



Greater Letaba Municipality
Financial statements
for the year ended 30 June 2016

Greater Letaba Municipality

Financial Statements for the year ended 30 June 2016

General Information

Legal form of entity	Local Municipality
Nature of business and principal activities	Providing municipal services and maintaining the best interest of the local community mainly in the Greater Letaba area.
Grading of local authority	Category 3 Local Municipality in terms of Remuneration of Public Office Bearers Act (Act 20 of 1998)
Executive committee	
Mayor	GH Modjadji
Speaker	MM Nkwana
Chief Whip	PJ Mampeule
Members of the Executive Committee	NN Baloi (Health and Social development) MP Malola (Corporate and Shared Services) NE Phatudi (Economic development, Housing and Spatial planning) FM Moroatshehla (Agriculture and Environment) TJ Rababalela (Public transport and roads) TC Shai-Kgafela (Finance) MC Seale (Sports, art and culture) MP Satekge (Water and sanitation services) NM Kgatla (Infrastructure)
Councillors	GJ Mkansi MG Ntuli SS Malatji MI Manyama MV Makgwathela F Morwatshehla MV Mashapa MD Makhananisa TE Makgatho ME Machete LR Mashapa MSS Sebelemetja DI Matloga FN Maake AM Mantlhakga MM Mankgero RE Sekhonoane TD Mokhari MF Makhubela MG Selowa MD Rabapane (Deceased) N Selowa BE Ngobeni MF Kgamede RJ Makhananisa NT Machete MJ Baloyi (MPAC Chairperson) MJ Kgatla MA lebepe (Mr) MA Lebepe (Ms) ME Lebepe SP Mabale ME Mafona MA Makgeru MF Manyama

Greater Letaba Municipality

Financial Statements for the year ended 30 June 2016

General Information

	MF Moruthoane M Mathedimosa MP Masela M Serekele DL Selowa TJ Senyolo MJ Nakana MF Mokwalakwa ZT Maluleke MJ Masutha
Audit committee	RR Shilenge (Chairperson) TW Sebola MJ Mabuza HG Hlomane TM Malatji SAB Ngobeni
Chief Finance Officer (CFO)	M.F Mankgabe
Accounting Officer	TG Mashaba
Registered office	Civic Centre 44 Botha Street Modjadjiskloof Limpopo
Business address	Civic Centre 44 Botha Street Modjadjiskloof Limpopo
Postal address	PO Box 36 Modjadjiskloof 0835
Bankers	First National Bank
Auditors	Auditor General of South Africa
Enabling legislation	Division of Revenue Act (Act 1 of 2011) Local Government Municipal Finance Management Act (Act 56 of 2003) Municipal Property Rates Act (Act 6 of 2004) Local Government Municipal Systems Act (Act 32 of 2000) Local Government Municipal Structures Act (Act 117 of 1998)
Level of rounding	Nearest Rand

Greater Letaba Municipality

Financial Statements for the year ended 30 June 2016

Index

The reports and statements set out below comprise the financial statements presented to the provincial legislature:

Index	Page
Accounting Officer's Responsibilities and Approval	5
Accounting Officer's Report	6
Statement of Financial Position	7
Statement of Financial Performance	8 - 7
Statement of Changes in Net Assets	9
Cash Flow Statement	10
Statement of Comparison of Budget and Actual Amounts	11 - 14
Accounting Policies	15 - 32
Notes to the Financial Statements	33 - 64
Appendixes:	
Appendix B: Analysis of Property, Plant and Equipment	68 - 71
Appendix C: Deviation Register	72
Appendix D: Segmental Statement of Financial Performance	73
Appendix E(1): Actual versus Budget (Revenue and Expenditure)	74
Appendix A: Disclosure of Grants and Subsidies in terms of the Municipal Finance Management Act	75

Greater Letaba Municipality

Financial Statements for the year ended 30 June 2016

Index

Abbreviations

COID	Compensation for Occupational Injuries and Diseases
ASB	Accounting Standard Board
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
IT	Information Technology
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
EPWP	Extended Public Works Programme
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
FMG	Finance Management Grant
MSIG	Municipal Systems Improvement Grant
VAT	Value Added Tax

Greater Letaba Municipality

Financial Statements for the year ended 30 June 2016

Accounting Officer's Responsibilities and Approval

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

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

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

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

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

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

The financial statements set out on pages 7 to 66, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2016 and were signed by:

TG Mashaba
Accounting Officer

Greater Letaba Municipality

Financial Statements for the year ended 30 June 2016

Accounting Officer's Report

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

1. Review of activities

Main business and operations

Net surplus of the municipality is 165,120,112 (2015: surplus 83,126,708).

2. Going concern

As at 30 June 2016, the municipality had accumulated surplus of 691,136,101 and that the municipality's total assets exceed its liabilities by 691,136,101.

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business. In order to be able to trade as going concern the municipality is dependent on the grants received from Government.

3. Subsequent events

Adjusting events

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year that could have a material impact on the unaudited annual financial statements.

Non adjusting events

There was a new Council for the municipality which was inaugurated on a Council meeting dated 16 August 2016.

4. Accounting Officer's interest in contracts

None.

5. Accounting policies

The financial statements prepared in accordance with the South African Statements of Generally Recognised Accounting Practice (GRAP), including any interpretations and directives issued by the Accounting Standards Board and in accordance with section 122(3) of the Municipal Finance Management Act, (Act No. 56 of 2003).

6. Accounting Officer

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

Name

TG Mashaba

Greater Letaba Municipality

Financial Statements for the year ended 30 June 2016

Statement of Financial Position as at 30 June 2016

Figures in Rand	Note(s)	2016	2015 Restated*
Assets			
Current Assets			
Inventories	3	2,888,890	3,093,305
Receivables from exchange transactions	4	39,516,936	20,894,446
Receivables from non-exchange transactions	5	215,760	43,270
VAT receivable	43	17,908,067	4,539,126
Consumer debtors	6	16,405,354	10,149,216
Cash and cash equivalents	7	60,714,361	94,525,018
		137,649,368	133,244,381
Non-Current Assets			
Investment property	8	249,048	258,065
Property, plant and equipment	9	621,325,267	459,243,985
Intangible assets	10	167,928	366,696
Heritage assets	11	548,500	548,500
		622,290,743	460,417,246
Total Assets		759,940,111	593,661,627
Liabilities			
Current Liabilities			
Payables from exchange transactions	12	55,032,928	30,383,656
Consumer deposits	13	351,303	345,003
Unspent conditional grants and receipts	14	-	24,289,710
		55,384,231	55,018,369
Non-Current Liabilities			
Employee benefit obligation	15	11,002,979	10,390,460
Provisions	16	2,416,800	2,236,803
		13,419,779	12,627,263
Total Liabilities		68,804,010	67,645,632
Net Assets		691,136,101	526,015,995
Accumulated surplus		691,136,101	526,015,995

* See Note 37

Greater Letaba Municipality

Financial Statements for the year ended 30 June 2016

Statement of Financial Performance

Figures in Rand	Note(s)	2016	2015 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	17	12,992,849	14,016,689
Rental of facilities and equipment		90,519	87,907
Interest received - outstanding receivables		7,752,685	6,937,101
Agency services		1,813,180	1,737,708
Licences and permits		2,901,591	2,914,588
Other income		1,224,136	2,735,615
Interest received - investment	18	5,918,591	6,458,281
Total revenue from exchange transactions		32,693,551	34,887,889
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	19	8,977,595	8,685,065
Transfer revenue			
Government grants and subsidies	20	302,119,710	216,519,162
Traffic fines		1,932,180	970,685
Total revenue from non-exchange transactions		313,029,485	226,174,912
Total revenue	21	345,723,036	261,062,801
Expenditure			
Employee related costs	22	64,406,539	61,294,546
Remuneration of councillors	23	17,728,499	16,225,142
Depreciation and amortisation	24	12,604,176	14,095,488
Finance costs	25	-	1,235,495
Debt Impairment	45	9,513,611	16,476,391
Repairs and maintenance		5,754,017	4,371,298
Bulk purchases	26	8,728,768	8,476,095
Contracted services	27	9,272,936	9,072,067
Loss on disposal of assets and liabilities		18,647	-
General expenses	28	52,575,731	46,689,569
Total expenditure		180,602,924	177,936,091
Surplus for the year		165,120,112	83,126,710

* See Note 37

Greater Letaba Municipality

Financial Statements for the year ended 30 June 2016

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	444,840,609	444,840,609
Adjustments		
Change in accounting policy	(1,951,324)	(1,951,324)
Balance at 01 July 2014 as restated*	442,889,285	442,889,285
Changes in net assets		
Surplus for the year	83,126,710	83,126,710
Total changes	83,126,710	83,126,710
Opening balance as previously reported	527,431,073	527,431,073
Adjustments		
Prior year adjustments (note 38)	(1,415,084)	(1,415,084)
Restated* Balance at 01 July 2015 as restated*	526,015,989	526,015,989
Changes in net assets		
Surplus for the year	165,120,112	165,120,112
Total changes	165,120,112	165,120,112
Balance at 30 June 2016	691,136,101	691,136,101

Note(s)

* See Note 37

Greater Letaba Municipality

Financial Statements for the year ended 30 June 2016

Cash Flow Statement

Figures in Rand	Note(s)	2016	2015 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		9,192,805	10,561,094
Grants		277,830,000	224,729,000
Interest income		13,671,276	13,395,382
Cash received from agency fees, fines & Sundry Income		4,969,496	4,886,076
		<u>305,663,577</u>	<u>253,571,552</u>
Payments			
Employee costs		(80,706,085)	(71,707,247)
Suppliers		(84,298,274)	(84,130,605)
Finance costs		-	(1,235,495)
		<u>(165,004,359)</u>	<u>(157,073,347)</u>
Net cash flows from operating activities	30	<u>140,659,218</u>	<u>96,498,205</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	9	(174,535,735)	(117,150,078)
Purchase of other intangible assets	10	(8,636)	-
Purchases of heritage assets	11	-	(60,000)
Proceeds from sale of financial assets		74,496	7,979,565
		<u>(174,469,875)</u>	<u>(109,230,513)</u>
Cash flows from financing activities			
Repayment of other financial liabilities		-	(8,454,176)
Net cash flows from financing activities		<u>-</u>	<u>(8,454,176)</u>
Net increase/(decrease) in cash and cash equivalents		<u>(33,810,657)</u>	<u>(21,186,484)</u>
Cash and cash equivalents at the beginning of the year		94,525,018	115,711,502
Cash and cash equivalents at the end of the year	7	<u>60,714,361</u>	<u>94,525,018</u>

* See Note 37

Greater Letaba Municipality

Financial Statements for the year ended 30 June 2016

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Refer to note 41 for explanations of major variances
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Figures in Rand

Statement of Financial Performance

Revenue

Revenue from exchange transactions

Service charges	21,091,952	-	21,091,952	12,992,849	(8,099,103)	
Rental of facilities and equipment	128,925	105,650	234,575	90,519	(144,056)	
Interest received - outstanding receivables	5,876,513	1,420,000	7,296,513	7,752,685	456,172	
Income from agency services	1,821,942	-	1,821,942	1,813,180	(8,762)	
Licences and permits	5,876,513	-	5,876,513	2,901,591	(2,974,922)	
Other income	106,200	1,100,869	1,207,069	1,224,136	17,067	
Receipts from investments	33,699,000	32,201,441	65,900,441	-	(65,900,441)	
Interest received	6,800,071	-	6,800,071	5,918,591	(881,480)	
Total revenue from exchange transactions	75,401,116	34,827,960	110,229,076	32,693,551	(77,535,525)	

Revenue from non-exchange transactions

Taxation revenue

Property rates	6,660,048	-	6,660,048	8,977,595	2,317,547	
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Transfer revenue

Government grants	268,652,000	33,467,710	302,119,710	302,119,710	-	
Fines	352,813	-	352,813	1,932,180	1,579,367	

Total revenue from non-exchange transactions	275,664,861	33,467,710	309,132,571	313,029,485	3,896,914	
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Total revenue	351,065,977	68,295,670	419,361,647	345,723,036	(73,638,611)	
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Expenditure

