Greater Letaba Municipality
Audited Annual Financial Statements
for the year ended 30 June 2013

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The reports and statements set out below comprise the unaudited annual financial statements presented to the Provincial Legislature:

Abbreviations

DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
SALGA	South Africa Local Government Association
COGTA	Cooperative Governance and Traditional Affairs

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 Greater Letaba area.
Mayor	G H Modjadji
Speaker	R R Ramalatso
Chief Whip	M J Masutha
Members of the Executive Committee	M M Nkwana N N Baloi M D Makhananisa R J Makhananisa F M Moroatshehla F N Maake T C Kgafela M C Seale M P Masela
Councillors	G J Mkansi M G Ntuli S S Malatji M I Manyama M V Makgwathela F Morwatshehla M V Mashapa M P Malola T E Makgatho M E Machete L R Mashapa M S S Sebelemetja D I Matloga M P Satekge A M Mantlaka M M Mankgero R E Sekhonoane T D Mokhari M F Makhubela M G Selowa M D Rabapane N Selowa B E Ngobeni M F Kgamedi N M Kgatla N T Machete
MPAC Chairperson	M J Baloyi M J Kgatla M A Lebepe (Mr) M A Lebepe (Ms) M E Lebepe S P Mabale M E Mafona M A Makgeru M F Manyama M F Moruthoane M Mathedimosa N E Phatudi T J Rababalela

General Information

Councillors (continued)	M Serekele D L Selowa T J Senyolo R A Seunana M J Nakana M J Willemse
Accounting Officer	T G Mashaba
Acting Chief Financial Officer	B J Thoka
Grading of local authority	Category 3 Local Municipality in terms of Remuneration of Public Office Bearers Act (Act 20 of 1998) Medium Capacity Municipality
Registered office	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)

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 unaudited annual financial and related financial information included in this report. It is the responsibility of the Accounting Officer to ensure statements that all annual financial statements fairly present the state of affairs of the Municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The External Auditors are engaged to express an independent opinion on the unaudited annual financial statements and was given unrestricted access to all financial records and related data.

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

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

The Accounting Officer acknowledges that 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 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 unaudited annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The Accounting Officer has reviewed the Municipality’s cash flow forecast for the year to 30 June 2013 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. Although the Accounting Officer are primarily responsible for the financial affairs of the Municipality, they are supported by the Municipality's External Auditors.

The unaudited annual financial statements set out on pages 6 to 52, which have been prepared on the going concern basis, were approved by the Accounting Officer on 31 August 2013 and were signed on its behalf by:

T G Mashaba
Accounting Officer

31 August 2013

Report of the Auditor General

Accounting Officer's Report

The Accounting Officer submits her report for the year ended 30 June 2013.

1. Review of activities

Main business and operations

The entity is engaged in providing municipal services and maintaining the best interest of the local community mainly in the Greater Letaba area and operates principally in South Africa.

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

Net surplus of the Municipality was R 50 773 123 (2012: surplus R 67 088 806).

2. Going concern

We draw attention to the fact that at 30 June 2013, the Municipality had accumulated surplus of R 357 066 159 and that the Municipality's total assets exceed its liabilities by R 306 288 785.

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

3. Subsequent 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 have been identified.

4. Accounting Officer's interest in contracts

None.

5. Accounting policies

The unaudited annual financial statements are prepared in accordance with the effective Standards of Generally Recognised Accounting Practices (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	Changes
T H Mkansi	Acting from 1 July 2012 to 31 August 2012
T G Mashaba	1 September 2012 to 30 June 2013

