Public contributions, donated and contributed | 3 355 674 | 0 | 3 355 674 | - | |
| Other revenue | 1 763 235 | 268 005 664 | (266 242 429) | (99.34) | Contribution from accumulated surplus during the adjustment buget (R125 million) was not necessary. |
| Total Revenue | 2 606 264 127 | 2 949 470 000 | (343 205 873) | (11.64) | |
| EXPENDITURE | | | | | |
| Employee related costs | 598 398 759 | 581 111 186 | 17 287 573 | 2.97 | |
| Remuneration of councillors | 27 019 623 | 28 348 587 | (1 328 964) | (4.69) | |
| Bad debt provision | 192 987 885 | 50 000 000 | 142 987 885 | 285.98 | Provision for bad debt insufficient due to new impairment policy. |
| Collection costs | 0 | 0 | 0 | - | |
| Depreciation | 477 163 890 | 491 964 008 | (14 800 118) | (3.01) | Under budgeted. New service provider applied revaluation model |
| Repairs & maintenance | 198 971 424 | 203 941 962 | (4 970 538) | (2.44) | |
| Finance costs | 34 578 938 | 35 585 363 | (1 006 425) | (2.83) | Over budgeted for finance leas cost |
| Bulk purchases | 748 278 150 | 748 891 192 | (613 042) | (0.08) | |
| Grants & subsidies paid | 17 180 000 | 17 180 000 | 0 | - | |
| General expenses | 461 846 831 | 451 911 710 | 9 935 121 | 2.20 | |
| Gain / loss on disposal of assets | (49 782 100) | 0 | (49 782 100) | - | Gain / (loss) on fair value/ disposal/impairment of assets to the amount of R81.1 million and R42.4 million for debt incentive which was not budgeted for. Actuarial valuations on leave reserva and rehabilitation of landfill sites were overspent by R30.2 million |
| Gain / (loss) on fair value adjustment | 36 939 080 | | 36 939 080 | - | Not budget for |
| Total Expenditure | 2 743 582 480 | 2 608 934 008 | 134 648 472 | 5.16 | |
| NET SURPLUS/(DEFICIT) FOR THE YEAR | (137 318 353) | 340 535 992 | (477 854 345) | (140.32) | |

APPENDIX E (2)
ACTUAL CAPITAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT)
FOR THE YEAR ENDED 30 JUNE 2016(Unaudited)

| | 2016 Budget R | 2016 Actual R | 2016 Variance R | 2016 Variance % | Explanations of significant variances greater than 10% versus budget |
|-------------------------------------|---------------------|---------------------|-----------------------|-----------------------|--|
| EXECUTIVE & COUNCIL | 906 157 | 906 157 | 0 | 0.00 | |
| Council | 906 157 | 906 157 | 0 | 0.00 | On target-Under 10%- No explanation required |
| BUDGET & TREASURY OFFICE | 5 000 000 | 4 999 464 | 536 | 0.01 | |
| Finance | 5 000 000 | 4 999 464 | 536 | 0.01 | On target-Under 10%- No explanation required |
| CORPRATE SERVICES | 4 272 351 | 4 748 241 | 475 890 | 11.14 | |
| Information Technology | 3 900 000 | 4 375 890 | 475 890 | 12.20 | Over spent Assets funded from FMG Grant |
| Other & Admin | 372 351 | 372 351 | (0) | (0.00) | |
| PLANNING & DEVELOPMENT | 3 466 901 | 3 393 558 | (73 343) | (2.12) | |
| Town Planning/Building Inspections | 3 466 901 | 3 393 558 | (73 343) | (2.12) | On target-Under 10%- No explanation required |
| ROAD TRANSPORT | 317 057 070 | 282 664 514 | (34 392 556) | (10.85) | |
| Roads & Storm water | 120 700 195 | 101 517 026 | (19 183 169) | (15.89) | Under spending/ contract less than budget amount |
| Transportation | 196 356 875 | 181 147 488 | (15 209 387) | (7.75) | On target-Under 10%- No explanation required |
| COMMUNITY & SOCIAL | 22 988 840 | 19 283 170 | (3 705 670) | (16.12) | |
| Libraries & Archives | 1 800 000 | 1 659 499 | (140 501) | (7.81) | On target-Under 10%- No explanation required |
| Community Health services | 583 000 | 299 000 | (284 000) | (48.71) | |
| Civic centre | 20 605 840 | 17 324 671 | (3 281 169) | | |
| ENVIRONMENTAL PROTECTION | 3 800 000 | 3 555 823 | (244 177) | (6.43) | |
| Parks & Open areas | 3 800 000 | 3 555 823 | (244 177) | (6.43) | On target-Under 10%- No explanation required |
| PUBLIC SAFETY | 6 224 160 | 3 275 871 | (2 948 289) | (47.37) | |
| Traffic | 1 976 832 | 1 181 281 | (795 551) | (40.24) | Under spending/ contract less than budget amount |
| Fire | 3 227 722 | 2 094 590 | (1 133 132) | (35.11) | Under spending/ contract less than budget amount |
| Safety & security | 1 019 606 | - | (1 019 606) | (100.00) | Did not implement projects |
| SPORT & RECREATION | 56 486 350 | 47 343 876 | (9 142 474) | (16.19) | |
| Sport & Recreation | 56 486 350 | 47 343 876 | (9 142 474) | (16.19) | Under spending/ contract less than budget amount |
| WASTE WATER MANAGEMENT | 600 000 | 571 341 | (28 659) | (4.78) | |
| Sewerage | 600 000 | 571 341 | (28 659) | (4.78) | |
| WASTE MANAGEMENT | 3 144 793 | 3 843 175 | 698 382 | 22.21 | |
| Solid Waste | 3 144 793 | 3 843 175 | 698 382 | 22.21 | Under spending/ contract less than budget amount |
| WATER | 196 055 615 | 166 720 160 | (29 335 455) | (14.96) | |
| Water Distribution | 196 055 615 | 166 720 160 | (29 335 455) | (14.96) | Under spending/ contract less than budget amount |
| ELECTRICITY | 6 283 099 | 5 163 091 | (1 120 008) | (17.83) | |
| Electricity Distribution | 6 283 099 | 5 163 091 | (1 120 008) | (17.83) | Under spending/ contract less than budget amount |
| TOTAL | 626 285 336 | 546 468 441 | (79 815 824) | (12.74) | |

