

GREATER LETABA LOCAL MUNICIPALITY



**ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE
2011**

Annual Financial Statements

for

GREATER LETABA LOCAL MUNICIPALITY

for the year ended 30 June 2011

Province:

Limpopo

AFS rounding:

R (i.e. only cents)

Contact Information:	
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GREATER LETABA LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
30 JUNE 2011

General information

Members of the Council

G H Modjadji

Mayor

R R Ramalatso

Speaker

M Nkwana
N N Baloi
M D Makhananisa
R J Makhananisa
F M Moroatshehla
F N Maake
T C Shai
M C Seale
M P Masela
M C Masutha (Chiefwhip)

Members of the Executive Committee

R W Mohale
M Ntuli
S Malatji
M Manyama
V M Mohale
A Lebepe
F Morwatshehla
V Mashapa
M P Malola
A Makgatho
S Malatji
S Mashaba
M P Matlou
M S Sebelemetja
I Matloga
M Satekge
A Mantlaka
M Makgeru
M Madidimalo
D Mkhari
F Makhubela
D Rabapane
F Itsweng
E Ngobeni
M G Selowa
M Kgatla
T Machethe
M Lebepe
A Lebepe

Members

M F Kgamedi
J Baloyi
A Makgeru
B Rakubu
J Rababalela
F Manyama
M M Serekele
T J Senyolo
D L Selowa
R A Seunane
M J Willemse
M J Nakana
M E Mafona

Municipal Manager

I P Mutshinyali

Chief Financial Officer

M E Mankabidi

Grading of Local Authority

3

Auditors

Auditor-General

Bankers

First National Bank

GREATER LETABA LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
30 JUNE 2011

General information (continued)

Registered Office: Greater Letaba Local Municipality

Physical address: Civic Centre
Botha Street
Modjadjiskloof
0835

Postal address: P.O Box 36
Modjadjiskloof
0835

Telephone number:

Fax number: (015) 309 9246/7/8

E-mail address: (015) 309 9419
greaterletaba@glm.gov.za

**GREATER LETABA LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS**

APPROVAL OF ANNUAL FINANCIAL STATEMENTS

I am responsible for the preparation of these annual financial statements, which are set out on pages 1 to 40, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in note 23 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Cooperative Governance and Traditional Affairs determination in accordance with this Act.

**I P MUTSHINYALI
MUNICIPAL MANAGER**

DATE

**GREATER LETABA LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS**

INDEX

CONTENTS	Page
STATEMENT OF FINANCIAL POSITION	1
STATEMENT OF FINANCIAL PERFORMANCE	2
STATEMENT OF CHANGES IN NET ASSETS	3
STATEMENT OF CASHFLOWS	4
NOTES TO THE ANNUAL FINANCIAL STATEMENTS	5
APPENDICES	
A SCHEDULE OF INTEREST BEARING BORROWINGS	34
B ANALYSIS OF PROPERTY PLANT AND EQUIPMENT	35
C SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT	36
D SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE	37
E(1) ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE)	38
E(2) ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT)	39
F DEVIATION FROM SUPPLY CHAIN PROCESSES	40

**GREATER LETABA LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2011**

	Note	2011 R	2010 R
REVENUE			
Property rates	16	3 273 230	5 499 421
Service charges	17	14 577 842	9 880 950
Finance income	18	7 681 340	5 587 028
Government grants and subsidies received - operating	19	103 369 100	84 448 769
Government grants and subsidies received - capital	19	2 183 000	53 717 552
Rental of facilities and equipment		120 312	147 456
Fines		658 277	188 240
Agency fees		1 078 520	1 037 249
Licences and permits		3 218 119	2 724 991
Public contributions, donated and contributed property, plant and equipment	20	-	-
Other revenue	21	2 419 404	270 249
Total Revenue		<u>138 579 144</u>	<u>163 501 905</u>
EXPENDITURE			
Employee related costs	22	33 191 985	27 207 301
Remuneration of councillors	23	11 405 370	9 896 337
Bad debts		4 960 466	7 621 112
Depreciation and amortisation expense	24	11 923 577	4 654 779
Finance cost	25	1 827 774	1 934 231
Repairs and maintenance		4 721 567	4 258 347
Bulk purchases	26	7 250 613	6 054 261
Contracted Services		5 882 009	3 994 402
General expenses	27	26 853 165	32 679 268
Total Expenditure		<u>108 016 526</u>	<u>98 300 038</u>
Gain/(Loss) on disposal of assets	28	(11 175 512)	(99 002)
Gain/(Loss) on fair value adjustment	29	2 410 016	17 593
NET SURPLUS FOR THE YEAR		<u>21 797 122</u>	<u>65 120 458</u>

**GREATER LETABA LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2011**

		2011	2010
	Note	R	R
ASSETS			
Current assets			
Inventories	2	2 990 413	2 763 358
Consumer debtors	3	7 576 061	7 814 334
Other receivables	4	677 410	7 838 812
VAT receivable	5	2 220 100	10 408 777
Cash and cash equivalents	6	63 417 523	38 237 356
Investments	9	7 029 615	6 607 199
Non-current assets			
Property, plant & equipment	7	191 718 377	178 361 271
Intangible assets	8	573 671	31 423
Total assets		<u>276 203 170</u>	<u>252 062 530</u>
LIABILITIES			
Current liabilities			
Trade and other payables	10	35 671 457	31 328 217
Consumer deposits	11	217 146	221 078
Unspent conditional grants and receipts	12	577 926	886 192
Current portion of borrowings	13	584 226	516 193
Current portion of finance lease obligation	14	-	71 092
Provisions	15	349 805	318 005
Non-current liabilities			
Borrowings	13	9 994 685	10 588 762
Provisions	15	6 558 949	4 923 866
Total liabilities		<u>53 954 194</u>	<u>48 853 405</u>
		<u>222 248 976</u>	<u>203 209 125</u>
Net Assets			
Accumulated surplus		222 248 977	203 209 123
		<u>222 248 977</u>	<u>203 209 123</u>

GREATER LETABA LOCAL MUNICIPALITY
STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2011

	Pre GRAP Reserves & Funds	Accumulated Surplus/ (Deficit)	Total: Net Assets
	R		R
Balance at 1 July 2009	69 374 332	78 294 650	147 668 982
GRAP implementation (note 30)	(69 374 332)	57 879 383	(11 494 949)
Restated balance	-	136 174 033	136 174 033
Surplus/(deficit) for the period		65 120 458	65 120 458
Previous years adjustments		1 914 632	1 914 632
Balance at 30 June 2010	-	203 209 123	203 209 123
Balance at 1 July 2010			
Changes in equity for 2011			
Surplus/(deficit) for the period		21 797 122	21 797 122
Adjustments		(2 757 268)	
Balance at 30 June 2011	-	222 248 977	21 797 122

**GREATER LETABA LOCAL MUNICIPALITY
STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2011**

	Note	2011 R	2010 R
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from ratepayers, government and others		146 173 958	144 079 105
Cash paid to suppliers and employees		<u>(91 239 375)</u>	<u>(75 836 040)</u>
Cash generated from / (utilized in) operations	31	54 934 583	68 243 065
Finance income		7 681 340	5 587 028
Finance costs		<u>(1 827 774)</u>	<u>(1 934 231)</u>
Net cash from operating activities		<u>60 788 149</u>	<u>71 895 862</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment and other assets		(34 588 428)	(45 705 417)
(Increase)/decrease in current investments		<u>(422 416)</u>	<u>(406 530)</u>
Net cash used in investing activities		<u>(35 010 844)</u>	<u>(46 111 947)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase/(decrease) in long term loans		(526 044)	(454 058)
Payment of finance lease liabilities		<u>(71 094)</u>	<u>(225 364)</u>
Net cash used in financing activities		<u>(597 138)</u>	<u>(679 422)</u>
Increase/(decrease) in cash and cash equivalents		<u>25 180 167</u>	<u>25 104 493</u>
Cash and cash equivalents at beginning of the year		<u>38 237 356</u>	<u>13 132 861</u>
Cash and cash equivalents at end of the year		<u>63 417 523</u>	<u>38 237 356</u>

**GREATER LETABA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

1. SIGNIFICANT ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS

1.1 BASIS OF PRESENTATION

The Annual Financial Statements have been prepared on an accrual basis of accounting and are in accordance with the historical cost basis unless otherwise stated.

These annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

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

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant policy.

1.2 PRESENTATION CURRENCY

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

1.3 GOING CONCERN ASSUMPTION

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

1.4 COMPARATIVE INFORMATION

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.

1.5 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

ISSUED BUT NOT YET EFFECTIVE	STANDARD APPLIED
GRAP 18 Segment Reporting	Not applicable
GRAP 21 Impairment of non-cash-generating assets	IAS 36
GRAP 23 Revenue from Non-Exchange Transactions	GAMAP 9
GRAP 24 Presentation of Budget Information in Financial Statements - issued November 2007	Not applicable
GRAP 25 Employee Benefits	IAS 19
GRAP 26 Impairment of cash generating assets	IAS 36
GRAP 103 Heritage Assets	Not applicable

GREATER LETABA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

1.6 RESERVES

1.6.1 Revaluation Reserve

(Realised through use)

The surplus arising from the revaluation of property, plant and equipment is credited to a non-distributable reserve. The revaluation surplus is realised as revalued buildings are depreciated, through a transfer from the revaluation reserve to the accumulated surplus/(deficit). On disposal, the net revaluation surplus is transferred to the accumulated surplus/(deficit) while gains or losses on disposal, based on revalued amounts, are credited or charged to the Statement of Financial Performance.

(If Realised on disposal)

The surplus arising from the revaluation of property, plant and equipment is credited to a non-distributable reserve. The revaluation surplus is realised on the disposal of the property, plant and equipment. On disposal, the net revaluation surplus is transferred to the accumulated surplus/(deficit) while gains or losses on disposal, based on revalued amounts, are credited or charged to the Statement of Financial Performance.

1.7 PROPERTY, PLANT & EQUIPMENT

1.7.1 Initial recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded 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 the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the initial estimate of the costs of dismantling and removing the asset and restoring the site on which it is located. Including import duties and non-refundable taxes.

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

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

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.

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

1.7.2 Subsequent measurement - revaluation model (land and buildings)

Subsequently land and buildings are stated at revalued amounts, being the fair value of the land and buildings at the date of revaluation less subsequent accumulated depreciation and impairment losses in respect of buildings only.

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

A decrease in the carrying amount of land and buildings as a result of a revaluation is recognised as an expense unless there is a revaluation surplus in the reserve account. Any amount in excess of the revaluation surplus is recognised as an expense.

GREATER LETABA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

1.7 PROPERTY, PLANT & EQUIPMENT (cont)

1.7.3 Subsequent measurement - cost model

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

1.7.4 Depreciation and impairment

Depreciation is calculated on the asset's depreciable amount, using the straight-line method over the useful lives of the asset. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives:

Infrastructure Assets	Years
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 Assets	
Parks and gardens	10-30
Sport fields	20-30
Community halls	30
Libraries	30
Recreation facilities	30
Cemeteries	30
Other Assets	
Motor vehicles	7 - 15
Plant and equipment	2 -5
IT equipment	5
Office equipment	5
Finance lease assets	
Office equipment	5

The residual value, the useful life of an asset and the depreciation method is reviewed annually and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

Heritage assets are assets that are defined as culturally significant resources and are not depreciated as they are regarded as having an infinite life which are shown at cost. However, if improvements to heritage assets are conducted and registered as sub-assets and the useful life of the improvements can be determined, the depreciation charge of the relevant property, plant and equipment category is used for the depreciation of the sub-asset which was capitalised against the heritage asset.

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

GREATER LETABA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

1.7 PROPERTY, PLANT & EQUIPMENT (cont)

1.7.5 Derogation

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 on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

The municipality has taken advantage of the transitional provisions in Directive 4 of February 2008, on initial adoption of the standard of GRAP to comply fully with this standard.

1.8 INTANGIBLE ASSETS

1.8.1 Initial recognition

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licences, and development costs. The municipality recognises an intangible asset in its Statement of Financial Position only 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.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the municipality has the resources to complete the project; and
- it is probable that the municipality will receive future economic benefits or service potential.

Intangible assets are initially recognised at cost.

Where an intangible asset has been acquired at no or for a nominal cost, its cost is its fair value on the date of acquisition.

Where an intangible asset 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.

1.8.2 Subsequent measurement - cost model

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test. and the useful life is reviewed at each reporting date, and if the useful life has changed from indefinite and definite, it is treated as a change in accounting estimate in Statement of Financial Performance.

1.8.3 Amortisation and impairment

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. The annual amortisation rates are based on the following estimated average asset lives:

	Years
Licences	3
Computer software	3

Each item of intangible asset is amortised separately.

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised prospectively as a change in accounting estimate in the Statement of Financial Performance.

GREATER LETABA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

1.8 INTANGIBLE ASSETS (cont)

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

1.8.4 Derecognition

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.9 NON-CURRENT ASSETS HELD FOR SALE

1.9.1 Initial recognition

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

1.9.2 Subsequent measurement

Non-current assets held for sale (or disposal group) are measured at the lower of carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

1.10 INVENTORIES

1.10.1 Initial recognition

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 manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

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

1.10.2. Subsequent measurement

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.

GREATER LETABA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

1.10 INVENTORIES (cont)

In general, the basis of allocating cost to inventory items is the weighted average method.

The municipality has taken advantage of the transitional provisions in Directive 4 of February 2008, on initial adoption of the standard of GRAP on Inventories, GRAP 12, to comply fully with this standard..

1.11 FINANCIAL INSTRUMENTS

1.11.1 Initial recognition

Financial instruments are initially measured at fair value, plus,(in the case of financial instruments not at fair value through profit or loss), transaction costs. The fair value of a financial instrument that is initially recognised is normally the transaction price, unless the fair value is evident from the observable market data. The municipality uses a discounted cash flow model which incorporates entity-specific variables to determine the fair value of financial instruments that are not traded in an active market. Differences may arise between the fair value initially recognised in (which in accordance with IAS 39, is generally the transaction price) and the amount initially determined using the valuation technique. Any such differences are subsequently recognised in profit or loss only to the extent that they relate to a change in the factors (including time) that market participants would consider in setting the price.

1.11.2.Subsequent measurement

Financial Assets are categorised according to their nature as either financial assets at fair value through profit or loss, held-to maturity, loans and receivables, or available for sale. Financial liabilities are categorised as either at fair value through profit or loss or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation and, in the absence of an approved GRAP Standard on Financial Instruments, is in accordance with IAS 39.

The Entity classifies its financial assets into the following categories:

- held-to-maturity;
- loans and receivables;
- available-for-sale; and
- fair value through profit and loss.

The classification depends on the purpose for which the financial asset is acquired, and is as follows:

- Held-to-maturity investments are financial assets with fixed or determinable payments and fixed maturity, where the Entity has the positive intent and ability to hold the investment to maturity. They are subsequently measured at amortised cost, using the effective interest rate method. Any adjustment is recorded in the Statement of Financial Performance in the period in which it arises.
- Loans and receivables are financial assets that are created by providing money, goods or services directly to a debtor.They are subsequently measured at amortised cost, using the effective interest rate method. Any adjustment is recorded in the Statement of Financial Performance in the period in which it arises.
- Available-for-sale financial assets are financial assets that are designated as available for sale, and are subsequently measured at fair value at Statement of Financial Position date, except for investments in equity instruments that do not have quoted market prices in an active market, and whose fair value cannot be reliably measured, which shall be measured at cost. Any adjustment is recorded in the Statement of Changes in Net Assets in the period in which it arises. When these investments are derecognised, the cumulative gain or loss previously recognised directly in equity is recognised in profit or loss. The fair value of financial instruments classified as available-for-sale is their quoted bid price at the Statement of Financial Position date.
- Fair value through profit and loss financial assets include derivative financial instruments used by the Entity to manage its exposure to fluctuations in interest rates attached to certain of its external borrowings interest swap agreements.Any fair value adjustment is recorded in the Statement of Financial Performance in the period in which it arises. To the extent that a derivative instrument has a maturity period of longer than a year, the fair value of these instruments will be reflected as a non-current asset or liability, and is subsequently measured at fair value at Statement of Financial Position date.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discount) through the expected life of the financial asset, or, where appropriate a shorter period.

GREATER LETABA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

1.11 FINANCIAL INSTRUMENTS (cont)

1.11.2.1 TRADE AND OTHER RECEIVABLES

Trade and other receivables are categorised as financial assets: loans and receivables and are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within 12 months from the reporting date are classified as current.