Statement of Financial Position

Figures in Rand	Note(s)	2013	2012
Assets			
Current Assets			
Inventories	7	2 899 313	2 932 468
Trade and other receivables	8	1 645 497	1 184 032
Consumer debtors	9	7 248 292	24 077 710
VAT receivable		658 063	221 016
Investments	5	55 464 953	54 319 993
Cash and cash equivalents	10	48 532 575	32 031 753
		116 448 693	**114 766 972**
Non-current Assets			
Investment Properties	2	408 971	423 278
Property, plant and equipment	3.1	285 345 669	236 968 672
Intangible assets	4	656 337	461 401
Investment	5	7 627 234	7 307 576
Finance lease	3,2	110 700	221 249
		294 148 911	**245 382 176**
Total Assets		**410 597 603**	**360 149 148**
Liabilities			
Current liabilities			
Other financial liabilities	11	704 082	705 780
Payables from exchange transactions	14	28 206 743	36 158 920
Consumer deposits	15	221 375	196 992
Unspent conditional grants and receipts	12	7 084 210	22 905
		36 216 409	**37 084 597**
Non-current liabilities			
Other financial liabilities	11	8 566 732	9 269 115
Provisions	13	8 748 303	7 506 652
		17 315 035	**16 775 767**
Total Liabilities		**53 531 444**	**53 860 364**
Net Assets		**357 066 159**	**306 288 785**
Net Assets			
Accumulated surplus		357 066 159	306 288 785
Total Net Assets		**357 066 159**	**306 288 785**

Statement of Financial Performance

Figures in Rand	Note(s)	2013	2012
Revenue			
Agency fees		1 307 932	1 519 262
Finance income	25	10 395 428	8 855 898
Fines		207 635	417 632
Government grants and subsidies - Capital	19	33 129 079	32 997 000
Government grants and subsidies - Operating	19	136 289 616	123 917 382
Licences and Permits		3 257 791	3 061 805
Other Income	20	577 839	776 579
Property rates income	17	6 418 553	6 920 579
Rental of facilities and equipment		90 510	51 210
Services charges	18	15 266 500	11 338 325
Total Revenue		**206 940 883**	**189 855 672**
Expenditure			
Assets written off		-	326 105
Bad Debt Provision	24	29 429 488	(6 887 685)
Bulk purchases	30	10 611 608	9 487 172
Contracted services	29	8 015 460	6 748 378
Depreciation and amortisation	26	11 339 548	9 004 039
Employee related costs	22	47 300 613	40 305 647
Finance cost	28	1 458 537	1 558 604
General expenses	21	31 172 408	30 548 721
Impairment loss / Reversal of impairment		-	15 400 583
Remuneration of councillors	23	14 235 330	13 351 473
Repairs and maintenance		2 510 626	2 923 830
Total Expenditure		**156 073 618**	**122 766 867**
Loss on Impairment of assets		(139 829)	-
Gain on fair value adjustment		45 687	-
Surplus for the year		**50 773 123**	**67 088 806**

Statement of Changes in Net Assets

Figures in Rand	Revaluation reserve	Accumulated surplus	Total Net assets
Balance at 01 July 2011	**-**	204 181 679	204 181 679
Changes in net assets	-	-	-
Surplus for the year	-	22 092 962	22 092 962
Correction of error previous year	-	(1 225 858)	(1 225 858)
Unbundeling of Property, plant and equipment	-	14 153 040	14 153 040
Surplus for the year	-	67 088 806	67 088 806
Correction of error previous year	-	(1 843)	(1 843)
Revaluation - Property, plant and equipment	-	-	-
Revaluation - Inventory Property	-	-	-
Total changes	-	102 107 106	102 107 106
Balance at 01 July 2012	-	306 288 785	306 288 785
Changes in net assets	-	-	-
Surplus for the year	-	50 773 123	50 773 123
Correction of error previous year	-	4 251	4 251
Correction of error PPE previous year	-	-	-
Total changes	-	50 777 374	50 777 374
Balance at 30 June 2013	-	**357 066 159**	**357 066 159**