**APPENDIX F
DISCLOSURE OF GRANTS AND SUBSIDIES FOR THE YEAR ENDED 30 JUNE 2016(Unaudited)**

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

| Name of Grants | Quarterly receipts R | | | | | Quarterly Expenditure for the Year | | | | | R | Delay \ withheld | Gazette amount Municipal year | Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act | Reason for non- compliance |
|---|-------------------------|--------------------|--------------------|------|----------------------|------------------------------------|--------------------|--------------------|--------------------|----------------------|----|----------------------|----------------------------------|---|-------------------------------|
| | Sep | Dec | March | June | Total | Sep | Dec | March | June | Total | | | | | |
| Equitable share | 217 748 000 | 18 264 000 | 286 583 000 | | 522 595 000 | 130 648 750 | 105 363 250 | 155 934 250 | 130 648 750 | 522 595 000 | No | 522 595 000 | Yes | Not Applicable | |
| Finance Management Grant | 1 875 000 | 0 | 0 | | 1 875 000 | 489 645 | 340 301 | 292 784 | 752 271 | 1 875 000 | No | 1 875 000 | Yes | Not Applicable | |
| Mun Systems Improvement Grant | 930 000 | 0 | 0 | | 930 000 | 232 500 | 232 500 | 232 500 | 232 500 | 930 000 | No | 930 000 | Yes | Not Applicable | |
| Mun Infrastructure Grant | 88 890 000 | 88 890 000 | 98 020 000 | | 275 800 000 | 23 468 380 | 25 393 624 | 216 110 141 | 121 463 350 | 386 435 495 | No | 386 435 495 | Yes | Not Applicable | |
| Water Services Operating Subsidy Grant(o&m/sal) | 0 | 0 | 0 | | 0 | 4 856 574 | 6 724 352 | 9 259 258 | | 20 840 184 | No | 20 840 184 | Yes | Not Applicable | |
| Public Transport Infrastructure Grant | 46 047 000 | 46 047 000 | 92 095 000 | | 184 189 000 | 13 338 037 | 36 522 216 | 65 092 785 | 79 125 635 | 194 078 673 | No | 194 078 673 | Yes | Slow spending | |
| Extended publics work programme | 1 806 000 | 1 355 000 | 1 355 000 | | 4 516 000 | 783 481 | 1 381 418 | 1 102 897 | 1 248 204 | 4 516 000 | No | 4 516 000 | Yes | Not Applicable | |
| Integrated National Electrification Programme | 30 000 000 | 10 000 000 | 0 | | 40 000 000 | 30 000 000 | 10 000 000 | | | 40 000 000 | No | 40 000 000 | Yes | Not Applicable | |
| Neighbourhood Dev Partnership Grant | 14 824 000 | 0 | 16 248 000 | | 31 072 000 | 3 537 937 | 9 718 541 | 9 312 919 | 5 757 843 | 28 327 240 | No | 28 327 240 | Yes | Not Applicable | |
| Infrastructure Skills Development | 2 250 000 | 0 | 2 750 000 | | 5 000 000 | | | 2 250 000 | 2 750 000 | 5 000 000 | No | 5 000 000 | Yes | Not Applicable | |
| | 404 370 000 | 164 556 000 | 497 051 000 | | 1 065 977 000 | 207 355 304 | 195 676 201 | 459 587 534 | 341 978 553 | 1 204 597 591 | - | 1 204 597 591 | | | |

ANNEXURE G
POLOKWANE MUNICIPALITY
CONTINGENT LIABILITIES FOR THE YEAR ENDED 30 JUNE 2016(Unaudited)