Employee related costs	(65,065,495)	-	(65,065,495)	(64,406,539)	658,956	
Remuneration of councillors	(17,054,287)	(825,054)	(17,879,341)	(17,728,499)	150,842	
Depreciation and amortisation	(11,213,477)	(2,681,951)	(13,895,428)	(12,770,499)	1,124,929	
Debt impairment	(5,229,159)	-	(5,229,159)	(9,513,611)	(4,284,452)	
Repairs and maintenance	(10,025,595)	4,186,857	(5,838,738)	(5,533,599)	305,139	
Bulk purchases	(12,884,742)	3,467,912	(9,416,830)	(8,728,768)	688,062	
Contracted Services	(9,985,300)	-	(9,985,300)	(9,272,936)	712,364	
General Expenses	(50,557,415)	(6,318,524)	(56,875,939)	(52,925,393)	3,950,546	

Total expenditure	(182,015,470)	(2,170,760)	(184,186,230)	(180,879,844)	3,306,386	
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Operating surplus	169,050,507	66,124,910	235,175,417	164,843,192	(70,332,225)	
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Loss on disposal of assets and liabilities	-	-	-	(18,647)	(18,647)	
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Surplus before taxation	169,050,507	66,124,910	235,175,417	164,824,545	(70,350,872)	
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Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	169,050,507	66,124,910	235,175,417	164,824,545	(70,350,872)	
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Greater Letaba Municipality

Financial Statements for the year ended 30 June 2016

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Refer to note 41 for explanations of major variances
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Figures in Rand

Statement of Financial Position

Assets

Current Assets

Inventories	3,157,624	-	3,157,624	2,888,890	(268,734)	
Receivables from exchange transactions	-	-	-	39,516,936	39,516,936	
Receivables from non-exchange transactions	-	-	-	215,760	215,760	
VAT receivable	-	-	-	17,908,067	17,908,067	
Consumer debtors	11,439,988	-	11,439,988	16,405,354	4,965,366	
Cash and cash equivalents	135,616,390	-	135,616,390	60,714,361	(74,902,029)	
	150,214,002	-	150,214,002	137,649,368	(12,564,634)	

Non-Current Assets

Investment property	279,876	-	279,876	249,048	(30,828)	
Property, plant and equipment	675,122,037	-	675,122,037	621,325,267	(53,796,770)	
Intangible assets	776,368	-	776,368	167,928	(608,440)	
Heritage assets	-	-	-	548,500	548,500	
	676,178,281	-	676,178,281	622,290,743	(53,887,538)	

Total Assets

	826,392,283	-	826,392,283	759,940,111	(66,452,172)	
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Liabilities

Current Liabilities

Other financial liabilities	991,774	-	991,774	-	(991,774)	
Payables from exchange transactions	23,248,528	-	23,248,528	55,032,928	31,784,400	
Consumer deposits	349,390	-	349,390	351,303	1,913	
Unspent conditional grants and receipts	16,079,872	-	16,079,872	-	(16,079,872)	
	40,669,564	-	40,669,564	55,384,231	14,714,667	

Non-Current Liabilities

Employee benefit obligation	8,548,148	-	8,548,148	11,002,979	2,454,831	
Provisions	2,344,170	-	2,344,170	2,416,800	72,630	
	10,892,318	-	10,892,318	13,419,779	2,527,461	

Total Liabilities

	51,561,882	-	51,561,882	68,804,010	17,242,128	
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Net Assets

	774,830,401	-	774,830,401	691,136,101	(83,694,300)	
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Greater Letaba Municipality

Financial Statements for the year ended 30 June 2016

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Refer to note 41 for explanations of major variances
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Figures in Rand

Net Assets

Net Assets Attributable to Owners of Controlling Entity

Reserves

Accumulated surplus	774,830,401	-	774,830,401	691,136,101	(83,694,300)	
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Greater Letaba Municipality

Financial Statements for the year ended 30 June 2016

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Refer to note 41 for explanations of major variances
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Figures in Rand

Cash Flow Statement

Cash flows from operating activities

Receipts

Cash received from trade services, assessment rates and rental	26,000,000	-	26,000,000	17,477,365	(8,522,635)
Grants	268,652,000	-	268,652,000	277,830,000	9,178,000
Interest income	9,661,000	1,420,000	11,081,000	13,671,276	2,590,276
Cash received from agency fees, fines and sundry income	11,196,000	1,207,000	12,403,000	19,400,700	6,997,700
	315,509,000	2,627,000	318,136,000	328,379,341	10,243,341

Payments

Suppliers and employees	(165,170,867)	1,779,984	(163,390,883)	(155,837,852)	7,553,031
Finance costs	(200,000)	200,000	-	-	-
	(165,370,867)	1,979,984	(163,390,883)	(155,837,852)	7,553,031

Net cash flows from operating activities

	150,138,133	4,606,984	154,745,117	172,541,489	17,796,372
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Cash flows from investing activities

Purchase of property, plant and equipment	(169,050,507)	(67,795,671)	(236,846,178)	(174,253,797)	62,592,381
Net increase in cash and cash equivalents	(18,912,374)	(63,188,687)	(82,101,061)	(1,712,308)	80,388,753
Cash and cash equivalents at the beginning of the year	73,341,305	32,201,441	105,542,746	95,525,018	(10,017,728)
Cash and cash equivalents at the end of the year	54,428,931	(30,987,246)	23,441,685	93,812,710	70,371,025

Greater Letaba Municipality

Financial Statements for the year ended 30 June 2016

Accounting Policies

1. Basis of preparation

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

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

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

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

1.1 Presentation currency

These financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.2 Going concern assumption

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

1.3 Significant judgements and sources of estimation uncertainty

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

Loans and receivables

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

Fair value estimation

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

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions.

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 16 - Provisions.

Greater Letaba Municipality

Financial Statements for the year ended 30 June 2016

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Useful lives of property, plant and equipment, intangible assets and investment property

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

Post retirement benefits

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

Other key assumptions for post retirement benefit obligations are based on current market conditions. Additional information is disclosed in Note 15.

Effective interest rate

The municipality used the most relevant contractual risk rate applicable to each category of assets and liabilities to discount future cash flows. Where none exists the prime interest rate is used to discount future cash flows.

Debtors impairment

Consumer debtors

The provision for impairment is measured with reference to the aging of debtors. The municipality provide for all debtors >120 days excluding government and debtors with credit balances. An impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired.

Traffic fines debtors

The provision for impairment is measured with reference to the recoverability rate.

1.4 Investment property

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

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

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

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

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

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

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

Greater Letaba Municipality

Financial Statements for the year ended 30 June 2016

Accounting Policies

1.4 Investment property (continued)

Cost model

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value by equal installments over the useful life of the property, which is as follows:

Item	Useful life
Property - buildings	30 years

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

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

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

1.5 Property, plant and equipment

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

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

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

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

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

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

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

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

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

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

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

Greater Letaba Municipality

Financial Statements for the year ended 30 June 2016

Accounting Policies

1.5 Property, plant and equipment (continued)

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

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

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

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

Item	Depreciation method	Average useful life
Infrastructure	Straight line	
• Roads, pavements, bridges and storm water		10 - 100
• Street names, signs and parking meters		5
• Water reservoirs and reticulation		15 - 20
• Electricity reticulation		20 - 50
• Sewerage purification and reticulation		15 - 20
• Refuse sites		15
• Security measures		5
Community	Straight line	
• Parks and gardens		10 - 30
• Sports fields		20 - 30
• Community halls		30
• Libraries		30
• Recreational facilities		30
• Cemeteries		30
Other assets	Straight line	
• Motor vehicles		7 - 15
• Plant and equipment		2 - 5
• IT equipment		5
• Office equipment		5

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

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

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

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

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

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

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

Greater Letaba Municipality

Financial Statements for the year ended 30 June 2016

Accounting Policies

1.6 Intangible assets

An asset is identifiable if it either:

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

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

An intangible asset is recognised when:

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

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

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

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

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

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

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

Item	Useful life
Computer software, other	3 years

1.7 Heritage assets

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

Recognition

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

Greater Letaba Municipality

Financial Statements for the year ended 30 June 2016

Accounting Policies

1.7 Heritage assets (continued)

Initial measurement

Heritage assets are measured at cost.

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

Subsequent measurement

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

Impairment

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

Transfers

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

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

Derecognition

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

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

1.8 Financial instruments

1.9 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments that can be readily converted to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently received at fair value.

1.10 Leases

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

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

Operating leases - lessee

Operating leases are those leases that do not fall within the scope of the definition of a finance lease. The aggregate benefit of incentives of operating lease are recognised as a reduction of rental expense on a straight-line basis over the term of the relevant lease.

1.11 Inventories

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business.

Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition.

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

Greater Letaba Municipality

Financial Statements for the year ended 30 June 2016

Accounting Policies

1.11 Inventories (continued)

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost.

Redundant and slow-moving inventories are identified and written down in this way. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

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

Unsold properties are valued at the lower of cost and net realisable value on a specific identification cost basis. Direct costs are accumulated for each separately identifiable development. Costs also include a proportion of overhead costs.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

1.12 Related parties

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

1.13 Events after the reporting date

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

1.14 Value added tax

The municipality accounts for Value Added Tax on the cash basis.

1.15 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

Greater Letaba Municipality

Financial Statements for the year ended 30 June 2016

Accounting Policies

1.15 Impairment of cash-generating assets (continued)

Useful life is either:

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

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

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.

Value in use

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

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

Basis for estimates of future cash flows

In measuring value in use the municipality:

- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the municipality operates, or for the market in which the asset is used, unless a higher rate can be justified.

Composition of estimates of future cash flows

Estimates of future cash flows include:

- projections of cash inflows from the continuing use of the asset;
- projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
- net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

Estimates of future cash flows exclude:

- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the municipality expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

Discount rate

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

Greater Letaba Municipality

Financial Statements for the year ended 30 June 2016

Accounting Policies

1.15 Impairment of cash-generating assets (continued)

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued 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 cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standard of GRAP.

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

Cash-generating units

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

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

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

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

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

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

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

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

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

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

Greater Letaba Municipality

Financial Statements for the year ended 30 June 2016

Accounting Policies

1.15 Impairment of cash-generating assets (continued)

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 municipality estimates the recoverable amount of that asset.

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

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

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

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

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

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

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

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

Redesignation

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

1.16 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

Greater Letaba Municipality

Financial Statements for the year ended 30 June 2016

Accounting Policies

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

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

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:

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

Value in use

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

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

Depreciated replacement cost approach

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

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an 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.

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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.

Greater Letaba Municipality

Financial Statements for the year ended 30 June 2016

Accounting Policies

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

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.

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

Redesignation

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

1.17 Employee benefits

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

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.

Short-term employee benefits

Short-term employee benefits include items such as:

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

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

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the 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 municipality measure the expected cost of accumulating compensated absences as the additional amount that the municipality expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

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

Greater Letaba Municipality

Financial Statements for the year ended 30 June 2016

Accounting Policies

1.17 Employee benefits (continued)

Retirement benefits

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

A defined contribution plan is a post-employment benefit plan under which the municipality pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in the statement of financial performance when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

When an employee has rendered service to the municipality during a reporting period, the municipality 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 the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

Post-employment benefits: Defined benefit plans

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

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

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

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

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

Greater Letaba Municipality

Financial Statements for the year ended 30 June 2016

Accounting Policies

1.17 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

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

Other post retirement obligations

The municipality offers various types of long service awards to its employees. The provision is to recognise the present value of the obligation as at the reporting date.

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.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

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

The municipality does not recognise contingent liabilities or contingent assets. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable. Contingent assets and liabilities are disclosed in note 32.

Greater Letaba Municipality

Financial Statements for the year ended 30 June 2016

Accounting Policies

1.19 Revenue from exchange transactions

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

Measurement

Revenue shall be measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates, VAT and other similar allowances.

Service charges

Flat rate service charges relating to electricity which are based on consumption are metered and an estimate of consumption between the latest meter reading and the reporting date shall be 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.

Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumptions are made monthly when meter readings have not been performed and are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made then recognised in the statement of financial performance in the invoicing period in which meters have been read.

Service charges relating to refuse removal are recognised on a monthly basis by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage and are levied monthly based on the number of refuse containers on each property, regardless of whether or not containers are emptied during the month.

Revenue from the sale of electricity prepaid meter credit is recognised at the point of sale.

Interest

Interest shall be recognised on a time proportionate basis that takes into account the effective yield on the asset.