Cash Flow Statement

Figures in Rand	Note(s)	2013	2012
Cash flows from operating activities			
Receipts			
Sale of goods and services		11 948 853	5 357 082
Grants		156 299 614	156 117 361
Interest income		12 775 334	8 855 898
Other receipts		39 616 773	7 420 622
		220 640 574	**177 750 963**
Payments			
Employee costs		(49 186 383)	(53 657 120)
Suppliers		(42 420 223)	(65 110 633)
Finance costs		-	(1 558 604)
Other payments		(62 822 263)	23 964 663
		(154 428 869)	(96 361 694)
Net cash flows from operating activities	31	**66 211 705**	**81 389 269**
Cash flows from investing activities			
Purchases of property, plant and equipment	2,3,4	(46 926 406)	(57 561 380)
(Increase) / decrease in current investments	5	(4 859 440)	(22 036 596)
(Increase) / decrease in current investments	5	-	(349 618)
Net cash flows from investing activities		**(51 785 846)**	**(79 947 594)**
Cash flows from financing activities			
Repayment of other financial liabilities		704 081	(604 016)
Movement on consumer deposits		24 383	-
Net cash flows from financing activities		**728 464**	**(604 016)**
Net increase (decrease) in cash and cash equivalents		**15 154 323**	**837 659**
Cash and cash equivalents at the beginning of the year		33 695 356	32 857 697
Cash and cash equivalents at the end of the year	10	**48 532 575**	**33 695 356**

Accounting Policies

1. SIGNIFICANT ACCOUNTING POLICIES TO THE UNAUDITED ANNUAL FINANCIAL STATEMENTS

1.1 BASIS OF PRESENTATION

The Unaudited 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 Unaudited 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) and MFMA Circulars as issued by National Treasury.

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 Unaudited Annual Financial Statements are presented in South African Rand, which is the functional currency of the municipality.

1.3 GOING CONCERN ASSUMPTION

These Unaudited 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	Impact
GRAP 18 Segment Reporting	Not applicable	Not applicable
GRAP 21 Impairment of non-cash-generating assets	IAS 36	Impact not material
GRAP 23 Revenue from Non-Exchange Transactions	GAMAP 9	Impact not material
GRAP 24 Presentation of Budget Information in Financial Statements - issued November 2007	None	Impact not material
GRAP 25 Employee Benefits	IAS 19	Impact not material

Accounting Policies

GRAP 26 Impairment of cash generating	IAS 36	Impact not material
GRAP 103 Heritage Assets	Not applicable	Not applicable

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 revalue 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 revalue 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 revalue amounts, are credited or charged to the Statement of Financial

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.

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).

1.7.5 Derognition

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

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.

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

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.

Accounting Policies

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

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.

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

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

The Entity classifies its financial assets into the following categories:
• financial liabilities measured at amortised cost;
• loans and receivables;
• available-for-sale financial assets; and
• financial liabilities at fair value through surplus or deficit - held for trading.

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

Accounting Policies

• 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

• Fair value through surplus or deficit 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.

Type of Financial Asset
Short-term Investment Deposits - Call
Bank Balances and Cash
Long-term receivables
Consumer debtors
Other debtors
Investments in fixed deposit

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 Impairement

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.

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 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.

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.

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

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
· 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.

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

Fines

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

Public donations and contributions

Accounting Policies

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.

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

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

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.

Accounting Policies

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

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.

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.

Long service awards

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

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

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

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

1.21 SIGNIFICANT JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

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

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

The municipality assesses its trade receivables, held to maturity investments and 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 surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flow from a financial asset.

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

Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale-securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price.

Accounting Policies

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The municipality uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The 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 of financial assets

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 cost to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the key assumptions may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

The municipality reviews and test the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. 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 indicators that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provision are included in note 15 - Provisions.

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

Post retirement benefits

Pay to defined contribution retirement benefit plans are charged to the Statement of Financial Performance as they fall due. Payments made to industry managed state plans retirement benefit schemes are dealt with as defined contributions plans where the municipality's obligation under the scheme is equivalent to those arising in a defined contribution retirement benefit plan. The retirement benefits are calculated in accordance with the rules of the fund. Full actuarial valuations will be performed on a regular basis on defined benefits contribution plans, unless exempted to do so has been obtained