| Date | Type of case | Summary of case | Name of parties | Authority that dealt with the case e.g. High Court | Amount involved | Outcome | Costs to the Municipality | Law firm used | Date finalized |
|------------|--------------|---|--|--|-----------------|--|-----------------------------------|----------------------------|----------------|
| 4/12/2012 | Civil | Damages suffered as a result of exposure to inhalation of gases, chemicals and dust | Mmanyaka Patrick Machaba/ Polokwane Municipality | North Gauteng High Court | 4 000 000 | Matter still pending in court | R76 237.80 | Mohale Incorporated | In progress |
| 16/1/2013 | Civil | Termination of agreement | Phuthinare Traders cc/ Polokwane Municipality | North Gauteng High Court | 1 399 003 | Matter still pending, no further step taken after filing of plea | R133 042.58 | N Mohale Incorporated | In progress |
| 12/6/2012 | Civil | Personal damages as a result of accident | Godknows Tshuma/ Polokwane municipality | North Gauteng High Court | 35 939 | Awaiting trial date | R47 532.30 | A. M. Carrim Attorneys | In progress |
| 20/6/2013 | Civil | Damage as a result of storm water | J.H.S Bester & another/ Polokwane Municipality | Plk Mag Court | 61 599 | Matter still pending in court, expert witnesses to hold pre trial conference | No invoice submitted | N Mohale Incorporated | In progress |
| 6/9/2013 | Civil | Damages as a result of motor collision | Mogoma Samuel Seabi/ Plk Municipality | Plk Mag Court | 75 000 | Claimant rejected offer from the Insurance and issued summons | None- Internal | Matter handled internally | In progress |
| 22/2/2012 | Civil | Damages | Dr. O.R Tshikosi v Polokwane & Others | Plk Mag Court | 300 000 | Matter still pending | R 5 399.00 | De Bruin Oberholzer Att | In progress |
| 21/2/2012 | Civil | Damages (Pothole) | K.J Ngoasheng v Polokwane | Plk Mag Court | 8 982 | Matter still pending | R14 990.80 | Matter handled internally | In progress |
| 4/4/2011 | Civil | Non-payment for services rendered | E.C Deacon t/a P&L Services v Polokwane | Plk Mag Court | 41 317 | Judgment for rescission of judgment reserved | No invoice submitted | Mohale Inc. Att. | In progress |
| 4/4/2011 | Civil | Non-payment for services rendered | E.C Deacon t/a K T Services | Plk Mag Court | 82 527 | Judgment for rescission of judgment reserved | No invoice submitted | Mohale Inc. Att. | In progress |
| 15/07/2010 | Civil | Motor vehicle collision | E Phooko v Polokwane | Plk Mag court | 45 360 | Matter still pending in court | R15 760.00 | Jeff Mathabatha Attorneys. | In progress |
| 22/09/2011 | Civil | Damages (pain & suffering) | A D Friedendal v Polokwane | Plk Mag Court | 113 289 | Matter still pending in court | Matter referred to the Insurance. | Referral to the Insurance. | In progress |
| 7/11/2013 | Civil | Pothole collision | Ramadinetja Melda Chabangu/ Polokwane Municipality | Internal intervention | 1 938 | Awaiting Departmental report from Roads & Storm Water | None- Internal | Referral to the Insurance. | In progress |
| 3/12/2013 | Civil | Storm water damage | Tess Jerkins. Polokwane Municipality | Internal intervention | 62 646 | Awaiting report from the Insurance | None- Internal | Referral to the Insurance. | In progress |
| 21/11/2013 | Civil | Open hole injury | Soufo Mampshe Jacob/ Polokwane Municipality | Internal intervention | 10 000 | Awaiting report from the Insurance | None- Internal | Referral to the Insurance. | In progress |
| 11/11/2013 | Civil | Motor collision | No names mentioned in the claim | Internal intervention | 67 580 | Awaiting report from the Insurance | None- Internal | Referral to the Insurance. | In progress |
| 22/1/2014 | Civil | Motor collision | Joel Makgata/ Polokwane Municipality | Polokwane Magistrate Court | 53 799 | Awaiting report from the Insurance | None- Internal | Referral to the Insurance. | In progress |
| 5/3/2014 | Civil | Pothole collision | Charles Errol Hlupekha/ Polokwane Municipality | Magistrate Court Mankweng | 19 495 | Matter still pending in court | No invoice submitted | Maboku Mangena Attorneys | In progress |
| 5/3/2014 | Civil | Defamation of character | Mers Lerake Motshekgga/ Polokwane Municipality | Polokwane Regional Court | 300 000 | matter postponed <i>sine die</i> | No invoice submitted | Pule Incorporated | In progress |
| 19/2/2014 | Civil | Damages for falling into a ditch | J.P Neethling/ Polokwane Municipality | High Court | 2 000 000 | Awaiting report from the Insurance | None- Internal | Internal intervention | In progress |
| 1/8/2014 | Civil | Rental agreement | Pietersburg Police Social Club/ Polokwane Municipality | Polokwane Magistrate Court | 57 000 | Matter still pending in court | None- Internal | Internal intervention | In progress |
| 8/11/2013 | Civil | Motor collision | W. De Jongh/Polokwane Municipality | Polokwane Magistrate Court | 13 152 | Awaiting trial date | Invoice to be submitted | Carrim Attorneys | In progress |

ANNEXURE G
POLOKWANE MUNICIPALITY
CONTINGENT LIABILITIES FOR THE YEAR ENDED 30 JUNE 2016(Unaudited)