1.11.2.2 TRADE PAYABLES AND BORROWINGS

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost which is the initial carrying amount, less repayments, plus interest.

1.11.2.3 CASH AND CASH EQUIVALENTS

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

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

1.11.3 IMPAIRMENT

- An assessment is performed at each Statement of Financial Position date to determine whether objective evidence exists that a financial asset is impaired. The carrying amounts of cash investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments. This reduction in carrying value is recognised in the Statement of Financial Performance.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. Impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the instrument. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables through the use of an allowance account, and the amount of the loss is recognised in the Statement of Financial Performance within operating expenses. When a trade receivable is uncollectible, it is written off. Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance.

1.12 PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Provisions are recognised when the municipality has a present obligation (legal or constructive) as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. 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).

The municipality does not recognise a contingent liability or contingent asset. 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.

GREATER LETABA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

1.12 PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS (cont)

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:

(a) 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

(b) 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 has complied with the transitional provisions in Directive 4 of February 2008, on initial adoption of the standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets, GRAP 19, in order to comply fully with this standard..

1.13 LEASES

1.13.1 The Municipality as Lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

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

Operating leases are those leases that do not fall within the scope of the above definition. 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.

1.13.2 The Municipality as Lessor

Under a finance lease, the municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables.

GREATER LETABA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

1.14 REVENUE RECOGNITION

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.

1.14.1 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.

Service charges

Flat rate service charges relating to electricity and water 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.

Sale of goods

Revenue from the sale of goods is recognised when substantially all the risks and rewards of ownership of the goods is passed to the consumer.

Revenue from the sale of erven is recognised when all conditions associated with the deed of sale have been met.

Interest, royalties and dividends

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

Royalties are recognised as they are earned on a time basis is recognised on a straight-line basis over the period of the agreement. Royalty revenue that is based on production, sales and other measures is recognised in accordance with the substance of the relevant agreement.

Dividends are recognised on the date that the Municipality becomes entitled to receive the dividend.

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.

GREATER LETABA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

1.14 REVENUE RECOGNITION (cont)

1.14.2 Revenue from non-exchange transactions

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

Rates (including collection charges and penalty interest)

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis.

Rebates are respectively granted, to owners of land on which not more than two dwelling units are erected provided that such dwelling units are solely used for residential purposes. Additional relief is granted to needy, aged and/or disabled owners, based on income .

Assessment rates income is recognised once a rates account has been issued to ratepayers. Adjustments or interim rates are recognised once the municipal valuer has valued the change to properties

Fines

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received.

Public donations and contributions

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality. Where public contributions have been received but the municipality has not met the related conditions, a deferred income (liability) is recognised.

Deferred income relating to government grants are recognised on the following bases:

- Capital contributions to property, plant and equipment: Credited on a systematic basis to the Statement of financial Performance based on the estimated useful life of the plant and equipment.
- Income-related grants subsidising expenses: Credited to the Statement of Financial Performance as revenue when the related expense is recognised

Contributed property, plant and equipment is recognised at fair value, when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality.

Other

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

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

GREATER LETABA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

1.14 REVENUE RECOGNITION (cont)

Government grants, transfers and donations

Government Grants can be in the form of grants to acquire or construct fixed assets (capital grants), grants for the furtherance of national and provincial government policy objectives and general grants to subsidise the cost incurred by municipalities rendering services.

Capital grants and general grants for the furtherance of government policy objectives are usually restricted revenue in that stipulations are imposed in their use.

Conditional grants, donations and funding were recognised as revenue in the Statement of Financial Performance to the extent that the Municipality has complied with any criteria, conditions or obligations embodied in the agreement/arrangement. To the extent that the criteria, conditions and obligations have not been met a liability is raised in the Statement of Financial Position. Unconditional grants, donations and funding are recognised as revenue in the Statement of Financial Position at the earlier of the date of receipt or when the amount is receivable.

Contributed assets are recognised at fair value when the risks and rewards associated with such asset transfer to the Municipality.

1.15 BORROWING COSTS

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established.

Borrowing costs incurred other than on qualifying assets are recognised as an expense in surplus or deficit when incurred.

1.16 EMPLOYEE BENEFITS

1.16.1 Short-term employee benefits

The cost of short-term employee benefits, which include salaries and wages, short-term compensated absences, non-monetary benefits such as medical aid and performance plans, are expensed in the Statement of Financial Performance in the financial year during which the payment is made.

Liabilities for short-term employee benefits that are unpaid at year-end are measured at the undiscounted amount that the municipality expected to pay in exchange for that service that had accumulated at the reporting date.

1.16.2 Termination Benefits

Termination benefits are recognised when actions have been taken to indicate that the municipality is demonstrably committed to either terminate the employment of an employee or group of employees before the normal retirement date; or provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

1.16.3 Retirement benefits

The municipality provides retirement benefits for its employees and councillors.

Contributions to defined contribution retirement benefit plans are recognised as an expense when employees and councillors have rendered the employment service or served office entitling them to the contributions.

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.

GREATER LETABA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

1.16 EMPLOYEE BENEFITS (cont)

Defined benefit plans

Defined benefit plans are post-employment benefit plans other than Defined Contribution plans. The defined benefit plans are valued triennially by means of the projected unit credit method. Deficits identified are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities. The contributions and lump sum payments are charged against income in the year in which they become payable.

Past service costs are recognised immediately where the benefit is vested or are amortised on a straight-line basis over the average period that it will take for such benefits to become vested.

The retirement benefit obligations recognised in the Statement of Financial Position represents the present value of the defined benefit obligation, adjusted for unrecognised actuarial gains and losses, unrecognised service cost and the fair value of plan assets. Where an asset results, such asset is limited to unrecognised actuarial losses, past service costs and the present value of available refunds and reductions in future contributions to the plan.

Post employment medical care benefits

The municipality provides post employment medical care benefits to its employees and their legitimate spouses. The entitlement to post-retirement medical benefits is based on employees remaining in service up to retirement age and the completion of a minimum service period. The expected cost, of these benefits is accrued over the period of employment.

1.17 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.

1.18 IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Act (Act 56 of 2003), the Municipal Systems Act (Act 32 of 2000), the Public Office Bearers Act (Act 20 of 1998) or is in contravention of the municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.19 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.

1.20 VALUE ADDED TAX (VAT)

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

GREATER LETABA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

1.21 KEY SOURCES OF ESTIMATION UNCERTAINTY AND JUDGEMENTS

The following areas involve a significant degree of estimation uncertainty:

- Useful lives and residual values of property, plant, and equipment
- Recoverable amounts of property, plant and equipment
- Provision for rehabilitation of landfill sites (discount rate used, number of years, amount of cash flows)
- Provision for doubtful debts
- Impairment of assets
- Provision for long-term service award
- Other

The following areas involved judgements, apart from those involving estimations disclosed above, that management has made in the process of applying the municipality's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

- Impairment of assets
- Provisions
- Other

GREATER LETABA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R	
2. INVENTORIES			
Consumable stores - at cost	877 413	650 358	
Unsold property	2 113 000	2 113 000	
	<u>2 990 413</u>	<u>2 763 358</u>	
3. CONSUMER DEBTORS	Gross Balances	Provision for Doubtful Debts	Net Balance
30 June 2011			
Service debtors			
Rates	9 900 242	(8 235 355)	1 664 887
Electricity	8 113 940	(6 749 449)	1 364 491
Refuse	11 970 268	(9 957 272)	2 012 996
Other	15 066 559	(12 532 872)	2 533 687
Total	<u>45 051 009</u>	<u>(37 474 948)</u>	<u>7 576 061</u>
30 June 2010			
Service debtors			
Rates	11 490 707	(9 285 321)	2 205 386
Electricity	4 163 864	(3 364 703)	799 161
Refuse	9 449 614	(7 635 971)	1 813 643
Other	15 610 788	(12 614 644)	2 996 144
Total	<u>40 714 973</u>	<u>(32 900 639)</u>	<u>7 814 334</u>
Debtors Age Analysis			
Rates			
Current (0 - 30 days)		453 934	596 126
31 - 60 days		400 621	504 405
61 - 90 days		301 917	520 603
90 days +		8 743 770	9 869 573
Total		<u>9 900 242</u>	<u>11 490 707</u>
Electricity			
Current (0 - 30 days)		1 052 798	411 560
31 - 60 days		651 865	227 707
61 - 90 days		506 300	191 849
90 days +		5 902 977	3 332 748
Total		<u>8 113 940</u>	<u>4 163 864</u>
Refuse and other			
Current (0 - 30 days)		763 878	427 472
31 - 60 days		694 991	416 700
61 - 90 days		618 587	451 308
90 days +		24 959 370	23 764 922
Total		<u>27 036 827</u>	<u>25 060 402</u>