The municipality provides certain post retirement medical benefits by funding the medical aid contribution of certain retired members of the municipality. According to the rules of the medical aid funds, with which the municipality is associated, a member (who is on the current conditions of service), on retirement is entitled to remain a continued member of such medical aid fund, in which case the member is liable for anywhere between 40% and 60% of the medical aid membership fee, and the Council for the remaining 60% to 40%. The amounts varies from person to person. The medical aid contributions are charged to the Statement of Financial Performance as they fall due. The additional cost effect of defined benefit retirement fund is immaterial and the cost therefore are charged to the Statement of Financial Performance as they fall due. The municipality's net obligation in respect of post retirement plans are calculated separately for each plan by estimating the amount of future benefits that employees have earned in return for their service in the current and prior periods whereby that benefit is discounted to

Effective interest rate

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

Accounting Policies

1.22 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
* sale in the ordinary course of operations

Owner-occupied property is property held for use in the production or supply of goods at 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

Where investment property is acquired at no cost or for a nominal cost, its cost is its Fir Value as at the date of acquisition.

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

Fair value

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

The fair value of investment property reflects market conditions at the reporting date.

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

If the fair value of investment property under construction is not determinable, it is measured at cost until the earlier of the date it becomes determinable or construction is complete.

1.23 EVENTS AFTER REPORTING DATE

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

1.24 RELATED PARTIES

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly od 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.

1.25 OFFSETTING

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

1.26 CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND ERRORS

Changes in accounting policies that are effected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the changes in policy. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practice.

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the notes to the annual financial statements where applicable.

Correction of errors is applied retrospectively in the period in which the error has occurred with GRAP 3 requirements, except to the extent that it is impractical to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balance of assets, liabilities and net assets for the earliest for which retrospective restate under review is practical. Refer to note 31 and 32 to the Annual Financial Statements for details of corrections of errors recorded during the period under review.

1.27 TREATMENT OF ADMINISTRATION AND OTHER OVERHEAD EXPENSES

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

1.28 IMPAIRMENT OF CASH-GENERATING ASSETS

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

Impairment is a loss in the future economic benefits or a 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 group 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

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.

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 exist, the municipality estimates the recoverable amount of

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 he 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 entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

Composition of estimates of future cash

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 arms' length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

Discount rate

The discount rate is a 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 flows estimates have not been adjusted.

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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 it 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 units are effected by internal transfer pricing, the municipality uses management's best estimate of future price(s) that could be achieved in an 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

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:
* its fair value less costs to sell (if
* its value in use (if determinable); and
* zero

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

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

Reversal of impairment loss

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

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 assets 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

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

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future period 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 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 asset 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.

1.29 IMPAIRMENT OF NON-CASH-GENERATING ASSETS

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

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 group 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 service amount of an asset or 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 a asset is the present value of the asset's remaining service potential.

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 a 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 overdesigned or overcapacity asset. Overdesigned 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

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 a 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.

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.

1.30 BUDGET INFORMATION

Budget information in accordance with GRAP 1 and GRAP 24 has been provided in an annexure to the financial statements and forms part of the Annual Financial Statements .

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2013	2012

2 Investment Properties

Restated carrying values at beginning of the year	423 279	437 617
Cost	480 512	480 512
Accumulated depreciation	(57 233)	(42 895)
Depreciation	(14 308)	(14 338)
Market value adjustment		
Cost	480 512	480 512
Accumulated depreciation	(71 541)	(57 233)
Carrying value at end of the year	**408 971**	**423 279**

Pledged as security
No investment property asset was pledged as security for financial liability

Details of valuation

The effective date of the revaluations was 01 July 2012. Revaluations were performed by an independent valuers.

Property valuers, Khwathi Consulting, are not connected to the municipality and have recent experience in location and category of the investment property being valued.

The valuation was based on open market value for existing use.

These assumptions are based on current market conditions.

The cost approach were used where little or no market information were available e.g. churches and schools.