| | | | | | | | | | |
|------------|-------|---|---|-------------------------------|-----------|---|----------------------------|-------------------------------|-------------|
| 29/4/2014 | Civil | Pothole collision | DP Service centre/ Polokwane Municipality | Polokwane Magistrate Court | 96 164 | Awaiting report from Roads and Storm Water | None- Internal | Referral to the Insurance. | In progress |
| 8/9/2014 | Civil | Pothole collision | Kgadimotso Chemical Suppliers/ Polokwane Municipality | Polokwane Magistrate Court | 74 109 | Awaiting report from the Insurance | None- Internal | Referral to the Insurance. | In progress |
| 8/9/2014 | Civil | Motor collision | Mathabathe Magdalene Mokoale/ Polokwane Municipality | Polokwane Magistrate Court | 24 257 | Awaiting report from the Insurance | None- Internal | Referral to the Insurance | In progress |
| 5/12/2014 | Civil | Motor collision | Jeff Mathabatha/ Polokwane Municipality | Polokwane Magistrate Court | 100 000 | Matter still pending in court | None- Internal | Handled internally | In progress |
| 30/1/2015 | Civil | Pothole collision | Makonde Bethuel Phaswane/ Polokwane Municipality | Polokwane Magistrate Court | 20 033 | Matter still pending in court | None- Internal | Referral to the Insurance. | In progress |
| 18/2/2015 | Civil | Damages suffered for death as a result of electrocution | Johannes Skele Mogashoa/ Polokwane Municipality | Polokwane Regional Court | 400 000 | Matter still pending in court | None- Internal | Referral to the Insurance. | In progress |
| 23/4/2015 | Civil | Motor collision | James Mohale Maake/ Polokwane Municipality | Polokwane Regional Court | 173 166 | Matter still pending in court | None- Internal | Referral to the Insurance. | In progress |
| 25/5/2015 | Civil | Damages suffered | Andries Tefu/ Polokwane Municipality | Seshego Magistrate Court | 315 000 | Matter still pending in court | None- Internal | Matter handled internally | In progress |
| 10/6/2015 | Civil | Service rendered | Segabeng Trading Enterprise/ Polokwane Municipality | Polokwane Magistrate Court | 94 000 | Matter still pending in court | None- Internal | Matter handled internally | In progress |
| 30/5/2012 | Civil | Motor collision | Ezekiel Lediga/ Polokwane Municipality | Polokwane Magistrate Court | 11 907 | Awaiting trial date | Invoice to be submitted | Carrim Attorneys | In progress |
| 22/4/2015 | Civil | Motor vehicle collision | Bb Hatliel/ Thabo Witness Mojela & Polokwane Municipality | Letter of demand | 18 582 | Matter referred to the Insurance | None- Internal | Handled internally | In progress |
| 23/6/2015 | Civil | Damages as a result of storm water | Bamby Francinah Manamela/ Polokwane Municipality | Letter of demand | 128 568 | Matter referred to the Insurance | None- Internal | Handled internally | In progress |
| 20/4/2015 | Civil | Services rendered | Phenyo In Media Consultancy/ Polokwane Municipality | Letter of demand | 3 584 010 | Meeting to be handled between all stake holders | None- Internal | Handled internally | In progress |
| | Civil | Interest on SDL | SARS | Letter of demand | 75 806 | Dispute lodged by the Municipality | None- Internal | Handled internally | In progress |
| 20/7/2015 | Civil | Services rendered | Business Connexion (Pty)Ltd / Polokwane municipality | Polokwane High Court | 2 758 084 | Matter still pending in court | R79 528.60 | Carrim Attorneys | In progress |
| 3/8/2015 | Civil | Vehicle damage waste from truck falling onto the car | Hendrick Van Zyl / Polokwane Municipality | Internal intervention | 53 886 | Awaiting report from the insurance | None-internal | Referral to the insurance | In progress |
| 21/8/2015 | Civil | Motor collision | Khutso Jappie Sibanda/ Polokwane Municipality | Polokwane Magistrate Court | 70 000 | Awaiting report from the insurance | None-internal | Referral to the insurance | In progress |
| 14/9/2015 | Civil | Service rendered | Tshepega Engineering (Pty) Ltd / Polokwane Municipality | Polokwane High Court | 907 100 | Matter still pending in court | None- Internal | Carrim Attorneys | In progress |
| 19/10/2015 | Civil | Damage due to municipal pipes | William Mashilo Sebetoa / Polokwane Municipality | Internal intervention | 25 100 | Awaiting report from the insurance | None-internal | Referral to the insurance | In progress |
| 19/10/2015 | Civil | Damage for falling into an open hole | Ramashitja Gladys / Polokwane Municipality | Internal intervention | 2 200 000 | Awaiting report from the insurance | None-internal | Referral to the insurance | In progress |
| 19/10/2015 | Civil | Collision with a pothole | Moshe Johannes Ramothwala / Polokwane Municipality | Internal intervention | 23 089 | Awaiting report from the insurance | None-internal | Referral to the insurance | In progress |

ANNEXURE G
POLOKWANE MUNICIPALITY
CONTINGENT LIABILITIES FOR THE YEAR ENDED 30 JUNE 2016(Unaudited)

| | | | | | | | | | |
|-----------|-------|---|---|----------------------------|------------|--------------------------------|----------------|-------------------------|-------------|
| 20/1/2016 | Civil | Damaged suffered for registration of property | Mashoto Matthews Rangoanasha / Polokwane Municipality | Polokwane Magistrate Court | 450 000 | Matters still pending in court | None- Internal | Noko Maimela | In progress |
| 1/2/2016 | Civil | Service rendered | TM Consulting Civil Engineers/ Polokwane Municipality | Polokwane High Court | 913 630 | Matter still pending in court | None- Internal | Noko Maimela | In progress |
| 29/2/2016 | Civil | Service rendered | African blue Eagles Development Engineers/ Polokwane Municipality | Polokwane High Court | 1 118 024 | Matter still pending in court | None- Internal | Carrim Attorneys | In progress |
| 20/7/2016 | Civil | Motor Collision | Barbara Hartfield/ Polokwane | Polokwane Magistrate Court | 18 582 | Matter still pending in court | None-internal | Referral to the insurer | In progress |
| Total | | | | | 22 401 722 | | | | |