GREATER LETABA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011	2010
	R	R
3. CONSUMER DEBTORS (cont)		
Reconciliation of the doubtful debt provision		
Balance at beginning of the year	32 900 639	25 279 528
Contributions to provision	10 832 613	7 621 111
Balance at end of year	<u>43 733 252</u>	<u>32 900 639</u>
<p>The Municipality appointed UHMS to compile a revenue enhancement strategy.</p> <p>The Municipality appointed Akhile Consulting to conduct a debtor cleansing exercise.</p>		
4. OTHER RECEIVABLES		
Department of Energy	-	7 255 214
Deposit	89 190	67 739
Interest accrued	39 932	39 932
Sundry debtors	548 288	475 927
	<u>677 410</u>	<u>7 838 812</u>
(See note 19.6)		
5. VAT RECEIVABLE		
VAT receivable	<u>2 220 100</u>	<u>10 408 777</u>
6. CASH AND CASH EQUIVALENTS		
Cash and cash equivalents consist of the following:		
Cash at bank	31 322 943	36 775 676
Fixed and call deposits	32 094 580	1 461 680
	<u>63 417 523</u>	<u>38 237 356</u>
<p>An investment totalling R1 463 162 (2010: R1 395 664) was ceded to the DBSA as security for a long term loan granted.</p> <p>Cash at bank totalling R577 926 is attributable to unspent conditional grants.</p> <p>The municipality has the following bank accounts: Current account (primary bank account) Bank: First National Bank Account number: 52100005761</p>		
Bank statement balance at beginning of year	12 723 644	2 003 927
Bank statement balance at end of year	<u>1 724 589</u>	<u>12 723 644</u>
Cash book balance at beginning of year	12 723 644	2 003 927
Cash book balance at end of year	<u>1 724 589</u>	<u>12 723 644</u>

GREATER LETABA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011	2010
	R	R
6. CASH AND CASH EQUIVALENTS (cont)		
Current account (Traffic)		
Bank: First National Bank		
Account number: 62051705534		
Bank statement balance at beginning of year	23 719 595	9 247 370
Bank statement balance at end of year	<u>29 579 083</u>	<u>23 719 595</u>
Cash book balance at beginning of year	23 719 595	9 247 370
Cash book balance at end of year	<u>29 579 083</u>	<u>23 719 595</u>
Current account (Housing)		
Bank: First National Bank		
Account number: 62051706409		
Bank statement balance at beginning of year	332 437	496 778
Bank statement balance at end of year	<u>19 271</u>	<u>332 437</u>
Cash book balance at beginning of year	332 437	496 778
Cash book balance at end of year	<u>19 271</u>	<u>332 437</u>

GREATER LETABA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

7. PROPERTY, PLANT & EQUIPMENT

OWNED ASSETS:

7.1

**Reconciliation of Carrying Value
30 June 2011**

	Land	Buildings	Infrastructure	Other Assets	Total
	R	R	R	R	R
Carrying values at beginning of the year	24 625 300	31 638 978	112 847 934	9 200 826	178 313 038
Cost	24 625 300	32 750 266	121 006 760	17 864 488	196 246 814
Accumulated depreciation	-	(1 111 288)	(8 158 826)	(8 663 662)	(17 933 776)
Acquisitions	4 500 000	1 145 611	15 307 561	4 949 016	25 902 188
Assets fair valued		63 661	15 499	2 330 856	2 410 016
Capital under construction	47 826	5 339 492	2 743 590		8 130 908
Depreciation		(1 280 992)	(8 144 655)	(3 780 565)	(13 206 212)
Accumulated depreciation on asset fully depreciated		128	60 370	1 259 306	1 319 804
Carrying value of disposals	-	(969 728)	(10 021 702)	(184 082)	(11 175 512)
Cost		(1 008 494)	(11 596 161)	(557 658)	(13 162 313)
Accumulated depreciation		38 766	1 574 459	373 576	1 986 801
Carrying value at end of the year	29 173 126	35 937 150	112 808 597	13 775 357	191 694 230
Cost	29 173 126	38 290 536	127 477 249	24 586 702	219 527 613
Accumulated depreciation	-	(2 353 386)	(14 668 652)	(10 811 345)	(27 833 383)

**Reconciliation of Carrying Value
30 June 2010**

	Land	Buildings	Infrastructure	Other Assets	Total
	R	R	R	R	R
Carrying values at beginning of the year		30 940 957	72 326 164	9 267 942	137 160 363
Cost	24 625 300	30 948 437	79 072 630	16 656 290	151 302 657
Accumulated depreciation	-	(7 480)	(6 746 466)	(7 388 348)	(14 142 294)
Acquisitions		1 801 829	24 916 003	1 840 730	28 558 562
Capital under construction			17 138 827		17 138 827
Depreciation		(1 103 808)	(1 472 764)	(1 869 139)	(4 445 711)
Carrying value of disposals	-	-	(60 296)	(38 707)	(99 003)
Cost reversal			(120 700)	(632 532)	(753 232)
Accumulated depreciation reversal			60 404	593 825	654 229
Fair value adjustment					0
Carrying value at end of the year	24 625 300	31 638 978	112 847 934	9 200 826	178 313 038
Cost	24 625 300	32 750 266	121 006 760	17 864 488	196 246 814
Accumulated depreciation – cost	-	(1 111 288)	(8 158 826)	(8 663 662)	(17 933 776)

FINANCE LEASE ASSETS:

7.2 Reconciliation of Carrying Value

	2011	2010
Carrying values at beginning of the year	48 233	241 698
Cost	967 323	967 323
Accumulated depreciation	(919 090)	(725 625)
Depreciation	(24 086)	(193 465)
Carrying value at end of the year	24 147	48 233
Cost	967 323	967 323
Accumulated depreciation	(943 176)	(919 090)

The above office equipment is pledged as security for deemed finance leases.

Total property, plant and equipment

191 718 377 **178 361 271**

7.3 Transitional provisions in terms of Directive 4

The Municipality has taken advantage of the Property, Plant and Equipment transitional provisions in terms of paragraphs .75 and .78 of Directive 4 of February 2008. The three year transitional period lapses on 30 June 2011. The municipality has appointed a service provider to unbundle the assets and this exercise will be completed in the 2011/12 financial year.

GREATER LETABA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL FOR THE YEAR ENDED 30 JUNE 2011

	2011	2010
	R	R
8. INTANGIBLE ASSETS		
Computer software		
Reconciliation of Carrying Value		
Carrying values at beginning of the year	31 423	38 999
Cost	47 716	39 688
Accumulated amortisation	(16 293)	(689)
Acquisitions	555 332	8 028
Amortisation	(13 084)	(15 604)
Cost	603 048	47 716
Accumulated amortisation	(29 377)	(16 293)
Carrying value at end of the year	573 671	31 423
9. INVESTMENTS		
Available for sale investments		
Listed investments	7 029 615	6 607 199
An investment totalling R6 957 958 (2010: R6 539 804) was ceded to the DBSA as security for a long term loan granted.		
10. TRADE AND OTHER PAYABLES		
Trade creditors	2 569 929	2 880 583
Payments received in advance	1 739 492	854 041
Staff leave	3 707 369	3 610 994
Retentions	3 598 079	6 277 922
Provision for bonus	53 009	53 009
Sundry creditor	90 800	4 588
Mopani District (Water & Sanitation function)	23 912 779	17 647 080
Total Trade and Other Payables	35 671 457	31 328 217
Refer to note 39.2 relating to Mopani District Municipality.		
11. CONSUMER DEPOSITS		
Water and electricity	217 146	221 078
No interest is paid on consumer deposits.		
Guarantees held in lieu of electricity and water deposits	0	7 868

GREATER LETABA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
12. UNSPENT CONDITIONAL GRANTS AND RECEIPTS		
<i>Conditional Grants from other spheres of Government</i>		
Finance Management Grant	330 926	718 121
Municipal Systems Improvement Grant	-	168 071
Extended Public Works Program	247 000	-
Total Conditional Grants and Receipts	577 926	886 192

See note 19 for the reconciliation of grants from other spheres of government.