Greater Letaba Municipality

Financial Statements for the year ended 30 June 2016

Accounting Policies

1.19 Revenue from exchange transactions (continued)

Agency Services

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

The revenue is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

Collection charges are recognised when such amounts are incurred.

1.20 Revenue from non-exchange transactions

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

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.

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

Rates (including collection charges and penalty interest)

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

Government grants, transfers and donations

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.

1.21 Borrowing costs

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

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

1.22 Comparative information

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

Greater Letaba Municipality

Financial Statements for the year ended 30 June 2016

Accounting Policies

1.22 Comparative information (continued)

When the 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 accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. 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.

1.23 Unauthorised expenditure

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act 56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.24 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful 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.

1.25 Irregular expenditure

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

1.26 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.

Investments in securities

Investments in securities are recognised and initially measured at cost.

1.27 Conditional grants and receipts

Revenue received from conditional grants, 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.

1.28 Budget information

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

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

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

The approved budget covers the fiscal period from 2014/07/01 to 2015/06/30.

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

The municipality consider all variances which are +/-10% to be material and explanations are provided for them

Accounting Policies

1.28 Budget information (continued)

Comparative information is not required.

Greater Letaba Municipality

Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

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

GRAP 20: Related parties

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

2.2 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2016 or later periods but are not relevant to its operations:

Greater Letaba Municipality

Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements

Figures in Rand	2016	2015
3. Inventories		
Consumable stores	736,890	941,305
Unsold properties held for resale	2,152,000	2,152,000
	2,888,890	3,093,305
<p>The total of consumable store's is represented by items held for use in operations. The unsold properties held for resale are stated at market value and agree to the latest approved valuation roll.</p>		
4. Receivables from exchange transactions		
Deposits	1,398,503	793,464
Sundry debtors	1,332,684	1,674,139
Cash suspense	1,195,208	9,406
Mopani District Municipality (Water and Sanitation function)	35,643,638	18,470,534
Less: Allowance for impairment	(53,097)	(53,097)
	39,516,936	20,894,446
Receivables from exchange transactions pledged as security		
None of the receivables from exchange transactions were pledged as security for any financial liability.		
Fair value of receivables approximates the carrying amount thereof.		
Receivables from exchange transactions impaired		
As of 30 June 2016, receivables from exchange transactions of 53,097 (2015: 53 097) were impaired and provided for.		
5. Receivables from non-exchange transactions		
Fines	5,378,345	3,653,440
Impairment of fines	(5,162,585)	(3,610,170)
	215,760	43,270
6. Consumer debtors		
Gross balances		
Rates	35,154,589	28,186,298
Electricity	14,720,136	13,570,550
Refuse	33,348,471	27,877,331
Other	18,792,920	18,164,602
	102,016,116	87,798,781
Less: Allowance for impairment		
Rates	(29,900,130)	(23,603,100)
Electricity	(6,486,600)	(10,676,663)
Refuse	(30,873,390)	(25,662,384)
Other	(18,350,642)	(17,707,418)
	(85,610,762)	(77,649,565)
Net balance		
Rates	5,254,459	4,583,198
Electricity	8,233,536	2,893,887
Refuse	2,475,081	2,214,947
Other	442,278	457,184
	16,405,354	10,149,216

Greater Letaba Municipality

Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements

Figures in Rand	2016	2015
6. Consumer debtors (continued)		
Included in above is receivables from exchange transactions		
Electricity	3,303,821	2,893,887
Refuse	2,475,081	2,214,947
Other	442,278	457,184
	6,221,180	5,566,018
Included in above is receivables from non-exchange transactions (taxes and transfers)		
Rates	5,254,459	4,583,198
	11,475,639	10,149,216
Rates		
Current (0 -30 days)	1,072,453	1,028,376
31 - 60 days	829,728	755,347
61 - 90 days	784,879	718,541
91 - 120 days	745,950	-
121 - 365 days	5,608,642	4,831,054
> 365 days	26,112,937	20,163,567
	35,154,589	27,496,885
Electricity		
Current (0 -30 days)	1,282,915	1,029,253
31 - 60 days	611,012	562,513
61 - 90 days	521,157	337,868
91 - 120 days	460,897	343,576
121 - 365 days	2,584,152	2,411,537
> 365 days	9,260,253	9,570,315
	14,720,386	14,255,062
Refuse		
Current (0 -30 days)	605,427	552,736
31 - 60 days	551,293	512,095
61 - 90 days	528,818	478,365
91 - 120 days	517,084	468,878
121 - 365 days	3,964,527	3,469,714
> 365 days	27,181,324	22,400,444
	33,348,473	27,882,232
Other (specify)		
Current (0 -30 days)	69,614	94,123
31 - 60 days	68,720	69,379
61 - 90 days	68,759	71,853
91 - 120 days	71,748	70,685
121 - 365 days	562,301	527,896
> 365 days	17,951,528	17,330,666
	18,792,670	18,164,602

Greater Letaba Municipality

Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements

Figures in Rand	2016	2015
6. Consumer debtors (continued)		
Summary of debtors by customer classification		
Consumers		
Current (0 -30 days)	2,110,220	1,988,312
31 - 60 days	1,630,430	1,474,087
61 - 90 days	1,488,505	1,327,616
91 - 120 days	1,415,032	1,234,214
121 - 365 days	10,134,913	10,839,685
> 365 days	69,722,804	63,788,282
	86,501,904	80,652,196
Industrial/ commercial		
Current (0 -30 days)	826,391	661,336
31 - 60 days	352,692	355,516
61 - 90 days	333,125	308,245
91 - 120 days	299,885	279,179
121 - 365 days	2,048,199	1,809,500
> 365 days	8,600,658	6,218,016
	12,460,950	9,631,792
National and provincial government		
Current (0 -30 days)	92,488	77,398
31 - 60 days	76,381	73,484
61 - 90 days	80,430	59,137
91 - 120 days	79,415	58,594
121 - 365 days	525,095	418,292
> 365 days	2,160,092	2,073,697
	3,013,901	2,760,602
Other: Ageing		
Current (0-30 days)	1,312	1,620
31-60 days	1,250	1,859
61-90 days	1,552	1,155
91-120 days	1,348	1,058
121-365 days	11,415	8,281
>365 days	22,488	9,426
	39,365	23,399
Total		
Current (0 -30 days)	3,030,410	2,704,330
31 - 60 days	2,060,753	1,899,176
61 - 90 days	1,903,612	1,683,644
91 - 120 days	1,795,680	1,566,686
121 - 365 days	12,719,621	11,238,936
> 365 days	80,506,042	68,706,009
	102,016,118	87,798,781
Less: Allowance for impairment	(90,540,477)	(77,649,566)
	11,475,641	10,149,215
Less: Allowance for impairment		
> 120 days	(85,610,762)	(77,649,565)

Greater Letaba Municipality

Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements

Figures in Rand 2016 2015

6. Consumer debtors (continued)

Reconciliation of allowance for impairment

Balance at beginning of the year	(87,508,995)	(66,925,177)
Contributions to allowance	1,898,233	(10,724,388)
	(85,610,762)	(77,649,565)

Consumer debtors pledged as security

No consumer debtors were pledged as security for any liabilities.

Fair value of consumer debtors

The fair value of consumer debtors approximates the carrying amount thereof.

Consumer debtors impaired

As of 30 June 2016, consumer debtors of 90,540,477 (2015: 82,579,280) were impaired and provided for.

The amount of the provision movement was 7,961,197 as of 30 June 2016 (2015: 15,654,103).

7. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	1,229,111	31,380,968
Short-term deposits	57,491,850	61,252,868
Call account	1,993,400	1,891,182
	60,714,361	94,525,018

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2016	30 June 2015	30 June 2014	30 June 2016	30 June 2015	30 June 2014
FNB - 52100005761	476,160	27,880,019	31,055,339	471,257	27,154,756	31,073,531
FNB - 62051705534	757,855	4,226,135	24,601,153	757,854	4,226,212	24,672,340
FNB - 62051706409	-	-	17,930	-	-	17,930
Total	1,234,015	32,106,154	55,674,422	1,229,111	31,380,968	55,763,801

8. Investment property

	2016			2015		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	480,511	(231,463)	249,048	480,511	(222,446)	258,065

Reconciliation of investment property - 2016

	Opening balance	Depreciation	Total
Investment property	258,065	(9,017)	249,048

Greater Letaba Municipality

Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements

Figures in Rand 2016 2015

8. Investment property (continued)

Reconciliation of investment property - 2015

	Opening balance	Depreciation	Total
Investment property	267,057	(8,992)	258,065

Pledged as security

No investment property asset was pledged as security for financial liabilities.

The residual value and useful lives of investment property were reviewed and possible impairment has been assessed at reporting date.

9. Property, plant and equipment

	2016			2015		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	31,570,092	-	31,570,092	31,570,092	-	31,570,092
Buildings	175,269,007	(25,317,380)	149,951,627	152,234,691	(19,263,837)	132,970,854
Infrastructure	461,870,782	(46,376,309)	415,494,473	312,042,701	(45,026,014)	267,016,687
Other assets	51,934,225	(27,625,150)	24,309,075	50,315,914	(22,629,562)	27,686,352
Total	720,644,106	(99,318,839)	621,325,267	546,163,398	(86,919,413)	459,243,985

Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	Assets under construction	Disposals	Depreciation	Impairment loss	Impairment reversal
Land	31,570,092	-	-	-	-	-	-
Buildings	132,970,854	5,836,085	17,198,231	-	(4,710,927)	(3,144,606)	1,801,99
Infrastructure	267,016,687	58,822,376	91,048,937	(37,818)	(8,024,087)	-	6,668,37
Other assets	27,686,352	1,630,106	-	(5,130)	(4,996,451)	(5,802)	-
	459,243,985	66,288,567	108,247,168	(42,948)	(17,731,465)	(3,150,408)	8,470,36

Reconciliation of property, plant and equipment - 2015

	Opening balance	Additions	Additions : Work in Progress	Depreciation	Impairment loss	Total
Land	20,990,092	10,580,000	-	-	-	31,570,092
Buildings	117,321,752	1,725,430	17,078,935	(3,155,263)	-	132,970,854
Infrastructure	197,853,316	19,625,631	55,999,444	(6,461,704)	-	267,016,687
Other assets	19,806,867	12,140,638	-	(4,260,730)	(423)	27,686,352
	355,972,027	44,071,699	73,078,379	(13,877,697)	(423)	459,243,985

Pledged as security

None of the property, plant and equipment are pledged as security for financial liabilities.

The residual value and useful lives of property plant and equipment were reviewed and possible impairment has been assessed at reporting date

Greater Letaba Municipality

Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements

Figures in Rand

2016

2015

9. Property, plant and equipment (continued)

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

10. Intangible assets

	2016			2015		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	1,100,285	(932,357)	167,928	1,091,649	(724,953)	366,696

Reconciliation of intangible assets - 2016

	Opening balance	Additions	Amortisation	Total
Computer software, other	366,696	8,636	(207,404)	167,928
	366,696	8,636	(207,404)	167,928

Reconciliation of intangible assets - 2015

	Opening balance	Amortisation	Total
Computer software	575,056	(208,360)	366,696

Pledged as security

No intangible assets were pledged as security:

Other information

The residual value and useful lives of intangible assets were reviewed and possible impairment has been assessed at reporting date

11. Heritage assets

	2016			2015		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Waterfall picnic site	103,000	-	103,000	103,000	-	103,000
Historical monuments and statues	190,500	-	190,500	190,500	-	190,500
Mayoral gold chain	195,000	-	195,000	195,000	-	195,000
Paintings	60,000	-	60,000	60,000	-	60,000
Total	548,500	-	548,500	548,500	-	548,500

Reconciliation of heritage assets 2016

	Opening balance	Total
Waterfall picnic site	103,000	103,000
Historical monuments and statues	190,500	190,500

Greater Letaba Municipality

Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements

Figures in Rand	2016	2015
11. Heritage assets (continued)		
Mayoral gold chain	195,000	195,000
Painting	60,000	60,000
	548,500	548,500

Reconciliation of heritage assets 2015

	Opening balance	Additions	Fair value adjustment	Total
Art Collections, antiquities and exhibits	-	-	103,000	103,000
Historical monuments and statues	190,500	-	-	190,500
Mayoral gold chain	195,000	-	-	195,000
Other (specify class)	-	60,000	-	60,000
	385,500	60,000	103,000	548,500

Pledged as security

No heritage assets were pledged as security:

The residual value and useful lives of heritage assets were reviewed and possible impairment has been assessed at reporting date

12. Payables from exchange transactions

Trade payables	13,894,391	6,794,855
Payments received in advanced	3,448,122	2,353,001
Retentions	28,600,935	12,971,124
Accrued leave pay	7,535,956	6,804,930
Accrued bonus	1,300,311	1,214,903
Other payables	253,213	244,843
	55,032,928	30,383,656

13. Consumer deposits

Electricity	351,303	345,003
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Consumer deposits are raised when a services account is opened and is refunded to the consumer after the account is closed.