Annexure H
Polokwane Municipality
Summary of other expenditure 30 June 2016

| SUMMARY OTHER EXPENDITURE | | | |
|----------------------------------|--|-------------|-------------|
| Item | Description | 2016 | 2015 |
| 2802 | FREE BASIC SERVICES | 12 513 817 | 7 639 400 |
| 2804 | ELECTRICITY DISTRIBUTION - FREE BASIC | 9 821 238 | 8 334 847 |
| 2812 | FREE BASIC SERVICES WATER | 5 150 322 | 3 584 876 |
| 5028 | ALLOWANCE: DATA CARDS | 135 600 | |
| 6002 | DEBT INCENTIVE | 42 401 822 | 0 |
| 7405 | ASSET VERIFICATION | 3 042 452 | 9 396 565 |
| 7407 | AUDIT FEES - OUTSOURCED | 4 290 860 | 2 650 532 |
| 7410 | COMMISSION FEES | 9 645 097 | 8 075 951 |
| 7411 | FEES - EASY PAY SYSTEM | 1 581 270 | 1 243 975 |
| 7413 | GUARD SERVICES : RENTAL | 31 507 902 | 30 819 907 |
| 7415 | METER READING SERVICES | 3 916 637 | 2 672 849 |
| 7417 | RESEARCH AND DEVELOPMENT | 2 666 156 | 1 461 163 |
| 7425 | SWIMMING SUPERVISION | 556 621 | 523 345 |
| 7427 | TERMINATION OF SERVICES | 4 499 163 | 755 377 |
| 7429 | VALUATION ROLL | 706 987 | 1 049 308 |
| 7431 | VALUATIONS - INTERIM | 503 629 | 113 057 |
| 7833 | ADVERTISEMENTS | 2 732 400 | 1 851 207 |
| 7841 | ANIMALS | 0 | 36 385 |
| 7845 | AUDIT COMMITTEE FEES | 698 777 | 863 881 |
| 7849 | AUDIT FEES | 5 498 603 | 4 773 533 |
| 7851 | AWARENESS CAMPAIGNS | 149 840 | 184 783 |
| 7855 | BANK CHARGES | 2 495 443 | 3 379 828 |
| 7865 | BOOKS & PERIODICALS | 53 475 | 78 689 |
| 7867 | BURSARY : STAFF | 252 033 | 221 783 |
| 7869 | BURSARY : STUDENT | 117 728 | 206 160 |
| 7873 | CASH HANDLING | 635 736 | 758 375 |
| 7876 | CATERING | 177 183 | 24 523 |
| 7877 | CELL PHONES | 5 368 043 | 3 254 627 |
| 7878 | CHAN GAMES | 0 | 352 000 |
| 7879 | CHARGES - ELECTRICITY | 1 717 150 | 2 292 187 |
| 7881 | CHARGES : WATER | 26 646 | 30 273 |
| 7883 | CHEMICALS | 964 149 | 775 244 |
| 7895 | COMMUNITY PROGRAMS | 1 804 047 | 1 474 097 |
| 7897 | CONFERENCES/CONGRESS | 358 867 | 119 494 |
| 7899 | CONSULTATION FEES | 6 010 910 | 12 170 234 |
| 7901 | CONTRIBUTION: MEDICAL AID - CONTINUED | 12 169 669 | 9 785 241 |
| 7903 | CORPORATE PUBLICITY | 284 023 | 323 242 |
| 7905 | CYLINDERS FIRE FIGHTING | 39 282 | 5 900 |
| 7907 | DATA - COMMUNICATION | 3 458 206 | 2 515 237 |
| 7911 | DEMOLITION OF STRUCTURES | 0 | 500 |
| 7913 | DEPARTMENTAL CHARGES : ELECTRICITY | 827 658 | 3 244 268 |
| 7915 | DEPARTMENTAL CHARGES : SEWER & SANITAT | -191 056 | 1 133 876 |
| 7917 | DEPARTMENTAL CHARGES : WATER | -43 369 | 5 778 857 |
| 7919 | DISCIPLINARY COMMITTEE | 3 508 107 | 1 718 640 |
| 7923 | DRIVING/DIVING PERMITS | 12 565 | 13 095 |
| 7925 | EAP PROGRAMME | 83 286 | 59 587 |
| 7931 | EMERGENCY DISASTER RELIEF | 495 684 | 514 929 |
| 7933 | ENERGY FORUM | 12 516 | 318 152 |
| 7935 | ENTERTAINMENT EXPENSES | 24 805 | 13 933 |
| 7937 | ENTRANCE CONTROL (ACCESS CONTROL) | 84 454 | 69 167 |
| 7939 | EXHIBITIONS | 25 583 | 34 254 |
| 7943 | FEEDING OF ANIMALS | 12 854 | 27 078 |
| 7945 | FESTIVALS | 1 087 501 | 1 097 153 |
| 7956 | FLEET MANAGEMENT | 12 062 460 | 15 534 192 |
| 7959 | FUEL AND OIL | 22 073 446 | 23 099 766 |
| 7965 | GRAVE DIGGING | 73 805 | 511 200 |
| 7971 | HIV/AIDS PREVENTION | 26 050 | 13 183 |
| 7973 | HOLIDAY PROGRAMS | 7 920 | 5 040 |
| 7977 | IDP AND HEARINGS | 1 825 496 | 1 535 965 |
| 7983 | INSURANCE - OTHER | 7 169 420 | 5 342 438 |
| 7987 | INSURANCE - UIF | 1 661 918 | 1 566 896 |