These amounts are cash backed.

13. BORROWINGS		
Annuity loans	10 578 911	11 104 955
Less: Current portion transferred to current liabilities	(584 226)	(516 193)
	9 994 685	10 588 762

Refer to Appendix A for more detail on borrowings.

	Minimum lease payment	Future finance charges	Present value of lease payments
30 June 2010			
Amounts payable under finance leases			
Within one year	76 294	5 202	71 092
Within two to five years			-
	76 294	5 202	71 092
Less: Amount due for settlement within 12 months (current portion)			(71 092)
			-

The liability is secured by office equipment under deemed finance leases with a carrying value of R48 234 (2009: R241 698). The effective interest rate is 43.3% and is repayable in 60 equal instalments of which the first was paid in October 2005. The last instalment is payable during September 2010.

GREATER LETABA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
15. PROVISIONS		
15.1 NON CURRENT PROVISION		
Provision for landfill rehabilitation	2 103 846	1 912 587
Post retirement medical aid benefits	2 933 473	2 029 185
Long service awards	1 521 630	982 094
	<u>6 558 949</u>	<u>4 923 866</u>
Landfill rehabilitation		
The provision for rehabilitation of landfill sites relates to the legal obligation to rehabilitate landfill sites used for waste disposal. The landfill site is no longer in use.		
The movement in the non-current provision is reconciled as follows: -		
Provision for rehabilitation of landfill sites:		
Balance at the beginning of year	1 912 587	1 762 753
Increase in provision due to discounting	191 259	149 834
Balance at the end of year	<u>2 103 846</u>	<u>1 912 587</u>
Post retirement medical aid benefits		
An actuarial valuation has been performed in respect of benefits to eligible retirees and current retirees.		
Long service awards		
An actuarial valuation has been performed in respect of long service benefits which employees may become entitled to upon completion of a certain numbers of years service.		
15.2 CURRENT PROVISION		
Provision for performance bonuses	<u>349 805</u>	<u>318 005</u>
Performance bonuses are paid one year in arrears as the assessment of eligible employees has not taken place at the reporting date.		
16. PROPERTY RATES		
Residential	3 348 067	
Business & Commercial	1 196 862	
Government	971 508	
Agricultural	492 009	
Other	22 837	
Income foregone	(2 758 053)	
	<u>3 273 230</u>	<u>5 499 421</u>

GREATER LETABA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
16. PROPERTY RATES (cont)		
VALUATIONS	R000's	R000's
Residential	460 565 756	401 576 810
Commercial	90 246 500	80 945 400
Government	26 853 100	26 727 000
Municipal	69 902 000	69 402 978
Agriculture	397 859 750	419 398 050
Other		27 114 100
	1 045 427 106	1 025 164 338

Valuations on land and buildings are performed every four years. The last valuation roll came into effect on 1 July 2007. Interim valuations are processed on a quarterly basis to take into account changes in individual property values due to alterations and subdivisions.

Various rates apply for the different categories which is applied to property valuations to determine assessment rates. Rebates are granted to residential. Rates are levied on a monthly basis on property owners.

Interest at 14% per annum (2010: 14%) is levied on outstanding rates.

17. SERVICE CHARGES		
Sale of electricity	11 725 640	7 122 707
Refuse removal	2 852 202	2 758 243
	14 577 842	9 880 950

18. FINANCE INCOME		
Cash and cash equivalents	2 185 495	1 938 890
External investments	1 055 319	541 840
Arrear consumers debtors	4 440 526	3 106 298
	7 681 340	5 587 028

19. GOVERNMENT SUBSIDIES & GRANTS		
Operating Grants	103 838 631	84 448 769
Equitable share	100 445 134	82 637 706
Finance management Grant	1 387 195	261 348
Municipal Systems Improvement Grant	1 059 372	1 091 215
Other	946 930	458 500
Capital Grants	3 927 786	53 717 552
Municipal Infrastructural Grant	2 183 000	42 009 338
INEP	1 744 786	11 708 214
Total Government Grants & Subsidies	107 766 417	138 166 321

GREATER LETABA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL FOR THE YEAR ENDED 30 JUNE 2011

	2011	2010
	R	R
19. GOVERNMENT SUBSIDIES & GRANTS (cont)		
19.1 Equitable Share		
In terms of the Constitution, this is an unconditional grant used to subsidise the provision of basic services to indigent		
19.2 Finance Management Grant		
Balance unspent at beginning of year	718 120	229 468
Current year receipts	1 000 000	750 000
Conditions met – transferred to revenue	(1 387 195)	(261 348)
Unspent amount transferred to liabilities	330 925	718 120
(see note 12)		
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		
19.3 Municipal Systems Improvement Grant		
Balance unspent at beginning of year	309 372	665 587
Current year receipts	750 000	735 000
Conditions met – transferred to revenue	(1 059 372)	(1 091 215)
Unspent amount transferred to liabilities	-	309 372
(see note 12)		
The purpose of the grant is for institutional systems. No funds were withheld or delayed.		
19.4 Municipal Infrastructure Grant (MIG)		
Balance unspent at beginning of year	-	1 958 338
Current year receipts	2 183 000	40 051 000
Conditions met – transferred to revenue	(2 183 000)	(42 009 338)
Unspent amount transferred to liabilities	-	-
This grant was used to construct municipal infrastructure to provide basic services for the benefit of poor households. The conditions of the grant were met. No funds have been withheld. The municipality utilised an amount of R1 950 288 of its own funds for the infrastructure construction.		
19.5 Other		
DPW - EPWP incentive	865 700	316 800
LGSETA	81 230	141 700
Transferred to revenue	946 930	316 800
19.6 INEP		
Balance unspent at beginning of year	(7 255 214)	-
Current year receipts	9 000 000	4 453 000
Conditions met – transferred to revenue	(1 744 786)	(11 708 214)
Spent amount transferred to current asset	0	(7 255 214)
(see note 4)		
The amount of R7 255 214 will be reimbursed by the Department of Energy in the 2010/11 financial year. The municipality also utilised an amount of R1 384 314 of its own funds to fund the project.		
19.7 Changes in levels of government grants		
Based on the allocations set out in the Division of Revenue Act, (Act 12 of 2009), no significant changes in the level of government grant funding are expected over the forthcoming 3		

GREATER LETABA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
20. PUBLIC CONTRIBUTIONS, DONATED & CONTRIBUTED PROPERTY, PLANT & EQUIPMENT	-	-
	<u>-</u>	<u>-</u>
21. OTHER REVENUE		
Dividend received	-	218
Sundry	2 419 404	270 031
Total Other revenue	<u>2 419 404</u>	<u>270 249</u>
22. EMPLOYEE RELATED COSTS		
Employee related cost - Salaries and wages	23 166 440	19 927 719
Employee related cost - Social contributions	6 383 833	3 594 352
Travel, motor car, accommodation & other	422 038	509 076
Housing benefits and allowances	384 540	391 126
Overtime benefits	2 606 833	1 993 075
Leave provision	228 301	791 953
	<u>33 191 985</u>	<u>27 207 301</u>
There were no advances paid to employees.		
Municipal Manager		
Annual remuneration	618 922	587 245
Performance and other bonuses	-	65 775
Travel, motor car, accommodation, subsistence and other allowances	284 944	343 913
Contributions to UIF, Medical and Pension Funds	60 000	56 696
	<u>963 866</u>	<u>1 053 629</u>
Chief Financial Officer		
Annual remuneration	505 916	429 450
Travel, motor car, accommodation, subsistence and other allowances	168 000	222 754
Contributions to UIF, Medical and Pension Funds	84 000	85 542
	<u>757 916</u>	<u>737 746</u>
	Community Services	Corporate Services
		Infrastructure & Develop Planning
Remuneration of Individual Directors 30 June 2011		
Annual remuneration	499 800	460 000
Travel, motor car, accommodation, subsistence and other allowances	132 000	129 778
Contributions to UIF, Medical and Pension Funds	78 000	114 000
	<u>709 800</u>	<u>703 780</u>