No interest is paid on consumer deposits.

14. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Finance Management Grant (FMG)	-	308,195
Municipal Infrastructure Grant (MIG)	-	23,896,515
Municipal Systems Improvement Grant (MSIG)	-	85,000
	-	24,289,710

Greater Letaba Municipality

Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements

Figures in Rand

	2016	2015
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14. Unspent conditional grants and receipts (continued)

Movement during the year

Balance at the beginning of the year	24,289,710	16,079,872
Additions during the year	83,496,000	57,705,000
Income recognition during the year	(93,253,710)	(48,930,162)
Paid back to Treasury	(14,532,000)	(565,000)
	-	24,289,710

See note 20 for reconciliation of grants from National / Provincial Government.

15. Employee benefit obligations

Defined benefit plans

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

Defined benefit obligation - Post retirement medical aid plan	8,284,614	7,644,119
Defined benefit obligation - Long service awards	2,718,365	2,746,341
	11,002,979	10,390,460

17.1 Post retirement medical aid plan

The post-employment health care benefits valuation considers all current employees, retired employees and their dependants who participate in the health care arrangements and are entitled to a post-employment medical scheme subsidy. The post-employment health care liability is not a funded arrangement, i.e. no separate assets have been set aside to meet this liability. The effective date of the valuation is 30 June 2016.

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

Carrying value

Present value of the define benefit obligation-wholly unfunded.	8,285,000	7,644,119
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Changes in the present value of the defined benefit obligation are as follows:

Opening balance	7,644,119	5,768,145
Benefits paid	(88,000)	(93,772)
Net expenses recognised in the statement of financial performance	728,881	1,969,746
	8,285,000	7,644,119

Net expense recognised in the statement of financial performance in general expenses

Current service cost	1,031,595	680,191
Interest cost	759,394	546,361
Actuarial (gains) losses	(1,062,108)	743,194
	728,881	1,969,746

Greater Letaba Municipality

Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements

Figures in Rand	2016	2015
15. Employee benefit obligations (continued)		
Calculation of actuarial gains and losses		
Actuarial(gains) losses - Obligation	(1,062,108)	743,194
Key assumptions used		
Discounted rates used	8.51 %	8.94 %
Medical aid and contribution inflation	8.21 %	8.05 %
Average retirement age	63	63

The basis on which the medical aid inflation rate has been determined is as follows:

The medical aid inflation rate was set with reference to the past relationship between the (yield curve based) Discount Rate for each relevant time period and the (yield curve based) Medical Aid Contribution Inflation for each relevant time period .

South Africa has experienced high health care cost inflation in recent years. The annualised compound rates of increase for the last ten years show that registered medical aid schemes contribution inflation outstripped general CPI by almost 3% year on year. We do not consider these increases to be sustainable and have assumed that medical aid contribution increases would outstrip general inflation by 1% per annum over the foreseeable future.

The basis on which the discount rate has been determined is as follows:

GRAP 25 defines the determination of the Discount rate assumption to be as follows: "The discount rate that reflects the time value of money is best approximated by reference to market yields at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefits payments, an entity uses current markets rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve"

We used the nominal and real zero curves as at 30 June 2016 supplied by the JSE to determine our discount rates and CPI assumptions at each relevant time period. In the event that the valuation is performed prior to the effective valuation date, we use the prevailing yield at the time of performing our calculations. We have changed this methodology from a point estimate in order to present a more accurate depiction of the liability. For example a liability which pays out in 1 year will be discounted at a different rate than a liability which pays out in 30 years. Previously only one discount rate was used to value all the liabilities.

Other assumptions

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

	One percentage point Increase	One percentage point decrease
Effect on the aggregate of the service cost and interest cost	1,808,899	1,773,079
Effect on defined benefit obligation	8,367,850	8,202,150
	10,176,749	9,975,229

Amounts for the current and previous four years are as follows:

	2016 R	2015 R	2014 R	2013 R	2012 R
Defined benefit obligation	8,285,000	7,644,119	5,768,145	4,668,968	3,710,727
Surplus (deficit)	(8,285,000)	(7,644,119)	(5,768,145)	(4,668,968)	(3,710,727)

Greater Letaba Municipality

Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements

Figures in Rand 2016 2015

15. Employee benefit obligations (continued)

17.2 Long service awards obligation

Long service benefits are awarded in the form of a percentage of salary and a number of leave days once an employee has completed a certain number of years in service.

An actuarial valuation of the obligation has been performed by ZAQ Consultants and Actuaries on all 203 employees that are entitled to long service awards as at 30 June 2016 (2015: 206). As at the valuation date, the long service leave award liability of the Municipality was unfunded, i.e. no dedicated assets have been set aside to meet this liability.

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

Carrying value

Present value of the defined benefit obligation-wholly unfunded	2,933,023	2,746,341
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Changes in the present value of the defined benefit obligation are as follows:

Opening balance	3,089,549	2,746,341
Benefits paid	(234,412)	(236,607)
Net expense recognised in the statement of financial performance	421,093	579,815
	3,276,230	3,089,549

Net expense recognised in the statement of financial performance in general expenses

Current service cost	341,412	340,402
Interest cost	256,648	200,134
Actuarial (gains) losses	(176,967)	39,279
	421,093	579,815

Calculation of actuarial gains and losses

Actuarial (gains) losses – Obligation	(176,967)	39,279
---------------------------------------	-----------	--------

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	8.47 %	7.96 %
Expected increase in salaries	6.00 %	7.33 %
Average retirement age	63	63

The basis on which the normal salary inflation rate has been determined is as follow:

We have derived the underlying future rate of consumer price index (CPI inflation) from the relationship between the (yield curve based) inflation-linked Bond rate for each relevant time period. Our assumed rate of salary inflation was set as the assumed value of CPI plus 1%. The salaries used in the valuation include an assumed increase on 1 July 2016 of 6%. The next salary increase was assumed to take place on 1 July 2017.

The basis on which the discount rate has been determined is as follow:

GRAP 25 defines the determination of the Discount rate assumption to be used as follows:"The discount rate that reflects the time value of money is best approximated by reference to market yields at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, an entity uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve."

Greater Letaba Municipality

Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements

Figures in Rand

2016

2015

15. Employee benefit obligations (continued)

We use the nominal and real zero curves as at **30 June 2016** supplied by the JSE to determine our discounted rates and CPI assumptions at each relevant time period. For example a liability which pays out in 1 year will be discounted at a different rate than a liability which pays out in 30 years.

Other assumptions

The cost of the long service awards is dependent on the increase in the annual salaries paid to employees. The rate at which salaries increase will thus have a direct effect on the liability of future retirees. A one percentage point change in assumed normal salary inflation rate would have the following effects:

	One percentage point increase	One percentage point decrease
Effect on the aggregate of the service cost and interest cost	604,041	592,079
Effect on defined benefit obligation	2,962,353	2,903,693

Amounts for the current and previous four years are as follows:

	2016	2015	2014	2013	2012
Defined benefit obligation	2,933,023	2,746,341	2,388,485	1,975,489	1,692,079
Surplus (deficit)	(2,933,023)	(2,746,341)	(2,388,485)	(1,975,489)	(1,692,079)

Defined contribution plan

It is the policy of the municipality to provide retirement benefits to some of its employees. A number of defined contribution pension funds, all of which are subject to the Pensions Fund Act exist for this purpose.

The municipality is under no obligation to cover any unfunded benefits.

The amount recognised as an expense for defined contribution plans is - 10,925,329

Included in defined contribution plan information above, is the following plans which are Multi-Employer Funds and are Defined Benefit Plans, but due to the fact that sufficient information is not available to enable the municipality to account for the plans as defined benefit plans, the municipality accounted for these plans as a defined contribution plans:

- National Fund for Municipal Workers
- Municipal Gratuity Fund
- Municipal Employees Pension Fund

16. Provisions

Reconciliation of provisions - 2016

	Opening Balance	Additions	Total
Landfill rehabilitation	2,236,803	179,997	2,416,800

Reconciliation of provisions - 2015

	Opening Balance	Total
Environmental rehabilitation	2,236,803	2,236,803

Greater Letaba Municipality

Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements

Figures in Rand	2016	2015
16. Provisions (continued)		
Landfill rehabilitation provision		
In terms of the Mineral and Petroleum Recourses Development Act, 2002 (Act No 28 of 2002), it is required from the municipality to execute the environmental management program to restore landfill sites and quarries.		
17. Service charges		
Sale of electricity	9,346,308	10,475,124
Refuse removal	3,693,210	3,581,413
Free basic services rebate	(46,669)	(39,848)
	12,992,849	14,016,689
18. Investment revenue		
Interest revenue		
Bank	1,993,515	2,783,487
Interest received - Investments	3,925,076	3,674,794
	5,918,591	6,458,281
19. Property rates		
Rates received		
Residential	4,463,669	4,349,511
Commercial	4,075,624	3,971,390
Government	527,810	514,311
Municipal	313,661	305,639
Other	2,840,344	2,767,702
Less: Income forgone	(3,243,513)	(3,223,488)
	8,977,595	8,685,065
Valuations		
Residential	873,029,200	873,029,200
Commercial	150,118,000	150,118,000
Government	103,232,000	103,232,000
Municipal	61,347,450	61,347,450
Other	555,530,140	555,530,140
	1,743,256,790	1,743,256,790

Valuations on land and buildings are performed every four years. The last general valuation came into effect on 1 July 2013. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

Rates are levied on a monthly basis and interest is levied on outstanding amounts.

Greater Letaba Municipality

Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements

Figures in Rand	2016	2015
20. Government grants and subsidies		
Operating grants		
Equitable share	208,866,000	167,589,000
Finance Management Grant	1,675,000	1,533,317
Municipal Systems Improvement Grant	930,000	1,806,067
National Electrification Grant	1,489,000	1,731,000
	<u>212,960,000</u>	<u>172,659,384</u>
Capital grants		
Municipal Infrastructure Grant	89,159,710	43,859,778
	<u>89,159,710</u>	<u>43,859,778</u>
	<u>302,119,710</u>	<u>216,519,162</u>

Equitable Share

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

Finance Management Grant (FMG)

Balance unspent at beginning of year	308,195	241,512
Current-year receipts	1,675,000	1,600,000
Conditions met - transferred to revenue	(1,675,000)	(1,533,317)
Paid back to Treasury	(308,195)	-
Conditions still to be met - transferred to liabilities	-	308,195

Conditions still to be met - remain liabilities (see note 14).

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.

Municipal Infrastructure Grant (MIG)

Balance unspent at beginning of year	23,896,514	14,863,294
Current-year receipts	79,402,000	53,440,000
Conditions met - transferred to revenue	(89,159,709)	(43,859,780)
Paid back to Treasury	(14,138,805)	(547,000)
Conditions still to be met - transferred to liabilities	-	23,896,514

Conditions still to be met - remain liabilities (see note 14).

This grant was used to construct municipal infrastructure to provide basic services for the benefit of communities. In 2015/2016 financial year all the conditions of the grant were met. In 2014/2015 financial year the conditions of the grant were partially met and resulting on unspent grant.

Municipal Systems Improvement Grant (MSIG)

Balance unspent at beginning of year	85,000	975,067
Current-year receipts	930,000	934,000
Conditions met - transferred to revenue	(930,000)	(1,806,067)
Paid back to Treasury	(85,000)	(18,000)
	-	85,000

The grant was used to fund the unbundling of fixed assets, supplementary valuation roll and the Disaster Recovery Plan .