Annexure H
Polokwane Municipality
Summary of other expenditure 30 June 2016

| | | | |
|------|---|--------------------|--------------------|
| 7991 | LEGAL EXPENSES | 20 268 243 | 12 150 960 |
| 7993 | LEVY - SETA TRAINING | 4 823 942 | 4 201 690 |
| 7995 | LIBRARY PROGRAMS | 198 786 | 167 737 |
| 7999 | LICENCES - RADIO | 65 918 | 10 380 |
| 8001 | LICENCES - SAMRO | 445 | 2 295 |
| 8003 | LICENCES - VEHICLES | 488 322 | 553 821 |
| 8007 | LOST BOOKS | 0 | 17 498 |
| 8013 | MARKETING | 2 048 616 | 1 612 013 |
| 8017 | MARKETING & COMMUNICATIONS | 235 855 | |
| 8019 | MAYORS BOSBERAAD | 265 686 | 312 891 |
| 8023 | MEDICAL EXAMINATIONS OHS | 21 930 | 1 544 |
| 8025 | OFF LOAD OF DRYINGBEDS | 0 | 1 320 |
| 8031 | POINT DUTY | 4 076 021 | 2 461 134 |
| 8033 | POSTAGE AND TELEGRAMS | 4 489 859 | 5 751 399 |
| 8037 | PRINTING & STATIONERY | 4 430 592 | 5 359 669 |
| 8039 | PROGRAMMING | 1 603 521 | 1 794 710 |
| 8043 | PROMOTIONS | 4 314 711 | 4 238 943 |
| 8045 | PROTECTIVE CLOTHING | 4 249 403 | 4 405 359 |
| 8051 | PUBLICITY | 7 018 | 39 335 |
| 8052 | PUBLIC PARTICIPATION | 0 | 4 809 |
| 8055 | RATIONS | 6 174 | 6 824 |
| 8059 | RECRUITING EXPENSES | 12 932 | 547 945 |
| 8061 | REFRESHMENTS | 336 075 | 115 755 |
| 8063 | REFRESHMENTS - MEETINGS | 311 253 | 290 020 |
| 8065 | REFUSE BINS | 260 321 | 30 184 |
| 8067 | REFUSE REMOVAL SERVICES | 2 232 051 | 1 673 735 |
| 8071 | RENTAL - ALARMS | 192 380 | 174 686 |
| 8073 | RENTAL - EQUIPMENT | 4 388 030 | 3 637 635 |
| 8081 | RENTAL - OFFICES/BUILDINGS (EXTERNAL) | 529 730 | 975 732 |
| 8083 | RETEST DRIVERS LICENCE | 1 490 | 2 850 |
| 8085 | RISK MANAGEMENT | 12 991 | 45 150 |
| 8086 | RISK MANAGEMENT COMMITTEE | 43 218 | 45 892 |
| 8087 | ROAD SHOWS : MAYOR | 299 611 | 427 820 |
| 8090 | RURAL HOUSEHOLD SANITATION | 27 162 854 | 40 589 826 |
| 8092 | RURAL HOUSEHOLD ELECTRIFICATION | 40 000 000 | 31 000 000 |
| 8095 | SECURITY SERVICES | 166 133 | 73 833 |
| 8097 | SEEDS.PLANTS.SHRUBS | 0 | 1 741 |
| 8105 | SMME MANAGEMENT | 163 010 | 214 641 |
| 8107 | SPECIAL EVENTS | 18 006 153 | 15 775 694 |
| 8109 | SPECIAL INVESTIGATIONS | 690 859 | 72 894 |
| 8113 | SPONSORSHIP SPORTING NODES | 547 066 | 728 056 |
| 8117 | SPORT & RECREATION PROGRAMMES | 2 253 844 | 2 741 357 |
| 8120 | STOCK LOSSES/DONATION OF ASSETS | 66 213 670 | 70 572 657 |
| 8120 | PROFIT/LOSS ON TRANSFER OF INVESTMENT PROPERT | 0 | 31 088 001 |
| 8129 | STORES AND MATERIAL | 5 348 368 | 4 720 942 |
| 8131 | SUBSCRIPTION FEES | 5 801 374 | 5 160 130 |
| 8133 | SUBSISTANCE AND TRAVELLING | 5 632 837 | 5 419 541 |
| 8137 | SUBSISTANCE AND TRAVELLING (ABROAD) | 43 556 | 0 |
| 8143 | TELEPHONE | 5 178 097 | 5 744 736 |
| 8147 | ADMINISTRATION COSTS | 0 | 27 125 488 |
| 8148 | TRAINING LGSETA | 1 444 613 | 3 187 346 |
| 8149 | TITLE DEEDS CENTRAL | 6 460 | 11 411 |
| 8153 | TOURISM DEVELOPMENT | 73 295 | 34 019 |
| 8155 | TOWN PLANNING | 1 333 878 | 1 078 684 |
| 8156 | TRAINING DWA | 89 003 | |
| 8157 | TRAINING | 966 714 | 22 448 |
| 8158 | TRAINING FMG | 454 267 | 1 448 514 |
| 8160 | TRAINING INFRASTRUCTURE SKILLS DEVELOPM | 5 000 000 | 3 000 000 |
| 8173 | VETERINARY SERVICES | 15 352 | 6 215 |
| 8179 | WARD COMMITTEE MEETINGS | 8 732 388 | 6 267 436 |
| 8185 | WATER RESEARCH LEVY | 1 364 352 | 1 507 206 |
| 8187 | WEED CONTROL | 84 377 | 84 398 |
| 8189 | WORKSHOPS | 77 343 | 42 972 |
| 8508 | RURAL HOUSEHOLD ELECTRIFICATION DBSA | 39 541 651.49 | |
| 8510 | REHABILITATION OF LANDFILL SITES | 5 374 992 | 4 875 276 |
| | TOTAL | 530 774 515 | 499 087 440 |