GREATER LETABA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
22. EMPLOYEE RELATED COSTS (cont)		
	Community Services	Corporate Services
		Infrastructure & Develop Planning
Remuneration of Individual Directors 30 June 2010		
Annual remuneration	441 954	393 775
Performance and other bonuses	49 167	-
Travel, motor car, accomodation, subsistence and other allowances	187 418	222 227
Contributions to UIF, Medical and Pension Funds	79 543	86 292
	<u>758 082</u>	<u>702 294</u>
		<u>678 692</u>
<p>No performance bonuses were paid out in terms of Section 57 of the Municipal Systems Act. (2011 and 2010 both)</p>		
23. REMUNERATION OF COUNCILLORS		
Mayor	599 859	515 950
Speaker	482 955	416 039
Executive Committee members	2 029 361	2 372 196
Councillors	8 293 195	6 592 152
	<u>11 405 370</u>	<u>9 896 337</u>
<p>The Mayor, Speaker, Chief Whip and an ordinary councillor are full time. Each is provided with an office and secretarial support at the cost of Council.</p> <p>The Mayor has use of a Council owned vehicle for official duties.</p>		
24. DEPRECIATION AND AMORTISATION EXPENSE		
Property, plant and equipment	11 910 493	4 651 604
Intangible assets	13 084	3 175
	<u>11 923 577</u>	<u>4 654 779</u>
25. FINANCE COST		
Borrowings	1 636 515	1 711 518
Finance leases	0	72 879
Provisions	191 259	149 834
	<u>1 827 774</u>	<u>1 934 231</u>
26. BULK PURCHASES		
Electricity	7 250 613	6 054 261
	<u>7 250 613</u>	<u>6 054 261</u>

GREATER LETABA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
27. GENERAL EXPENSES		
Included in general expenses is the following:-		
Advertising	428 137	394 801
Audit fees	1 403 161	1 464 635
Bank charges	177 718	164 698
Conferences and congresses	200 905	118 016
Fuel	1 501 832	
Free basic services	1 535 508	
Insurance	642 122	587 390
Interns	1 885 845	
Legal expenses	620 130	446 936
Membership fees	232 066	245 754
Printing and stationery	526 553	457 276
Telephone & cellphone costs	435 573	499 222
Training	438 633	51 400
Travel and subsistence	2 459 473	2 031 285
Vehicle licences	51 103	1 121 223
Electrification of villages	1 508 755	15 287 823
Contribution to post retirement medical care	1 205 549	2 369 846
Workshop and meetings : Ward Committee	2 481 250	
Other	9 118 852	7 438 963
	26 853 165	32 679 268
28. GAIN/(LOSS) ON DISPOSAL OF ASSETS		
Property, plant and equipment	11 175 512	99 002
29. GAIN/(LOSS) ON FAIR VALUE ADJUSTMENT		
Other financial assets	2 410 016	17 593
30. CHANGE IN ACCOUNTING POLICY - IMPLEMENTATION OF GRAP		
The following adjustments were made to amounts previously reported in the annual financial statements of the Municipality arising from the implementation of GRAP: -		
30.1 Statutory Funds		
Balance previously reported: -		
Capital Development Fund		3 363 199
Loan Redemption Fund		309 861
Land Trust Fund		276 286
Township Development Suspense		(4 185 451)
Trust Fund		(8 390 019)
Loans Redeemed and Other Capital Receipts		78 000 456
Total (credited to Accumulated Surplus) (see 30.5 below)		69 374 332
30.2 Property, plant and equipment		
Balance previously reported		
Implementation of GRAP		
Assets not meeting the criteria		(236 274)
Finance leased assets previously not recognised		485 191
Total (credited to Accumulated Surplus) (see 30.5 below)		248 917

GREATER LETABA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
30. CHANGE IN ACCOUNTING POLICY - IMPLEMENTATION OF GRAP (cont)		
30.3 Inventory and Provisions		
Balance previously reported		-
Implementation of GRAP		
Unsold property now shown as inventory		2 113 000
Landfill rehabilitation provision		(1 655 167)
Total (credited to Accumulated Surplus) (see 30.5 below)		457 833
30.4 Accumulated Depreciation		
Balance previously reported		-
Implementation of GRAP		
Backlog depreciation: Infrastructure		5 727 380
Backlog depreciation: Buildings		15 315
Backlog depreciation: Other		8 181 984
Total (debited to Accumulated Surplus) (see 30.5 below)		13 924 679
30.5 Accumulated Surplus		
Implementation of GRAP		
Transferred from statutory funds (see 30.1 above)		69 374 332
Property, plant & equipment adjustments (see 30.2 above)		248 917
Adjustments to inventory and provision (see 30.3 above)		457 833
Backlog depreciation (see 30.4 above)		(13 924 679)
Total		56 156 403
31. CASH GENERATED FROM/(UTILISED IN) OPERATIONS		
Net surplus for the year	21 797 122	65 120 458
Adjustment for:		
Prior year adjustments	(2 757 268)	1 914 632
Depreciation charges	11 923 577	4 654 779
Loss on disposal of assets	11 175 512	99 002
Fair value adjustment	(2 410 016)	(17 593)
Contribution to Provisions	1 666 883	3 479 119
Finance income	(7 681 340)	(5 587 028)
Finance costs	1 827 774	1 934 231
Operating surplus before working capital changes	35 542 244	71 597 600
(Increase)/decrease in inventories	(227 055)	(37 266)
(Increase)/decrease in consumer debtors	238 273	138 175
(Increase)/decrease in other receivables	7 161 402	(6 754 251)
(Increase)/decrease in VAT receivable	8 188 677	(5 252 243)
Increase/(decrease) in conditional grants	(308 266)	(1 967 201)
Increase/(decrease) in trade payables and other payables	4 343 240	10 518 503
Increase/(decrease) in consumer deposits	(3 932)	(252)
Net cash from operating activities	54 934 583	68 243 065

GREATER LETABA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
32. ADDITIONAL DISCLOSURES IN TERMS OF SECTION 125 OF MUNICIPAL FINANCE MANAGEMENT ACT, 2003		
32.1 Contribution to SALGA		
Council membership fees payable	232 066	245 754
Amount paid current year	<u>(232 066)</u>	<u>(245 754)</u>
Balance unpaid (included in creditors)	<u><u>-</u></u>	<u><u>-</u></u>
32.2 Audit Fees		
Current year audit fee	1 403 161	1 464 635
Amount paid current year	<u>(1 403 161)</u>	<u>(1 464 635)</u>
Balance unpaid (included in creditors)	<u><u>-</u></u>	<u><u>-</u></u>
32.3 VAT		
VAT is payable on the cash basis. VAT input receivables and VAT output receivable are shown in note 5. All VAT returns have been submitted by the due date throughout the year.		
32.4 PAYE & UIF		
Current payroll deductions	7 127 813	4 974 355
Amount paid current year	<u>(7 127 813)</u>	<u>(4 974 355)</u>
	<u><u>-</u></u>	<u><u>-</u></u>
32.5 Pension and Medical Aid Deductions		
Current payroll deductions	7 746 916	4 354 566
Amount paid current year	<u>(7 746 916)</u>	<u>(4 354 566)</u>
	<u><u>-</u></u>	<u><u>-</u></u>
32.6 Distribution losses		
The distribution losses was as follows for the year under review:		
Water distribution loss - 45%		
Electricity distribution loss - 40%		
33. COUNCILLOR'S ARREAR CONSUMER ACCOUNTS		
The following councillors were in arrears with their municipal accounts at 30 June 2011.		
Mr M J Nakana		5 604
Mr M Matedimosa	384	1 300
34. COMMITMENTS		
Commitments in respect of expenditure:		
Approved and contracted for	<u>32 868 082</u>	<u>11 114 269</u>
The expenditure will be financed from:		
- Government Grants	<u>32 868 082</u>	<u>11 114 269</u>
This commitments is due to multi-year projects.		

**GREATER LETABA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL FOR THE YEAR ENDED 30 JUNE 2011**

	2011	2010
	R	R
35. DEVIATIONS FROM SUPPLY CHAIN		
Refer to Appendix F for details relating to deviation from supply chain processes.		
36. CONTINGENT LIABILITIES		
36.1 GLM vs. Various	692 699	
The Municipality is involved in several litigations of which the outcome is uncertain		

**GREATER LETABA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL FOR THE YEAR ENDED 30 JUNE 2011**

	2011 R	2010 R
37. COMPARISON WITH THE BUDGET		
The comparison of the Municipality's actual financial performance with that budgeted is set out in Annexure E(1) and E(2).		
38. UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE		
38.1 Fruitless and wasteful expenditure		
Reconciliation of fruitless and wasteful expenditure		
Opening balance	74 490	113 693
Fruitless and wasteful expenditure current year	31 903	
Recovered from official - trf to Other Receivables	(106 393)	-
Condoned by Council		(39 203)
Fruitless and wasteful expenditure awaiting condonement	0	74 490

The fruitless and wasteful expenditure amounting R31 903 relates to legal cost and restructuring of the sewer truck

The fruitless and wasteful expenditure amounting R74 490 relates to the purchase of a sewer truck.