Greater Letaba Municipality

Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements

Figures in Rand	2016	2015
20. Government grants and subsidies (continued)		
Extended Public Works Grant		
Current-year receipts	1,489,000	1,731,000
Conditions met - transferred to revenue	(1,489,000)	(1,731,000)
	-	-
21. Revenue		
Service charges	12,992,849	14,016,689
Rental of facilities and equipment	90,519	87,907
Interest received - outstanding receivables	7,752,685	6,937,101
Agency services	1,813,180	1,737,708
Licences and permits	2,901,591	2,914,588
Other income	1,224,136	2,735,615
Interest received - investment	5,918,591	6,458,281
Property rates	8,977,595	8,685,065
Government grants and subsidies	302,119,710	216,519,162
Traffic fines	1,932,180	970,685
	345,723,036	261,062,801
The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	12,992,849	14,016,689
Rental of facilities and equipment	90,519	87,907
Interest received - outstanding receivables	7,752,685	6,937,101
Agency services	1,813,180	1,737,708
Licences and permits	2,901,591	2,914,588
Other income	1,224,136	2,735,615
Interest received - investment	5,918,591	6,458,281
	32,693,551	34,887,889
The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	8,977,595	8,685,065
Transfer revenue		
Government grants and subsidies	302,119,710	216,519,162
Traffic fines	1,932,180	970,685
	313,029,485	226,174,912
22. Employee related costs		
Salaries and wages	40,648,962	38,600,170
Bonus	3,001,520	2,865,205
Medical aid benefits	2,774,478	2,356,656
UIF	374,751	375,781
Leave pay provision charge	1,073,848	1,594,626
Pension fund and other fund contributions	8,633,797	9,626,959
Overtime payments	4,264,517	3,236,113
Travel and car allowance	3,049,722	2,040,766
Housing benefits and allowances	584,944	598,270
	64,406,539	61,294,546

Greater Letaba Municipality

Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements

Figures in Rand	2016	2015
22. Employee related costs (continued)		
Remuneration of Municipal Manager		
Annual Remuneration	848,224	834,032
Car Allowance	204,000	204,000
Contributions to UIF, Medical and Pension Funds	214,800	206,100
	1,267,024	1,244,132
Remuneration of Chief Finance Officer		
Annual Remuneration	551,920	487,920
Car Allowance	252,000	252,000
Contributions to UIF, Medical and Pension Funds	60,000	60,000
	863,920	799,920
Remuneration of Director Infrastructure Planning and Development		
Annual Remuneration	126,312	628,324
Car Allowance	36,000	210,000
Contributions to UIF, Medical and Pension Funds	5,000	86,000
Acting Allowance	24,355	-
	191,667	924,324
One Director resigned effective from 31 August 2015. There was an Acting Director effective from 1 September 2015 to 30 June 2016 (Excluding month December 2015)		
Remuneration of Director Corporate Services		
Annual Remuneration	622,667	248,500
Car Allowance	168,000	74,500
Contributions to UIF, Medical and Pension Funds	36,000	77,000
Housing Allowance	5,333	-
	832,000	400,000
Remuneration of Director Community Services		
Annual Remuneration	653,738	590,125
Car Allowance	180,000	180,000
Contributions to UIF, Medical and Pension Funds	166,400	154,200
	1,000,138	924,325
23. Remuneration of councillors		
Executive Mayor's salary	568,509	538,871
Executive committee salary	1,413,756	1,333,698
Speaker's salary	454,808	431,094
Councillors' salary	10,465,654	9,400,884
Travel allowance	3,648,469	3,330,034
Cell phone allowance	1,177,303	1,190,561
	17,728,499	16,225,142
Remuneration per councillor		

Refer to note 36 for detail of remuneration per councillor.

Greater Letaba Municipality

Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements

Figures in Rand	2016	2015
24. Depreciation and amortisation		
Property, plant and equipment	12,387,756	13,878,136
Investment property	9,016	8,992
Intangible assets	207,404	208,360
	12,604,176	14,095,488
25. Finance costs		
DBSA Loan - Interest paid	-	1,216,296
Other interest paid	-	19,199
	-	1,235,495
26. Bulk purchases		
Electricity	8,728,768	8,476,095
27. Contracted services		
Meter reading services	328,945	407,454
Security services	5,909,836	4,371,444
Operating leases	232,048	291,248
Specialist services	114,430	124,035
Other contractors	1,212,939	2,509,132
Refuse removal	1,474,738	1,368,754
	9,272,936	9,072,067

Greater Letaba Municipality

Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements

Figures in Rand	2016	2015
28. General expenses		
Advertising	1,070,177	967,451
Auditor's remuneration	3,659,634	2,886,163
Bank charges	255,503	260,818
Consulting and professional fees	4,205,914	2,612,596
Entertainment	19,692	11,688
Hire	-	9,859
Insurance	1,168,036	1,072,427
Conferences and seminars	332,932	311,415
Motor vehicle expenses	130,886	112,036
Stores and material	790,734	638,636
Fuel and oil	3,371,612	2,804,119
Postage and courier	73,398	61,689
Printing and stationery	1,188,823	1,173,805
SAIMSA games	912,402	349,733
Youth empowerment project	47,040	247,314
Youth desk development	261,937	147,650
Subscriptions and membership fees	1,786,770	1,850,932
Telephone and fax	1,445,245	1,255,344
Training	211,748	559,881
Travel - local	5,380,250	5,108,786
Electricity	1,459,573	706,649
Tourism development	-	132,253
Bursary scheme	4,613,300	3,580,941
Capacity building	63,522	434,877
Catering	428,360	528,621
Interns	2,399,850	3,275,213
Free basic services	430,571	360,790
Gender desk activities	3,408,200	1,173,538
Public participation	1,978,150	1,657,118
Workshops and meetings	4,190,054	3,495,818
Other expenses	7,291,418	8,901,409
	52,575,731	46,689,569

Included on "Other expenses" is insurance, skills levies, EPWP expenses e.t.c

29. Auditor's remuneration

Fees	3,659,634	2,886,163
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Greater Letaba Municipality

Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements

Figures in Rand	2016	2015
30. Cash generated from operations		
Surplus	165,120,112	83,126,710
Adjustments for:		
Depreciation and amortisation	12,604,176	14,095,488
Gain on sale of assets and liabilities	18,647	-
Debt impairment	9,513,611	16,476,391
Movements in retirement benefit assets and liabilities	612,519	2,219,182
Movements in provisions	179,997	-
Fair value adjustment	(26,449)	(103,000)
Changes in working capital:		
Inventories	204,415	(189,340)
Receivables from exchange transactions	(18,622,490)	(15,956,876)
Consumer debtors	(15,769,749)	(14,953,816)
Other receivables from non-exchange transactions	(172,490)	(43,270)
Payables from exchange transactions	24,649,270	7,305,447
VAT	(13,368,941)	(3,700,165)
Unspent conditional grants and receipts	(24,289,710)	8,209,838
Consumer deposits	6,300	11,616
	140,659,218	96,498,205

31. Commitments

Authorised capital expenditure

Approved and contracted for

• Property, plant and equipment	138,618,195	141,403,930
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Approved and not yet contracted for

• Property, plant and equipment	34,994,503	-
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Property plant and equipment

Approved and contracted for	138,618,195	141,403,930
Approved and not yet contracted for	34,994,503	-
	173,612,698	141,403,930

This committed expenditure relates to capital projects and contracted services and will be financed by available bank facilities, retained surpluses, rights issue of shares, issue of debentures, mortgage facilities, existing cash resources, funds internally generated, etc.

Operating leases - as lessee (expense)

Minimum lease payments due

- within one year	62,256	206,848
- in second to fifth year inclusive	-	62,256
	62,256	269,104

Operating lease payments represent rentals payable by the municipality for certain of its office equipment. Leases are negotiated for an average term of three years and lease payments are fixed. No contingent rent is payable.

Greater Letaba Municipality

Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements

Figures in Rand

2016

2015

32. Contingencies

Contingent Liabilities

Ramalepe vs Greater Letaba Municipality

The Plaintiff is suing the municipality on allegations that the municipality has sold one site initially allocated to him to a second person. R95 668 (2015: R89 000)

Merifon (Pty) Ltd vs Greater Letaba Municipality

The Plaintiff is suing the municipality for a specific performance forcing the municipality to commit to the initial agreement of purchasing the plaintiff's land R52 000 000 (2015: R52 000 000).

Hennox 60 CC vs Greater Letaba Municipality

The municipality is sued for an amount of R3 635 593 (2015: R3 635 593) for damages suffered as a result of defective storm water pipes running through the plaintiff's property which has flooded the plaintiff's house.

All of Us Trading CC vs Greater Letaba Municipality

The plaintiff is suing the municipality for an amount of R128 500 (2015: R128 500) for services rendered as well as the costs for hiring the equipment

Anna Magaretha Botes vs Greater Letaba Municipality

The plaintiff is suing the municipality for an amount of R0 (2015: R950 000) for vicarious liability in that she alleges that she sustained injuries after falling into a manhole which was left open by the municipality and its employees.

Qualis Consultants vs Greater Letaba Municipality

The plaintiff is suing the municipality for the services rendered to the amount of R0 (2015: R213 659). The plaintiff was appointed as a service provider and they are alleging that services have been rendered. The municipality has got reservations about the quality and completion of the work.

Ben Bonthuys vs Greater Letaba Municipality

The plaintiff alleges that he suffered damages as a result of high voltage electricity which caused damages to his household electric appliances to the value of R0 (2015: R7 077)

Wimpy van Wyk vs Greater Letaba Municipality

The plaintiff alleges that he suffered damages as a result of high voltage electricity which caused damages to his household electric appliances to the value of R0 (2015: R88 459)

J.P Marx vs Greater Letaba Municipality

The plaintiff alleges that he suffered damages as a result of high voltage electricity which caused damages to his household electric appliances to the value of R0 (2015: R147 599)

Motlatso Samuel Sekgota vs Greater Letaba Municipality

It is alleged that due to the negligence construction of the storm water pipes by the municipality, the plaintiff suffered damages as a result of water overflowing his house and he is claiming R95 190 (2015: R95 190) from the municipality

SB Consulting vs Greater Letaba Municipality

The plaintiff was rendering the service for the municipality and he is suing the municipality on allegations that the outstanding amount was paid to a different individual R509 990

The Municipality currently has labour disputes with the following employees:

- Malatji N.S
- Ngolele J.H
- Magabane M.L
- Selowa M.J

Contingent Assets

The municipality has a contingent asset related to flexible investment with Momentum as a result of money market ABIL Retention Fund R83 394 (2015 : R74 496)

Greater Letaba Municipality

Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements

Figures in Rand	2016	2015
33. Unauthorised expenditure		
Opening balance	54,635,707	54,635,707
Unauthorised expenditure in the current year	9,393,411	42,261,407
Less: condoned by council	-	(42,261,407)
Closing balance	64,029,118	54,635,707

Reconciliation of budgeted vs actual expenditure - Per income statement

Actual expenditure	180,842,462	177,936,094
Approved operational budget	(184,186,228)	(159,089,747)
Over / (Under) spending of budget	(3,343,766)	18,846,347
Total net effect of overspending of budget	(3,343,766)	18,846,347

The overall budget for expenditure was not overspend 2016: R0 (2015: R18 846 347).

Unauthorised expenditure during 2015 was as a result of overspending of budget per vote amounted to R42 261 407

The unauthorised expenditure during 2016 was as a results of overspending of R9 393 411 on Executive and council vote

These over expenditure amounts are not recoverable and must still be investigated and condoned by Council in terms of Section 32 of the MFMA.

The over expenditure can mainly be attributed to personnel expenses, debt impairment and other expenses. The over expenditure per vote occurred mainly in the following departments: Finance, Administration and Waste Management (2014: Finance and Administration and Waste Management).

34. Fruitless and wasteful expenditure

Opening balance	21,668	204,590
Condoned by Council	-	(204,590)
Interest paid to service providers	99,460	21,668
Fruitless and wasteful expenditure awaiting condonement	121,128	21,668

Interest accrued on late payments

Interest and penalties relates to late payments to suppliers and SARS. The interest would have been avoided had reasonable care been exercised. The total value of the interest was R99 460 (2015 : R21 668)

Interest on late payment of Eskom account: R29 124 (2015 : R505)

Interest on late payment of Telkom account: R1 184 (2015: R1964)

Interest on late payment to Auditor General of South Africa: R0 (2015 : R19 199)

Interest and penalties on SARS : R69 153 (2015 : R0)

The matters above have been submitted to MPAC for investigation. The council held a special meeting on 29 August 2014 and condoned the fruitless and wasteful expenditure amounting to R 204 590.