Refer to note 28

ANNEXURE I
REMUNERATION OF COUNCILLORS 30 JUNE 2016

| Employee Number | Position | Name | Basic Salary | Travel Allowance | Pension Contribution | Medical Aid Contribution | Cellphone Allowance | TOTAL |
|-----------------|----------------------|---------------|------------------|------------------|----------------------|--------------------------|---------------------|------------------|
| 51890 | Mayor | TP Nkadameng | 571 837 | 230 478 | 85 776 | 33 821 | 32 118 | 954 030 |
| 50940 | Speaker | MC Mathiba | 455 530 | 184 382 | 68 329 | 29 288 | 41 820 | 779 349 |
| 51440 | Chief Whip | MK Teffo | 432 315 | 172 858 | 64 847 | 21 412 | 20 868 | 712 301 |
| 51070 | Mayoral Committee | MJ Ralefatane | 249 190 | 95 523 | 37 378 | | 20 868 | 402 959 |
| 50700 | Mayoral Committee | L Hardy | 185 607 | 95 523 | 27 841 | 73 120 | 20 868 | 402 959 |
| 50800 | Mayoral Committee | MJ Kaka | 236 380 | 95 523 | 35 457 | 14 732 | 20 868 | 402 959 |
| 51010 | Mayoral Committee | RC Molepo | 450 935 | 172 858 | 67 640 | | 20 868 | 712 301 |
| 51570 | Mayoral Committee | ME Maleka | 450 935 | 172 858 | 67 640 | | 20 868 | 712 301 |
| 51170 | Mayoral Committee | MS Tjale | 601 246 | 0 | 90 187 | | 20 868 | 712 301 |
| 51420 | Mayoral Committee | SM Mashabela | 332 253 | 0 | 49 838 | | 20 868 | 402 959 |
| 51550 | Mayoral Committee | MJ Sello | 588 436 | 0 | 88 265 | 14 732 | 20 868 | 712 301 |
| 51610 | Mayoral Committee | SJ Malope | 249 190 | 95 523 | 37 378 | | 20 868 | 402 959 |
| 51630 | Mayoral Committee | MA Moakamedi | 310 103 | 0 | 46 515 | | 20 868 | 377 486 |
| 51820 | Mayoral Committee | SE Nkadameng | 249 190 | 95 523 | 37 378 | | 20 868 | 402 959 |
| 50980 | Mayoral Committee | TJ Mogale | 420 873 | 161 335 | 63 131 | | 20 868 | 666 207 |
| | | | 4 324 336 | 984 665 | 648 650 | 102 584 | 250 416 | 6 310 651 |
| 50050 | Ordinary Councillors | FA Haas | 181 228 | 69 471 | 27 184 | | 20 868 | 298 751 |
| 50470 | Ordinary Councillors | MH Morwana | 241 637 | 0 | 36 246 | | 20 868 | 298 751 |
| 50650 | Ordinary Councillors | TC Shilajoe | 181 228 | 69 471 | 27 184 | | 20 868 | 298 751 |
| 50780 | Ordinary Councillors | MC Mashiane | 168 418 | 69 471 | 25 263 | 14 732 | 20 868 | 298 751 |
| 50850 | Ordinary Councillors | MM Mailula | 181 228 | 69 471 | 27 184 | | 20 868 | 298 751 |
| 50880 | Ordinary Councillors | SN Mamabolo | 181 228 | 69 471 | 27 184 | | 20 868 | 298 751 |
| 50970 | Ordinary Councillors | QN Mehlape | 228 650 | 0 | 34 297 | 14 936 | 20 868 | 298 751 |
| 51050 | Ordinary Councillors | MM Peta | 168 418 | 69 471 | 25 263 | 14 732 | 20 868 | 298 751 |
| 51140 | Ordinary Councillors | ND Setjie | 157 047 | 69 471 | 23 557 | 27 808 | 20 868 | 298 751 |
| 51230 | Ordinary Councillors | MJ Sedibane | 241 637 | 0 | 36 246 | | 20 868 | 298 751 |
| 51300 | Ordinary Councillors | K Tsheola | 181 228 | 69 471 | 27 184 | | 20 868 | 298 751 |
| 51320 | Ordinary Councillors | KP Makgoba | 165 924 | 69 471 | 24 889 | 17 600 | 20 868 | 298 751 |
| 51330 | Ordinary Councillors | M Maake | 181 228 | 69 471 | 27 184 | | 20 868 | 298 751 |
| 51340 | Ordinary Councillors | MM Sono | 217 759 | 0 | 32 664 | 27 460 | 20 868 | 298 751 |
| 51350 | Ordinary Councillors | MM Lemekoana | 181 228 | 69 471 | 27 184 | | 20 868 | 298 751 |
| 51360 | Ordinary Councillors | MR Sekgobela | 241 637 | 0 | 36 246 | | 20 868 | 298 751 |
| 51370 | Ordinary Councillors | MR Mashitsho | 167 576 | 69 471 | 25 136 | 15 700 | 20 868 | 298 751 |
| 51380 | Ordinary Councillors | TSP Mojapelo | 165 924 | 69 471 | 24 889 | 17 600 | 20 868 | 298 751 |
| 51390 | Ordinary Councillors | RH Phoshoko | 181 228 | 69 471 | 27 184 | | 20 868 | 298 751 |
| 51410 | Ordinary Councillors | ME Khalo | 181 228 | 69 471 | 27 184 | | 20 868 | 298 751 |
| 51430 | Ordinary Councillors | NJ Mokgokong | 181 228 | 69 471 | 27 184 | | 20 868 | 298 751 |
| 51460 | Ordinary Councillors | MA Mathabatha | 181 228 | 69 471 | 27 184 | | 20 868 | 298 751 |
| 51470 | Ordinary Councillors | JM Matlou | 181 228 | 69 471 | 27 184 | | 20 868 | 298 751 |
| 51480 | Ordinary Councillors | MP Maifala | 148 630 | 69 471 | 22 294 | 37 488 | 20 868 | 298 751 |
| 51500 | Ordinary Councillors | AH Botha | 181 228 | 69 471 | 27 184 | | 20 868 | 298 751 |
| 51510 | Ordinary Councillors | MP Phadu | 181 228 | 69 471 | 27 184 | | 20 868 | 298 751 |
| 51520 | Ordinary Councillors | NE Machaba | 153 829 | 69 471 | 61 433 | | 20 868 | 305 601 |
| 51530 | Ordinary Councillors | MJ Manamela | 181 228 | 69 471 | 27 184 | | 20 868 | 298 751 |
| 51560 | Ordinary Councillors | MJ Willemsse | 181 228 | 69 471 | 27 184 | | 20 868 | 298 751 |
| 51580 | Ordinary Councillors | CM Mamabolo | 181 228 | 69 471 | 27 184 | | 20 868 | 298 751 |
| 51590 | Ordinary Councillors | MF Kubjane | 181 228 | 69 471 | 27 184 | | 20 868 | 298 751 |
| 51600 | Ordinary Councillors | JM Lekota | 181 228 | 69 471 | 27 184 | | 20 868 | 298 751 |