The fruitless and wasteful expenditure amounting R39 203 relates to the purchase of tools which was excessive. This expenditure was condoned by Council.

39. RELATED PARTY DISCLOSURES

39.1 Transactions during the year with key management personnel

Remuneration

Section 57 Managers

3 839 140

3 930 443

Details of loans and advances

The MFMA prohibits the granting of loans and advances to officials.

39.2 List of related parties

Name of related party

Relationship

Mopani District Municipality
Eskom

Rendering of water and sanitation function
Distribution of electricity

The water and sanitation transactions have been removed from the financial records of Greater Letaba Municipality. This excludes VAT which will be accounted for by Greater Letaba Municipality.

GREATER LETABA LOCAL MUNICIPALITY
APPENDIX A
SCHEDULE OF INTEREST BEARING BORROWINGS AS AT 30 JUNE 2011

External Loans	Loan No.	Redeemable	Balance at 30 June 2010	Interest paid during the period	Received during the period	Redeemed or written off during the period	Balance at 30 June 2011
			R	R	R	R	R
LONG TERM LOANS							
Development Bank of Southern Africa			11 104 955	1 636 515	-	526 044	10 578 911
Total External Loans			<u>11 104 955</u>	<u>1 636 515</u>	<u>-</u>	<u>526 044</u>	<u>10 578 911</u>

GREATER LETABA LOCAL MUNICIPALITY
APPENDIX B
ANALYSIS OF PROPERTY, PLANT & EQUIPMENT AS AT 30 JUNE 2011

	HISTORICAL COST					ACCUMULATED DEPRECIATION				Carrying Value
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	R
INFRASTRUCTURE	121 006 761	-	-	-	121 006 761	8 158 827	-	-	8 158 827	112 847 934
Roads, pavements, bridges & stormwater	79 028 011				79 028 011	5 038 569			5 038 569	73 989 442
Water reservoirs & reticulation	817 658				817 658	108 952			108 952	708 706
Electricity reticulation	24 022 265				24 022 265	3 011 306			3 011 306	21 010 959
Other	17 138 827				17 138 827	-			-	17 138 827
COMMUNITY ASSETS	57 375 565	-	-	-	57 375 565	1 111 288	-	-	1 111 288	56 264 277
Land	24 625 300				24 625 300					24 625 300
Buildings	32 750 265				32 750 265	1 111 288			1 111 288	31 638 977
Cemetery										
Recreational facilities										
OTHER ASSETS	18 831 811	-	-	-	18 831 811	9 582 750	-	-	9 582 750	9 249 061
Other motor vehicles	8 796 495				8 796 495	5 021 534			5 021 534	3 774 961
Plant & equipment	3 054 899				3 054 899	1 675 547			1 675 547	1 379 352
Office equipment	4 172 901				4 172 901	2 289 634			2 289 634	1 883 267
Bulk Refuse Containers	494 598				494 598	101 996			101 996	392 602
Emergency Equipment	18 630				18 630	3 801			3 801	14 829
Furniture Fittings	811 356				811 356	209 491			209 491	601 865
Other	1 482 932				1 482 932	280 747			280 747	1 202 185
TOTAL	197 214 137	-	-	-	197 214 137	18 852 865	-	-	18 852 865	178 361 272

GREATER LETABA LOCAL MUNICIPALITY
APPENDIX C
SEGMENTAL ANALYSIS OF PROPERTY, PLANT & EQUIPMENT AS AT 30 JUNE 2011

	HISTORICAL COST					ACCUMULATED DEPRECIATION					Carrying Value
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance		
	R	R		R	R	R	R	R	R	R	
EXECUTIVE & COUNCIL	2 832 208	-	-	-	2 832 208	1 022 801	-	-	1 022 801	1 809 407	
Mayor and Council	2 623 565				2 623 565	864 891			864 891	1 758 674	
Municipal Manager's office	208 643				208 643	157 910			157 910	50 733	
FINANCE & ADMINISTRATION	44 823 556	-	-	-	44 823 556	4 840 765	-	-	4 840 765	39 982 791	
Budget & Treasury office	1 612 472				1 612 472	1 133 115			1 133 115	479 357	
Human Resources	789 060				789 060	84 644			84 644	704 416	
Information technology	334 458				334 458	97 027			97 027	237 431	
Property services	19 019 415				19 019 415	428 171			428 171	18 591 244	
Other	17 338 929				17 338 929	513 332			513 332	16 825 597	
Workshop	5 729 222				5 729 222	2 584 476			2 584 476	3 144 746	
PLANNING & DEVELOPMENT	312 985	-	-	-	312 985	99 183	-	-	99 183	213 802	
Economic development & planning	312 985				312 985	99 183			99 183	213 802	
ROAD TRANSPORT	100 423 026	-	-	-	100 423 026	6 786 861	-	-	6 786 861	93 636 165	
Vehicle licensing & testing	513 770				513 770	303 566			303 566	210 204	
Roads	97 656 256				97 656 256	6 431 562			6 431 562	91 224 694	
Taxi ranks	2 253 000				2 253 000	51 733			51 733	2 201 267	
COMMUNITY & SOCIAL SERVICES	14 800 128	-	-	-	14 800 128	714 824	-	-	714 824	14 085 304	
Libraries	2 443 021				2 443 021	79 670			79 670	2 363 351	
Community halls & other facilities	12 357 107				12 357 107	635 154			635 154	11 721 953	
PUBLIC SAFETY	2 177 713	-	-	-	2 177 713	331 210	-	-	331 210	1 846 503	
Disaster management	144 265				144 265	120 378			120 378	23 887	
Street lighting	2 033 448				2 033 448	210 832			210 832	1 822 616	
HOUSING	175	-	-	-	175	154	-	-	154	21	
SPORT & RECREATION	3 426 064	-	-	-	3 426 064	148 554	-	-	148 554	3 277 510	
WASTE WATER MANAGEMENT	2 960 458	-	-	-	2 960 458	1 037 763	-	-	1 037 763	1 922 695	
Sewerage	907 310				907 310	469 945			469 945	437 365	
Storm water	1 881 812				1 881 812	400 820			400 820	1 480 992	
Public toilets	171 336				171 336	11 287			11 287	160 049	
WASTE MANAGEMENT	1 730 180	-	-	-	1 730 180	592 333	-	-	592 333	1 137 847	
Solid waste/refuse	1 730 180				1 730 180	592 333			592 333	1 137 847	
WATER	1 279 370	-	-	-	1 279 370	409 174	-	-	409 174	870 196	
Water distribution	1 279 370				1 279 370	409 174			409 174	870 196	
ELECTRICITY	22 448 272	-	-	-	22 448 272	3 024 959	-	-	3 024 959	19 423 313	
Electricity distribution	22 448 272				22 448 272	3 024 959			3 024 959	19 423 313	
	197 214 136	-	-	-	197 214 136 #	19 008 581	-	-	19 008 581	178 205 555	