35. Irregular expenditure

Opening balance	57,890,034	109,584,002
Add: Irregular Expenditure - current year	58,900,996	55,580,749
Less: Amounts condoned	-	(107,422,210)
Add: Stock losses due to theft and shortages	202,642	147,493
116,993,672	57,890,034	

Greater Letaba Municipality

Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements

Figures in Rand	2016	2015
35. Irregular expenditure (continued)		
Analysis of expenditure awaiting condonation per age classification		
Current year	59,103,638	55,728,242
Prior years	57,890,034	109,584,002
Condoned by council	-	(107,422,210)
	116,993,672	57,890,034

The matters above have been submitted to Council and the Council referred them to MPAC for investigation. In 2015 financial year the Council held a special meeting on 29 August 2014 and condoned the irregular expenditure amounting to R107 422 210.

Greater Letaba Municipality

Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements

36. Related parties

Relationships

Mopani District Municipality loan account

Members of key management

R35 643 638 (2015: R18 470 534)

TG Mashaba (Municipal Manager)

MF Mankgaba (Chief Financial Officer)

CW Molokomme (Director Planning and Development)

MB Letsoalo (Director Corporate Services)

DI Mogale (Director Community Services)

Councillors - Refer to list of Councillors below

All Councillors have disclosed their interest in related parties and no one has the ability to control or exercise significant influence over the Council in making financial and operational decisions.

During the financial year no Councillor or Official had any interest in related parties and no one could control or influence Council in making financial or operational decisions.

The municipality had no other related party transactions or balances during the financial year outside of the contractual remuneration of senior management.

There are no share based payments.

Remuneration per councillor	Salary	Travel allowance	Cellphone allowance	Total package
2016	-	-	-	-
GH Modjadji (Mayor)	568,509	189,503	20,868	778,880
MM Nkwana	454,808	151,602	20,868	627,278
MP Malola	426,383	142,128	20,868	589,379
TC Shai	426,383	142,128	20,868	589,379
NM Kgatla	426,383	142,128	20,868	589,379
PJ Mampeule	426,383	142,128	20,868	589,379
MJ Baloyi	397,955	132,651	20,867	551,473
NE Phatudi	235,626	78,542	20,868	335,036
MP Satekga	235,626	78,542	20,868	335,036
TJ Rababalela	235,626	78,542	20,868	335,036
MC Seala	235,626	78,542	20,868	335,036
NN Baloi	235,626	78,542	20,868	335,036
MF Moroatshehla	235,626	78,542	20,868	335,036
LR Mashapa	171,361	57,120	20,868	249,349
F Morwatshehla	293,217	-	20,868	314,085
MJ Kgatla	171,361	57,120	20,868	249,349
GJ Mkansi	293,217	-	20,868	314,085
N Selowa	171,361	57,120	20,868	249,349
RE Sekhonoane	171,361	57,120	20,868	249,349
ME Machethe	171,361	57,120	20,868	249,349
ZT Maluleke	228,481	-	20,868	249,349
MJ Masutha	171,361	57,120	20,868	249,349
MD Rabapana	67,358	22,452	8,695	98,505
MA Lebepe	219,913	73,304	20,868	314,085
TD Mokhari	228,481	-	20,868	249,349
MF Manyama	171,361	57,120	20,868	249,349
DL Selowa	171,361	57,120	20,868	249,349
M Serekele	171,361	57,120	20,868	249,349
TE Makgatho	219,913	73,304	20,868	314,085
MV Makgwathela	171,361	57,120	20,868	249,349
MV Mashapa	228,481	-	20,868	249,349
TJ Senyolo	171,361	57,120	20,868	249,349
AM Manthlaka	219,913	73,304	20,868	314,085
MM Mankgero	171,361	57,120	20,868	249,349
M Mathedimosa	171,361	57,120	20,868	249,349

Greater Letaba Municipality

Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements

36. Related parties (continued)

Remuneration per councillor 2016 (continued)

MF Maruthoane	228,481	-	20,868	249,349
MA Lebepe	171,361	57,120	20,868	249,349
MG Ntuli	171,361	57,120	20,868	249,349
SS Malatji	171,361	57,120	20,868	249,349
MI Manyama	219,913	73,304	20,868	314,085
NT Machethe	228,481	-	20,868	249,349
MSS Sebelemetja	171,361	57,120	20,868	249,349
MJ Nakana	171,361	57,120	20,868	249,349
BE Ngobeni	171,361	57,120	20,868	249,349
MF Makhubela	219,913	73,304	20,868	314,085
ME Lebepe	219,913	73,304	20,868	314,085
RJ Makhananisa	171,361	57,120	20,868	249,349
DI Matloga	228,481	-	20,868	249,349
MD Makhananisa	171,361	57,120	20,868	249,349
FN Maake	171,361	57,120	20,868	249,349
MF Mokwakwala	171,361	57,120	20,868	249,349
MG Selowa	171,361	57,120	20,868	249,349
SP Mabale	171,361	57,120	20,868	249,349
MF Kgamede	171,361	57,120	20,868	249,349
ME Mafona	219,913	73,304	20,868	314,085
MP Masela	171,361	57,120	20,868	249,349
MA Makgeru	171,361	57,120	20,868	249,349
	12,902,737	3,648,460	1,177,302	17,728,499

Remuneration per councillor

2015

	Salary	Travel allowance	Cell phone allowance	Total
GH Modjadji (Mayor)	538,871	179,624	20,868	739,363
MM Nkwana(Speaker)	431,094	143,698	20,868	595,660
FN Maake	161,661	53,887	20,868	236,416
PJ Mampeula	244,866	81,622	13,258	339,746
MJ Masutha	161,661	53,887	20,868	236,416
RJ Makhananisa	161,661	53,886	20,868	236,415
MD Makhananisa	161,661	53,887	20,868	236,416
MP Masela	161,661	53,887	20,868	236,416
TC Shai	404,152	134,717	20,868	559,737
MC Seale	222,283	74,094	20,868	317,245
NN Baloi	222,283	74,094	20,868	317,245
MF Moroatshehla	222,283	74,094	20,868	317,245
MP Malola	404,152	134,717	20,868	559,737
DI Matloga	215,548	-	20,868	236,416
MF Mokwalakwala	161,661	53,887	20,868	236,416
MG Selowa	161,661	53,887	20,868	236,416
SP Mabale	161,661	53,886	20,868	236,415
MF Kgamede	161,661	53,887	20,868	236,416
ME Mafona	169,295	56,432	20,868	246,595
MJ Baloyi	271,064	93,212	20,868	385,144
MA Makgeru	161,661	53,887	20,868	236,416
NE Phatudi	222,283	74,094	20,868	317,245
M Mathedimosa	161,661	53,887	20,868	236,416
MF Moruthoane	215,548	-	20,868	236,416
MA Lebepe	161,661	53,887	20,868	236,416
MG Ntuli	161,661	53,887	20,868	236,416
SS Malatji	161,661	53,887	20,868	236,416
MI Manyama	169,295	56,432	20,868	246,595
NT Machethe	215,548	-	20,868	236,416
MSS Sebelemetja	161,661	53,887	20,868	236,416

Greater Letaba Municipality

Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements

36. Related parties (continued)

MP Satekge	222,283	74,094	20,868	317,245
RR Ramalatso	58,763	21,182	8,695	88,640
MJ Nakana	161,661	53,887	20,868	236,416
BE Ngobeni	161,661	53,887	20,868	236,416
MF Makhubela	169,295	56,432	20,868	246,595
NM Kgatla	404,152	134,717	20,868	559,737
ME Lebepe	169,295	56,432	20,868	246,595
MD Rabapana	161,661	53,887	20,868	236,416
MA Lebepe	169,295	56,432	20,868	246,595
TD Mokhari	215,548	-	20,868	236,416
MF Manyama	161,661	53,887	20,868	236,416
DL Selowa	161,661	53,887	20,868	236,416
M Serekele	161,661	53,887	20,868	236,416
TE Makgatho	169,295	56,432	20,868	246,595
MV Makgwathela	161,661	53,887	20,868	236,416
TJ Rababalela	222,283	74,094	20,868	317,245
MV Mashapa	215,548	-	20,868	236,416
TJ Senyolo	161,661	53,887	20,868	236,416
AM Mantihakga	169,295	56,432	20,868	246,595
MM Mankgeru	161,661	53,887	20,868	236,416
LR Mashapa	161,661	53,887	20,868	236,416
F Morwatshehla	225,726	-	20,868	246,594
MJ Kgatla	161,661	53,886	20,868	236,415
GJ Mkansi	225,726	-	20,868	246,594
N Selowa	161,661	53,887	20,868	236,416
RE Sekhonoane	165,897	49,651	20,868	236,416
ME Machete	161,661	53,887	20,868	236,416
ZT Maluleke	207,075	8,471	20,868	236,414
	11,704,549	3,330,032	1,190,561	16,225,142

Refer to note 22 for remuneration detail of Section 57 managers.

Greater Letaba Municipality

Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements

Figures in Rand

37. Prior period adjustments

Annual Bonus Provision

The annual bonus provision as at 30 June 2015 was overstated by R95 092 in the prior year financial statements. The disclosure has been corrected in the current year reporting period by restating the opening balances for annual bonus provision.

Provision for post employment benefit: Long service award

The provision for post employment benefits: Long service award as at 30 June 2015 was understated by R14 648 in the prior year financial statements. The disclosure has been corrected in the current year reporting period by restating the opening balances

Consumer debtors

Consumer debtors as at 30 June 2015 was overstated by R4 630 783. The financial statements has been corrected in the current year by restating the opening balances and expenses.

Provision for doubtful debts

Provision for doubtful debt as at 30 June 2015 was overstated by R4 929 715. The financial statements has been corrected in the current year by restating the opening balances and expenses.

VAT

The VAT receivable balance as at 30 June 2015 was understated by R247 415, Building overstated by R63 016 and Roads overstated by R184 399. The financial statements have been corrected in the current year by restating the opening balances.

Cash and cash equivalent

The cash and cash equivalent as at 30 June 2015 was understated by the interest of R6 378 on investment which was omitted. The financial statements have been corrected in the current year by restating the opening balances.

Investments

The investments as at 30 June 2015 was overstated by R74 496 related to contingent assets which was incorrectly disclosed. The financial statements have been corrected in the current year by restating the opening balances.

Accumulated depreciation

Accumulated depreciation as at 30 June 2015 was understated by R1 489 729 as a result of depreciation incorrectly calculated. The financial statements have been corrected in the current year by restating the opening balance.

Property, Plant and Equipment

Assets balance as at 30 June 2015 was understated by R2 593 555 as a result of assets not included in the assets registers. The financial statements have been corrected in the current year by restating the opening balances.

The correction of the errors results in adjustments as follows:

Statement of financial position	As previously reported	Correction of error	2015 Restated
Property, plant and equipment	458,387,574	856,411	459,243,985
Consumer debtors	9,850,286	298,932	10,149,218
Vat receivable	4,291,711	247,415	4,539,126
Payables from exchange transactions	(30,478,748)	95,092	(30,383,656)
Employment benefit obligation	(10,375,812)	(14,648)	(10,390,460)
Accumulated surplus	(524,600,913)	(1,415,084)	(526,015,997)

Greater Letaba Municipality

Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements

Figures in Rand

37. Prior period adjustments (continued)

Cash and cash equivalents	94,518,640	6,378	94,525,018
Other financial assets (Non-current)	74,496	(74,496)	-
	1,667,234	-	1,667,234

38. Deviation from supply chain management regulations

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

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the financial statements. The total deviations for the year under review amounted to R54 004 034 (2015: R48 728 870).

Refer to Appendix C for detail.