ANNEXURE I
REMUNERATION OF COUNCILLORS 30 JUNE 2016

| | | | | | | | | |
|-------|----------------------|-----------------------------|-------------------|------------------|------------------|----------------|------------------|-------------------|
| 51650 | Ordinary Councillors | LM Legodi | 150 640 | 69 471 | 22 596 | 35 176 | 20 868 | 298 751 |
| 50840 | Ordinary Councillors | MD Madikoto | 165 924 | 69 471 | 24 889 | 17 600 | 20 868 | 298 751 |
| 50730 | Ordinary Councillors | PJ Modikwa | 181 228 | 69 471 | 27 184 | | 20 868 | 298 751 |
| 51620 | Ordinary Councillors | LM Motshekga | 241 637 | 0 | 36 246 | | 20 868 | 298 751 |
| 51640 | Ordinary Councillors | RK Makgabo | 241 637 | 0 | 36 246 | | 20 868 | 298 751 |
| 51660 | Ordinary Councillors | MJ Ralejtjema | 165 924 | 69 471 | 24 889 | 17 600 | 20 868 | 298 751 |
| 51680 | Ordinary Councillors | ST Mehlape | 241 637 | 0 | 36 246 | | 20 868 | 298 751 |
| 51690 | Ordinary Councillors | MA Thobejane | 181 228 | 69 471 | 27 184 | | 20 868 | 298 751 |
| 51700 | Ordinary Councillors | HE Chauke | 163 527 | 69 471 | 24 529 | 20 356 | 20 868 | 298 751 |
| 51710 | Ordinary Councillors | CS Ramabu | 181 228 | 69 471 | 27 184 | | 20 868 | 298 751 |
| 51720 | Ordinary Councillors | VA Mashie | 181 228 | 69 471 | 27 184 | | 20 868 | 298 751 |
| 51730 | Ordinary Councillors | MW Letsoalo | 181 228 | 69 471 | 27 184 | | 20 868 | 298 751 |
| 51740 | Ordinary Councillors | JA Moabelo | 241 637 | 0 | 36 246 | | 20 868 | 298 751 |
| 51750 | Ordinary Councillors | JS Mokonyama | 181 228 | 69 471 | 27 184 | | 20 868 | 298 751 |
| 51760 | Ordinary Councillors | TJ Magoro | 181 228 | 69 471 | 27 184 | | 20 868 | 298 751 |
| 51770 | Ordinary Councillors | ML Mamabolo | 181 228 | 69 471 | 27 184 | | 20 868 | 298 751 |
| 51780 | Ordinary Councillors | MA Manong | 181 228 | 69 471 | 27 184 | | 20 868 | 298 751 |
| 51790 | Ordinary Councillors | MJ Maja | 153 183 | 69 471 | 22 977 | 32 252 | 20 868 | 298 751 |
| 51800 | Ordinary Councillors | MG Mabelebele | 181 228 | 69 471 | 27 184 | | 20 868 | 298 751 |
| 51830 | Ordinary Councillors | LM Mothiba | 241 637 | 0 | 36 246 | | 20 868 | 298 751 |
| 51840 | Ordinary Councillors | MM Mabitsela | 241 637 | 0 | 36 246 | | 20 868 | 298 751 |
| 51850 | Ordinary Councillors | TM Mabutla | 224 608 | 0 | 33 691 | 19 584 | 20 868 | 298 751 |
| 51870 | Ordinary Councillors | SM Motseo | 181 228 | 69 471 | 27 184 | | 20 868 | 298 751 |
| 51880 | Ordinary Councillors | MS Mahlatji | 230 267 | 0 | 34 540 | 13 076 | 20 868 | 298 751 |
| 51900 | Ordinary Councillors | RF Lourens | 181 228 | 69 471 | 27 184 | | 20 868 | 298 751 |
| 51910 | Ordinary Councillors | HF Marx | 181 228 | 69 471 | 27 184 | | 20 868 | 298 751 |
| 51920 | Ordinary Councillors | M Pretorius | 181 228 | 69 471 | 27 184 | | 20 868 | 298 751 |
| 51930 | Ordinary Councillors | LD Kwenaitse | 181 228 | 69 471 | 27 184 | | 20 868 | 298 751 |
| 51940 | Ordinary Councillors | DM Sebati | 141 720 | 54 326 | 20 388 | | 16 319 | 232 753 |
| 51180 | Ordinary Councillors | MR Mamabolo | 9 416 | | | | 8 988 | 18 404 |
| 51190 | Ordinary Councillors | DC Maja | 9 416 | | | | 8 988 | 18 404 |
| 51220 | Ordinary Councillors | MG Makgoba | 9 416 | | | | 8 988 | 18 404 |
| 51260 | Ordinary Councillors | VM Mamabolo | 9 416 | | | | 8 988 | 18 404 |
| 51540 | Ordinary Councillors | Ramakgwagwa (Terminated) | 15 348 | 5 789 | 2 137 | | 1 739 | 25 013 |
| | | | 11 527 468 | 3 325 241 | 1 760 794 | 343 699 | 1 306 090 | 18 263 293 |
| | TOTAL | | 17 311 486 | 4 897 624 | 2 628 397 | 530 804 | 1 651 312 | 27 019 623 |

See note 24 Remuneration of Councillors

POLOKWANE LOCAL MUNICIPALITY

CONSOLIDATION JOURNAL ENTRIES

YEAR ENDED: 30/06/2016

| Journal Number | Description | Dr | Cr |
|----------------|---|----------|----------|
| CONS01 | Share Capital (PHA) Investment in PHA (Polokwane Municipality) | 1 000.00 | 1 000.00 |
| | Elimination of Polokwane Municipality shares in PHA | | |

| Journal Number | Description | Dr | Cr |
|----------------|--|--------------|--------------|
| CONS02 | Waiver of liability (PHA) Impairment of receivables (Polokwane) | 7 595 624.00 | 7 595 624.00 |
| | Eliminating the write off of Polokwane's investment in PHA (2015) | | |

| Journal Number | Description | Dr | Cr |
|----------------|---|--------------|--------------|
| CONS03 | Waiver of liability (PHA) Interest expense (PHA) | 2 594 124.00 | 2 594 124.00 |
| | Elimination of intragroup interest (2015) | | 2 594 124.00 |

| Journal Number | Description | Dr | Cr |
|----------------|---|---------------|---------------|
| CONS04 | Unconditional grant revenue (PHA) Unconditional grant expense (Polokwane Municipality) | 16 700 000.00 | 16 700 000.00 |
| | Elimination of current year's intragroup unconditional grant | | |

| Journal Number | Description | Dr | Cr |
|----------------|---|--------------|--------------|
| CONS05 | Unconditional grant revenue (PHA) Unconditional grant expense (Polokwane Municipality) | 6 500 000.00 | 6 500 000.00 |
| | Elimination of intragroup unconditional grant (2015) | | |

| Journal Number | Description | Dr | Cr |
|----------------|---|------------|------------|
| CONS06 | Rates and taxes income (Polokwane) Rates and taxes expense (PHA) | 457 438.00 | 457 438.00 |
| | Elimination of intragroup property rates (2015) | | |

| Journal Number | Description | Dr | Cr |
|----------------|--|--------------|--------------|
| CONS07 | Waiver of liability (PHA) Accumulated surplus (PHA) | 1 063 342.38 | 1 063 342.38 |
| | Eliminating PHA's release from debt to Polokwane (2015) | | 1 063 342.38 |