**GREATER LETABA LOCAL MUNICIPALITY
APPENDIX D**

DETAILED SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2011

2010 Actual Income	2010 Actual Expenditure	2010 Actual Surplus/ (Deficit)		2011 Actual Income	2011 Actual Expenditure	2011 Actual Surplus/ (Deficit)
R	R	R		R	R	R
-	21 029 752	(21 029 752)	EXECUTIVE & COUNCIL	-	24 957 095	(24 957 095)
-	19 322 125	(19 322 125)	Mayor and Council	-	22 575 409	(22 575 409)
-	1 707 627	(1 707 627)	Municipal Manager's office	-	2 381 686	(2 381 686)
137 977 433	34 682 506	103 294 927	FINANCE & ADMINISTRATION	119 046 387	31 522 442	87 523 945
137 977 433	21 020 348	116 957 085	Budget & Treasury office	119 046 387	16 442 426	102 603 961
-	3 200 410	(3 200 410)	Human Resources	-	2 970 758	(2 970 758)
-	292 607	(292 607)	Information technology	-	6 115 744	(6 115 744)
-	4 815 510	(4 815 510)	Property services	-	5 139 260	(5 139 260)
-	4 585 168	(4 585 168)	Other	-	326 457	(326 457)
-	768 463	(768 463)	Workshop	-	527 797	(527 797)
-	3 229 975	(3 229 975)	PLANNING & DEVELOPMENT	-	4 733 117	(4 733 117)
-	3 229 975	(3 229 975)	Economic development & planning	-	4 733 117	(4 733 117)
3 950 480	11 162 436	(7 211 956)	ROAD TRANSPORT	4 954 915	13 111 543	(8 156 628)
3 950 480	3 607 643	342 837	Vehicle licensing & testing	4 954 915	5 533 278	(578 363)
-	7 437 121	(7 437 121)	Roads	-	7 492 327	(7 492 327)
-	117 672	(117 672)	Taxi ranks	-	85 938	(85 938)
-	1 755 040	(1 755 040)	COMMUNITY & SOCIAL SERVICES	-	841 444	(841 444)
-	521 137	(521 137)	Libraries	-	313 716	(313 716)
-	1 123 097	(1 123 097)	Community halls & other facilities	-	421 401	(421 401)
-	110 806	(110 806)	Cemeteries & crematoriums	-	106 327	(106 327)
-	773 046	(773 046)	PUBLIC SAFETY	-	1 049 160	(1 049 160)
-	430 817	(430 817)	Disaster management	-	499 276	(499 276)
-	342 229	(342 229)	Street lighting	-	549 884	(549 884)
-	636 624	(636 624)	HOUSING	-	439 826	(439 826)
-	3 011 377	(3 011 377)	SPORT & RECREATION	-	3 906 673	(3 906 673)
1 187 089	999 686	187 403	WASTE WATER MANAGEMENT	-	378 363	(378 363)
1 187 089	621 820	565 269	Sewerage	-	-	-
-	44 327	(44 327)	Storm water	-	-	-
-	333 539	(333 539)	Public toilets	-	378 363	(378 363)
2 758 243	2 335 439	422 804	WASTE MANAGEMENT	2 852 202	3 291 726	(439 524)
2 758 243	2 335 439	422 804	Solid waste/refuse	2 852 202	3 291 726	(439 524)
16 079 186	6 856 026	9 223 160	WATER	-	1 551	(1 551)
16 079 186	6 856 026	9 223 160	Water distribution	-	1 551	(1 551)
-	-	-	Water storage	-	-	-
18 831 321	23 941 012	(5 109 691)	ELECTRICITY	11 725 640	11 860 008	(134 368)
18 831 321	23 941 012	(5 109 691)	Electricity distribution	11 725 640	11 860 008	(134 368)
180 783 752	110 412 919	70 370 833	Total	138 579 144	96 092 948	42 486 196

GREATER LETABA LOCAL MUNICIPALITY

APPENDIX E (1)

ACTUAL OPERATING VERSUS BUDGET FOR THE YEAR ENDED 30 JUNE 2011

	2011 Actual R	2011 Budget R	2011 Variance R	2011 Variance %	Explanations of significant variances greater than 10% versus budget
REVENUE					
Property rates	3 273 230	6 800 000	(3 526 770)	(51.86)	
Service charges	14 577 842	12 848 133	1 729 709	13.46	
Rental of facilities and equipment	120 312	120 000	312		
Finance income	7 681 340	(814 692)	8 496 032	(1 042.85)	
Fines	658 277	700 000	(41 723)	(5.96)	
Revenue for agency services	1 078 520	4 336 480	(3 257 960)	(75.13)	
Government grants & subsidies – operating	103 369 100	122 177 821	(18 808 721)	(15.39)	
Government grants & subsidies – capital	2 183 000	1 944 000	239 000	12.29	
Other revenue	2 419 404	320 000	2 099 404	656.06	
Total Revenue	135 361 025	148 431 742	(13 070 717)	(8.81)	
EXPENDITURE					
Employee related costs	33 191 985	37 191 142	(3 999 157)	(10.75)	
Remuneration of councillors	11 405 370	11 323 512	81 858	0.72	
Bad debts	4 960 466	0	4 960 466		
Depreciation	11 923 577	0	11 923 577		
Repairs & maintenance	4 721 567	7 450 423	(2 728 856)	(36.63)	
Finance costs	1 827 774	2 165 078	(337 304)	(15.58)	Included the redemption protion
Bulk purchases	7 250 613	8 456 175	(1 205 562)	(14.26)	Saving
General expenses	26 853 165	47 713 209	(20 860 044)	(43.72)	
Total Expenditure	102 134 517	114 299 539	(12 165 022)	(10.64)	
NET SURPLUS/(DEFICIT) FOR THE YEAR	33 226 508	34 132 203	(905 695)		

GREATER LETABA LOCAL MUNICIPALITY

APPENDIX E (2)
ACTUAL CAPITAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT)
FOR THE YEAR ENDED 30 JUNE 2011

	2011 Actual R	2011 Under Construction R	2011 Total Additions R	2011 Budget R	2011 Variance R	2011 Variance %	Explanations of significant variances greater than 5% versus budget
EXECUTIVE COUNCIL	-	-	-	150 600	(2 600)		
Mayor and Council			-	2 600	(2 600)		
Municipal Manager's office			-	148 000			
FINANCE & ADMINISTRATION	-	-	-	6 936 897	(6 929 497)	(99.89)	
Budget & Treasury office					-		
Human Resources				35 000	(35 000)		
Information technology				2 669 577	(2 669 577)		
Property services				4 224 920	(4 224 920)		
Other					-		
Workshop			-	7 400	(7 400)		
PLANNING & DEVELOPMENT			-	148 500	-	-	
Economic development & planning				148 500			
ROAD TRANSPORT	-	-	-	16 779 275	(16 779 275)	(100.00)	
Vehicle licensing & testing				1 229 275	(1 229 275)		
Roads				14 800 000			
Taxi ranks			-	750 000	(5 580 400)		
COMMUNITY & SOCIAL SERVICES	-	-	-	5 405 200	(5 405 200)		
Libraries				175 200	(175 200)		
Community halls & other facilities				3 230 000			
Cemeteries & crematoriums				2 000 000			
PUBLIC SAFETY			-	4 246 539			
Disaster management				5 500			
Street lighting				4 241 039			
SPORT & RECREATION				6 234 565	(6 234 565)		
WASTE WATER MANAGEMENT			-	2 397 393	(2 397 393)		
Sewerage	-		-	464 425	(464 425)		
Storm water				1 744 968			
Public toilets	-	-	-	188 000	(1 979 796)		
WASTE MANAGEMENT					-		
Solid waste/refuse	-		-	1 979 796	(1 979 796)		
WATER							
Water distribution	-	-	-	-	-		
Water storage					-		
ELECTRICITY	-		-	3 300 000	(3 300 000)		
Electricity distribution				3 300 000	(3 300 000)		
TOTAL	-	-	-	47 578 765			

GREATER LETABA LOCAL MUNICIPALITY

APPENDIX F

DEVIATION FROM SUPPLY CHAIN PROCESSES

SUPPLY CHAIN MANAGEMENT REGULATION 36(2) FOR THE YEAR ENDED 30 JUNE 2011

DATE	DEPARTMENT	SUPPLIER	AMOUNT(EXCL.VAT)	REASON FOR DEVIATION
	Finance	Motla Engineering	R 199 505.40	Compliant with NERSA tariff structures
	Finance	PWC	R 174 082.00	Compliant with GRAP
	Library	Ngoako Construction	R 49 900.00	First contractor declined due to price variations
	Corporate Services	Lexis Nexus	R 164 035.09	Legislation for new councillors
	Mayor's Office	Ickinger	R 171 052.63	Incorrect emblem on old chain
	INDEP	Kwano CC	R 4 000 000.00	Purchase land for Kgapane cemetery
	INDEP	Chemrotech	R 209 912.28	Replace faulty mini sub station
	INDEP	Solly Low Cost Housing	R 32 137.00	Replacement of transformer
	INDEP	Actom& Barnard Enterprise	R 375 596.49	Installation of minisub ant erection of 11KVA line
	INDEP	Silver Solutions	R 600 000.00	Purchase land for Tourism Centre