39. Financial instruments disclosure

Categories of financial instruments

2016

Financial assets

	At amortised cost	Total
Trade and other receivables from exchange transactions	38,853,114	38,853,114
Other receivables from non-exchange transactions	215,760	215,760
Consumer debtors	11,475,639	11,475,639
Cash and cash equivalents	60,714,361	60,714,361
	111,258,874	111,258,874

Greater Letaba Municipality

Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements

Figures in Rand

Financial instruments disclosure (continued)

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	54,625,028	54,625,028

2015

Financial assets

	At amortised cost	Total
Other financial assets	74,496	74,496
Trade and other receivables from exchange transactions	20,894,446	20,894,446
Other receivables from non-exchange transactions	43,270	43,270
Consumer debtors	5,219,501	5,219,501
Cash and cash equivalents	94,525,018	94,525,018
	120,756,731	120,756,731

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	30,390,111	30,390,111

40. Risk management

Financial risk management

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

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

Liquidity risk

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

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

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

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

Greater Letaba Municipality

Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements

Figures in Rand

40. Risk management (continued)

At 30 June 2016	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	56,032,928	-	-	-
At 30 June 2015	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	30,383,656	-	-	-

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

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

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Council. The utilisation of credit limits is regularly monitored.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2016	2015
Other receivables from exchange transactions	39,516,936	20,894,446
Other receivables from non-exchange transactions	215,760	43,270
Cash and cash equivalents	60,714,361	94,525,018
Consumer debtors	16,405,354	10,149,216

Market risk

Interest rate risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk.

Greater Letaba Municipality

Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements

Figures in Rand

41. Budget information

Explanation of variances between approved and final amounts

The reason for the variances between the approved budget and final budget are explained below. The adjustments made between the approved budget and final budget include virements that were made after the approval of the final adjustment budget. Virements are transfers from one operating cost element or capital project to another, and are made in accordance with the approved virement policy of the municipality.

Explanation of material variances: Final budget and actual amounts

Statement of financial position

Current assets

The variance is high and this is due to cash and cash equivalents is less than half of the budgeted amount. Cash and cash equivalent has a lesser balance due to projects implemented 100%, cash withdrawn to finance the projects..

The municipality did not budget for receivables from exchange transactions. The receivables from exchange transaction keeps on increasing the 2015/2016 due to mopani loan account..

Cash and cash equivalent has decreased because of improvement on implementation of projects.

Non-current assets

Investment property variance is a result of accumulated depreciation which was not taken into account during compilation of budget.

Variance in property, plant and equipment the main contributory factor is planned projects versus completed. The projects are in progress and can only be completed in the current financial year. Accumulated depreciation also contributes.

Current liability

Payables from exchange transaction variance results from retention which could have been at a higher value if the projects were completed within the financial year.

Non-current liabilities

Employee benefit obligation. The total variance been confirmed by the certified actuarial company.

Statement of financial performance

Revenue

Property rates

There is a positive variance of R 2 317 547 , this means more revenue was realised than estimated.

Licences and permits

There is a negative variance of R2 974 922. The municipality projected that there will be an increase in renewing vehicle licences as we have two DLTC offices in Modjadjiskloof and Ga-Kgapane.

Rental of facilities and equipment

The municipality had projected R234 575. The negative variance is at R144 056. The municipality is unable to rent out machinery due to prioritisation of service delivery.

Greater Letaba Municipality

Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements

Figures in Rand

41. Budget information (continued)

Interest: Outstanding receivables

There is a positive variance. Total interest received is more than the actual projection, this result from increased debtors due to non payment of outstanding accounts.

Interest: External investments

The variance is not material. This resulted due to the withdrawal from Investec investment.

Traffic fines

Traffic fines projections R352 873. The actual revenue on traffic fines R1 932 180. more fines were issued than projected. This means there is a high rate of offenders on traffic legislation of our roads .

Service charges

Revenue from service charges consist of electricity sales and refuse removal. The negative variance is influenced by electricity consumption which relate to the purchases amounting to R8 728 768. The variance is in relation to the decrease in sale of electricity.

Gain on disposal of Property, Plant and equipment

There is a negative variance of R106 000 which is the total projection for the financial year. No assets were disposed during the year hence the revenue not realised.

Expenditure

Employee related costs

There is a negative variance of R3 207 868 . This is due to posts that were not filled in the financial year.

Depreciation and amortisation

This depreciation projection is informed by the projects which in the budget for 2015/16 financial year the projects are still in progress and they could not be depreciated hence the variance

Finance costs

The variance resulted from the DBSA loan which was settled. Settling these loan reduced finance costs drastically.

Debt impairment

The debtors were impaired using the past historically data. The estimated impairment was too low. The municipality was optimistic that the debts will be settled.

Contracted services

The actual expenditure is below the budgeted projected on a thin margin. This shows that the projection was realistic. The variance indicates a saving. This can also mean that the municipality is becoming less dependent on consultants.

General expenses

General expenses has a negative variance is below the budgeted projection. It shows that spending was reduced..

Additional expenditure was incurred on interns as it is a public responsibility to provide internships and employment opportunities.

Cash flow statement

Net cash flow from operating activities

Negative variance is caused by a low amount of cash from trade services, assessment rates and rental. The municipality cannot generate enough cash from its own trade.

Net cash flow from investing activities

The variance is high compared to last financial year due to withdrawal made during the year..

Greater Letaba Municipality

Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements

Figures in Rand	2016	2015
42. Material losses		
Electricity distribution losses	2016	2015
kWh units purchased from Eskom	(9,886,463)	(10,981,495)
kWh units sold per billing system statistics	7,765,608	7,772,626
Distribution losses	(2,120,855)	(3,208,869)
Losses as a percentage of units purchased	21.46 %	29.22 %
The losses are as a result of illegal connections, faulty meters, incorrect meter readings and other sundry distribution losses.		
43. VAT receivable		
VAT	17,908,067	4,539,126
44. Other revenue		
Other income	1,224,136	2,735,615
45. Debt impairment		
Debt impairment - consumer debtors	7,961,196	15,654,261
Debt impairment - traffic fines and other	1,552,415	822,130
	9,513,611	16,476,391

46. Going concern

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

The municipality is dependent on the grants allocated and provided by National Treasury to be able to trade as a going concern. Management is of the opinion that Government will continue to subsidise the municipality through grants to fund operating and capital expenditure.

Greater Letaba Municipality

Annual Financial Statements for the year ended 30 June 2015

Unaudited Appendix A

Disclosure of grants subsidies in terms of section 123 of the MFMA

Figures in Rand

Name of Grants	Name of organ of state	Opening Balance	Quarterly Income					Quarterly Expenditure					Paid back to Treasury	Unspent portion	Delayed or withheld Yes / No	Comply with condition Yes / No	
			Sep 2015	Dec 2015	Mar 2016	Jun 2016	Total	Sep 2015	Dec 2015	Mar 2016	Jun 2016	Total					
Equitable Share Municipal Systems Improvement Grant	DORA	-	87,027,000	55,090,000	52,217,000	-	194,334,000	-	-	-	-	-	-	-	-	No	Yes
Municipal Infrastructure Grant	DORA	85,000	930,000	-	-	-	1,015,000	153,484	437,000	-	339,516	930,000	85,000	-	-	No	Yes
Financial Management Grant	DORA	23,896,515	22,900,000	19,813,000	36,689,000	-	103,298,515	13,330,190	12,731,033	25,081,664	38,016,823	89,159,710	14,138,805	-	-	No	Yes
Extended Public Works Program Grant	DORA	308,195	1,675,000	-	-	-	1,983,195	439,978	242,983	365,618	626,421	1,675,000	308,195	-	-	No	Yes
	DORA	-	596,000	447,000	446,000	-	1,489,000	358,270	359,150	352,207	419,373	1,489,000	-	-	-	No	Yes
		24,289,710	#####	75,350,000	89,352,000	-	302,119,710	14,281,922	13,770,166	25,799,489	39,402,133	93,253,710	14,532,000	-			

Greater Letaba Municipality
Appendix B

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

	Cost/Revaluation						Accumulated depreciation						Carrying value	
	Opening Balance	Additions	Disposals	Transfers	Fair value adjustment	Assets under construction	Closing Balance	Opening Balance	Disposals	Transfers	Depreciation	Impairment loss		Closing Balance
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Land and Buildings														
Land	20,990,092	10,580,000	-	-	-	-	31,570,092	-	-	-	-	-	-	31,570,092
Buildings	126,476,672	1,725,430	-	-	-	17,078,935	145,281,036	(14,307,546)	-	-	(3,155,263)	-	(17,462,808)	127,818,230
	147,466,764	12,305,430	-	-	-	17,078,935	176,851,128	(14,307,546)	-	-	(3,155,263)	-	(17,462,808)	159,388,322
Infrastructure														
Roads	203,696,371	18,438,327	-	-	-	52,332,926	274,467,623	(31,140,269)	-	-	(5,671,976)	-	(36,812,245)	237,655,368
Electricity	34,523,723	-	-	-	-	3,666,519	38,190,242	(5,069,625)	-	-	(736,880)	-	(5,806,505)	32,383,737
Solid waste	2,811,180	258,312	-	-	-	-	3,069,492	(2,486,292)	-	-	(45,221)	-	(2,531,512)	537,980
Cemeteries	82,146	928,993	-	-	-	-	1,011,139	(13,700)	-	-	(7,628)	-	(21,328)	989,811
	241,113,420	19,625,631	-	-	-	55,999,444	316,738,495	(38,709,885)	-	-	(6,461,704)	-	(45,171,590)	271,566,896
Other Assets														
Vehicles	20,002,487	1,859,462	-	-	-	-	21,861,949	(8,242,810)	-	-	(1,782,048)	-	(10,024,859)	11,837,085
Plant & equipment	8,895,481	9,988,499	-	-	-	-	18,883,980	(4,817,932)	-	-	(1,396,215)	-	(6,214,147)	12,669,833
Furniture & Fittings	5,197,255	218,121	-	-	-	-	5,415,376	(3,140,985)	-	-	(607,707)	(423)	(3,749,115)	1,666,262
Office Equipment	3,991,795	74,556	-	-	-	-	4,066,351	(2,332,405)	-	-	(474,760)	-	(2,807,165)	1,259,185
	38,087,018	12,140,638	-	-	-	-	50,227,656	(18,534,132)	-	-	(4,260,731)	(423)	(22,795,286)	27,432,365
Total property, plant and equipment														
Land and Buildings	147,466,764	12,305,430	-	-	-	17,078,935	176,851,128	(14,307,546)	-	-	(3,155,263)	-	(17,462,808)	159,388,322
Infrastructure	241,113,420	19,625,631	-	-	-	55,999,444	316,738,495	(38,709,885)	-	-	(6,461,704)	-	(45,171,590)	271,566,896
Other Assets	38,087,018	12,140,638	-	-	-	-	50,227,656	(18,534,132)	-	-	(4,260,731)	(423)	(22,795,286)	27,432,365
	426,667,201	44,071,700	-	-	-	73,078,379	543,817,280	(71,551,563)	-	-	(13,877,698)	(423)	(85,429,684)	458,387,582
Heritage Assets														
Monuments, statues and land	190,500	-	-	-	103,000	-	293,500	-	-	-	-	-	-	293,500
Mayoral gold chain	195,000	-	-	-	-	-	195,000	-	-	-	-	-	-	195,000
Waterfall picnic site	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Paintings	-	60,000	-	-	-	-	60,000	-	-	-	-	-	-	60,000
	385,500	60,000	-	-	103,000	-	548,500	-	-	-	-	-	-	548,500
Intangible assets														
Computer - software	1,091,649	-	-	-	-	-	1,091,649	(516,593)	-	-	(208,360)	-	(724,953)	366,696
	1,091,649	-	-	-	-	-	1,091,649	(516,593)	-	-	(208,360)	-	(724,953)	366,696
Investment properties														
Investment property	480,511	-	-	-	-	-	480,511	(213,453)	-	-	(8,992)	-	(222,445)	258,066
	480,511	-	-	-	-	-	480,511	(213,453)	-	-	(8,992)	-	(222,445)	258,066
Total														
Land and Buildings	147,466,764	12,305,430	-	-	-	17,078,935	176,851,128	(14,307,546)	-	-	(3,155,263)	-	(17,462,808)	159,388,325
Infrastructure	241,113,420	19,625,631	-	-	-	55,999,444	316,738,495	(38,709,885)	-	-	(6,461,704)	-	(45,171,590)	271,566,896
Other Assets	38,087,018	12,140,638	-	-	-	-	50,227,656	(18,534,132)	-	-	(4,260,731)	(423)	(22,795,286)	27,432,365
Heritage Assets	385,500	60,000	-	-	103,000	-	548,500	-	-	-	-	-	-	548,500
Intangible assets	1,091,649	-	-	-	-	-	1,091,649	(516,593)	-	-	(208,360)	-	(724,953)	366,696
Investment properties	480,511	-	-	-	-	-	480,511	(213,453)	-	-	(8,992)	-	(222,445)	258,066
	428,624,861	44,131,700	-	-	103,000	73,078,379	545,937,940	(72,281,610)	-	-	(14,095,050)	(423)	(86,377,082)	459,560,848
	428,624,861	44,131,700	-	-	-	-	-	-	-	-	-	-	-	-

Greater Letaba Municipality
Appendix B

Jun-13

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

	Cost/Revaluation						Accumulated depreciation						Carrying value Rand	
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Fair value adjustment Rand	Assets under construction Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand		Closing Balance Rand
Land and Buildings														
Land	31,570,092	-	-	-	-	-	31,570,092	-	-	-	-	-	-	31,570,092
Buildings	152,234,691	5,861,085	-	-	-	17,173,231	175,269,007	(19,263,839)	-	-	(4,710,927)	(1,342,615)	(25,317,381)	149,951,629
	183,804,783	5,861,085	-	-	-	17,173,231	206,839,099	(19,263,839)	-	-	(4,710,927)	(1,342,615)	(25,317,381)	181,521,721
Infrastructure														
Roads	269,425,977	57,240,076	-	-	-	88,516,409	415,182,462	(36,220,988)	-	-	(7,010,658)	6,691,435	(36,540,210)	378,642,242
Electricity	38,190,242	1,582,300	(43,232)	-	-	2,217,960	41,947,270	(6,044,154)	5,415	-	(873,994)	-	(6,912,734)	35,034,535
Solid waste	3,415,342	-	-	-	-	-	3,415,342	(2,739,548)	-	-	(105,637)	(23,056)	(2,868,241)	547,102
Cemeteries	1,011,139	-	-	-	-	314,568	1,325,706	(21,328)	-	-	(33,797)	-	(55,125)	1,270,582
	312,042,699	58,822,376	(43,232)	-	-	91,048,937	461,870,781	(45,026,017)	5,415	-	(8,024,087)	6,668,380	(46,376,309)	415,494,461
Other Assets														
Vehicles	22,063,053	343,600	-	-	-	-	22,406,653	(10,002,558)	-	-	(2,181,102)	-	(12,183,660)	10,222,989
Plant & equipment	17,721,180	193,982	-	-	-	-	17,915,162	(5,615,557)	-	-	(1,652,780)	(3,677)	(7,272,013)	10,643,149
Furniture & Fittings	4,672,387	782,749	-	-	-	-	5,455,136	(2,972,111)	-	-	(487,948)	-	(3,460,059)	1,995,077
Office Equipment	5,859,317	309,774	(11,794)	-	-	-	6,157,297	(4,039,340)	6,664	-	(674,622)	(2,125)	(4,709,422)	1,447,875
	50,315,937	1,630,106	(11,794)	-	-	-	51,934,249	(22,629,565)	6,664	-	(4,996,452)	(5,801)	(27,625,154)	24,309,090
Total property, plant and equipment														
Land and Buildings	183,804,783	5,861,085	-	-	-	17,173,231	206,839,099	(19,263,839)	-	-	(4,710,927)	(1,342,615)	(25,317,381)	181,521,721
Infrastructure	312,042,699	58,822,376	(43,232)	-	-	91,048,937	461,870,781	(45,026,017)	5,415	-	(8,024,087)	6,668,380	(46,376,309)	415,494,461
Other Assets	50,315,937	1,630,106	(11,794)	-	-	-	51,934,249	(22,629,565)	6,664	-	(4,996,452)	(5,801)	(27,625,154)	24,309,090
	546,163,419	66,313,567	(55,026)	-	-	108,222,168	720,644,129	(86,919,421)	12,079	-	(17,731,465)	5,319,963	(99,318,844)	621,325,272
Heritage Assets														
Monuments, statues and land	190,500	-	-	-	-	-	190,500	-	-	-	-	-	-	190,500
Mayoral gold chain	195,000	-	-	-	-	-	195,000	-	-	-	-	-	-	195,000
Waterfall picnic site	103,000	-	-	-	-	-	103,000	-	-	-	-	-	-	103,000
Paintings	60,000	-	-	-	-	-	60,000	-	-	-	-	-	-	60,000
	548,500	-	-	-	-	-	548,500	-	-	-	-	-	-	548,500
Computer - software														
Computer - software	1,091,649	8,636	-	-	-	-	1,100,285	(724,953)	-	-	(207,404)	-	(932,357)	167,928
	1,091,649	8,636	-	-	-	-	1,100,285	(724,953)	-	-	(207,404)	-	(932,357)	167,928

Investment properties

Investment property	480,511	-	-	-	-	-	480,511	(222,445)	-	-	(9,016)	-	(231,462)	249,050
	480,511	-	-	-	-	-	480,511	(222,445)	-	-	(9,016)	-	(231,462)	249,050

Total

Land and Buildings	183,804,783	5,861,085	-	-	-	17,173,231	206,839,099	(19,263,839)	-	-	(4,710,927)	(1,342,615)	(25,317,381)	181,521,724
Infrastructure	312,042,699	58,822,376	(43,232)	-	-	91,048,937	461,870,781	(45,026,017)	5,415	-	(8,024,087)	6,668,380	(46,376,309)	415,494,461
Other Assets	50,315,937	1,630,106	(11,794)	-	-	-	51,934,249	(22,629,565)	6,664	-	(4,996,452)	(5,801)	(27,625,154)	24,309,090
Heritage Assets	548,500	-	-	-	-	-	548,500	-	-	-	-	-	-	548,500
#REF!	1,091,649	8,636	-	-	-	-	1,100,285	(724,953)	-	-	(207,404)	-	(932,357)	167,928
Investment properties	480,511	-	-	-	-	-	480,511	(222,445)	-	-	(9,016)	-	(231,462)	249,050
	548,284,080	66,322,203	(55,026)	-	-	108,222,168	722,773,425	(87,866,819)	12,079	-	(17,947,886)	5,319,963	(100,482,663)	622,290,752

Greater Letaba Municipality

Annual Financial Statements for the year ended 30 June 2016

Unaudited Appendix C

List of deviations from Supply Chain Management processes

DEVIATIONS REGISTER FOR THE YEAR ENDED 30 JUNE 2015			
COMPANY NAME	ORDER NO	REASON	AMOUNT
Various companies	Various	General expenses acquired in terms of deviation in terms of Local Government:MFMA:No.56 of 2003 and Regulation 36 (1) (a) (ii) of SCM Regulations.	360,808
Various companies	Various	Repair and maintenance vehicles acquired in terms of deviation in terms of Local Government:MFMA:No.56 of 2003 and Regulation 36 (1) (a) (ii) of SCM Regulations.	1,715,951
Various companies	Various	Information Technology acquired in terms of deviation in terms of Local Government:MFMA:No.56 of 2003 and Regulation 36 (1) (a) (ii) of SCM Regulations.	688,935
Various companies	Various	Accommodation and catering acquired in terms of deviation in terms of Local Government:MFMA:No.56 of 2003 and Regulation 36 (1) (a) (ii) of SCM Regulations.	529,439
Various companies	Various	Consulting services and construction acquired in terms of deviation in terms of Local Government:MFMA:No.56 of 2003 and Regulation 36 (1) (a) (ii) of SCM Regulations.	50,198,889
Various companies	Various	Repair and maintenance acquired in terms of deviation in terms of Local Government:MFMA:No.56 of 2003 and Regulation 36 (1) (a) (ii) of SCM Regulations.	90,755
Various companies	Various	Advertising acquired in terms of deviation in terms of Local Government:MFMA:No.56 of 2003 and Regulation 36 (1) (a) (ii) of SCM Regulations.	381,273
Various companies	Various	Printing and stationery acquired in terms of deviation in terms of Local Government:MFMA:No.56 of 2003 and Regulation 36 (1) (a) (ii) of SCM Regulations.	37,988
			54,004,038

Unaudited Appendix D
Segmental Statement of Financial Performance

Figures in Rand

			2,016.00
Actual Income	Actual Expenditure	Surplus/ (Deficit)	Descripti on
-	48,921,169.00		Executive and Council
326,083,236.00	29,339,644.00		Finance and Administration
	37,458,944.00		Corporate Services
	7,321,436.00		Planning and Development
	1,814,584.00		Community and Social Services
	589,539.00		Housing
	1,794,135.00		Public Safety
	8,915,763.00		Sport and Recreation
3,646,541.00	9,418,714.00		Waste Management
6,646,951.00	23,850,355.00		Roads
	575,349.00		Waste Water Management
9,346,308.00	10,603,292.00		Electricity
345,723,036.00	180,602,924.00	-	Total

2,015.00

Actual Income	Actual Expenditure	Surplus/ (Deficit)
-	44,595,029.00	-44,595,029.00
241,656,271.00	27,594,534.00	214,061,737.00
-	30,645,055.00	-30,645,055.00
-	8,101,010.00	-8,101,010.00
-	1,735,509.00	-1,735,509.00
-	590,499.00	-590,499.00
-	1,636,548.00	-1,636,548.00
-	7,739,634.00	-7,739,634.00
3,541,564.00	7,921,163.00	-4,379,599.00
5,389,842.00	29,290,534.00	-23,900,692.00
-	554,715.00	-554,715.00
10,475,124.00	17,531,862.00	-7,056,738.00
261,062,801.00	177,936,092.00	83,126,709.00

Greater Letaba Municipality

Annual Financial Statements for the year ended 30 June 2016

Unaudited Appendix E

Actual versus Budget (Revenue and Expenditure) for the year ended 30 June 2016

Figures in Rand	Actual amount 2016	Adjusted budget 2016	Variance (Rand)	Variance (%)	Explanation of significant variances greater than 10%
Revenue					
Agency fees	1,813,180	1,821,942	-8,762	-0.5%	Variance not material
Interest received - outstanding receivables	7,752,685	7,296,513	456,172	6.3%	Variance not material
Interest received	5,918,591	6,800,071	-881,480	-13.0%	Variance not material
Fines	1,932,180	352,813	1,579,367	447.6%	offenders on traffic legislation of our roads.
Government grants and subsidies	302,119,710	302,119,710	-	0.0%	No variance
Licences and permits	2,901,591	5,876,513	-2,974,922	-50.6%	licences as we have two DLTC offices in Modjadjiskloof and Ga-Kgapane.
Other income	1,224,136	1,207,069	17,067	1.4%	Variance not material
Property rates income	8,977,595	6,660,048	2,317,547	34.8%	More revenue was realised than estimated.
Rental of facilities and equipment	90,519	234,575	-144,056	-61.4%	Monatorium placed on rental of equipment
Services charges	12,992,849	21,091,952	-8,099,103	-38.4%	Decrease in consumption. Also see decrease in bulk purchases
Receipts from investments	-	65,900,441	-65,900,441	-100.0%	The withdrawal was allocated to the investment account
Total Revenue	345,723,036	419,361,647			
Expenditure					
Debt impairment	9,513,611	5,229,159	4,284,452	81.9%	The debtors were impaired using the past historically data. The estimated impairment was too low. The municipality was optimistic that the debts will be settled.
Bulk purchases	8,728,768	9,416,830	-688,062	-7.3%	Variance not material
Contracted services	9,272,936	9,985,300	-712,364	-7.1%	Variance not material
Depreciation and amortisation	12,604,176	13,895,428	-1,291,252	-9.3%	Variance not material
Employee related costs	64,406,539	65,065,495	-658,956	-1.0%	Variance not material
Finance cost	-	-	-	-	
General expenses	52,575,017	56,875,939	-4,300,922	-7.6%	Variance not material
Remuneration of councillors	17,728,499	17,879,341	-150,842	-0.8%	Variance not material
Repairs and maintenance	5,754,017	5,838,738	-84,721	-1.5%	Variance not material
Loss on disposal of assets and liabilities	18,647	-	18,647	0.0%	
Total Expenditure	180,602,210	184,186,230			
Surplus for the year	165,120,826	235,175,417			