3 Property, plant and equipment

Owned Assets

3.1 Reconciliation of Carrying Value 30 June 2013	Land	Buildings	Infrastructure	Other Assets	Heritage assets	Total
Carrying value at end of the year	**6 919 710**	**59 335 954**	**156 305 466**	**13 722 089**	**684 954**	**236 968 172**
Cost	6 919 710	69 146 056	179 713 192	23 956 419	684 954	280 420 331
Impairment	-	(4 567 887)	(10 832 696)	-	-	(15 400 583)
Accumulated depreciation	-	(5 242 216)	(12 575 030)	(10 234 331)	-	(28 051 576)
Acquisitions	-	2 637 390	8 437 285	7 384 887	-	18 459 562
Assets under construction	-	25 099 822	16 007 935	-	-	41 107 757
Depreciation	-	(2 149 262)	(5 484 572)	(3 416 159)	-	(11 049 993)
Written off	-	-	-	(182 814)	-	(182 814)
Written off Depreciation	-	-	-	42 984	-	42 984
Carrying value at end of the year	**6 919 710**	**84 923 904**	**175 266 114**	**17 550 987**	**684 954**	**285 345 668**
Cost	6 919 710	96 883 268	204 158 412	31 158 493	684 954	339 804 837
Impairment	-	(4 567 887)	(10 832 696)	-	-	(15 400 583)
Accumulated depreciation	-	(7 391 478)	(18 059 602)	(13 607 506)	-	(39 058 585)

Notes to the Unaudited Annual Financial Statements

Figures in Rand

Reconciliation of Carrying Value 30 June 2012	Land	Buildings	Infrastructure	Other Assets	Heritage assets	Total
Carrying values at beginning of the year as previously reported	**6 920 210**	**52 700 023**	**129 329 914**	**14 256 874**	**684 954**	**203 891 975**
Cost	6 920 210	56 122 519	137 518 949	22 479 795	684 954	223 726 427
Accumulated depreciation	-	(3 422 496)	(8 189 035)	(8 222 921)	-	(19 834 452)
Acquisitions	-	2 495 641	32 639 425	2 343 600	-	37 478 666
Assets under construction	-	10 527 897	9 554 818		-	20 082 715
Depreciation	-	(1 819 720)	(4 385 995)	(2 552 280)	-	(8 757 995)
Impairement	-	(4 567 887)	(10 832 696)		-	(15 400 583)
Disposal	-	-	-	(866 975)	-	(866 975)
Depreciation- disposal	-	-	-	540 870	-	540 870
Carrying value at end of the year	**6 920 210**	**59 335 954**	**156 305 466**	**13 722 089**	**684 954**	**236 968 673**
Cost	6 920 210	69 146 056	179 713 192	23 956 419	684 954	280 420 831
Impairement	-	(4 567 887)	(10 832 696)	-	-	(15 400 583)
Accumulated depreciation	-	(5 242 216)	(12 575 030)	(10 234 331)	-	(28 051 577)

Notes to the Unaudited Annual Financial Statements

Figures in Rand

		2013	2012
	Finance Lease Assets:		
3.2	**Reconciliation of Carrying Value**		
	Carrying values at beginning of the year	**221 249**	**332 026**
	Cost	967 323	967 323
	Accumulated depreciation	(746 074)	(635 298)
	Depreciation	(110 776)	(110 776)
	Carrying value at end of the year	**110 700**	**221 249**
	Cost	967 323	967 323
	Accumulated depreciation	(856 623)	(746 074)

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

	2013	2012
Total property, plant and equipment	**339 915 537**	**237 189 922**

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

4 Intangible Assets

Computer software
Reconciliation of Carrying Value

	2013	2012
Carrying values at beginning of the year	461 401	582 330
Cost	607 356	607 356
Accumulated amortisation	(145 955)	(25 026)
Acquisitions	359 634	-
Amortisation	(164 699)	(120 929)
Cost	966 990	607 356
Accumulated amortisation	(310 654)	(145 955)
Carrying value at end of the year	**656 336**	**461 401**

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

5 Investments

Non Current		
Momentum	7 627 234	7 307 576
Current		
Investec	55 464 953	52 656 390
	63 092 187	**59 963 966**

6 Provisions

Defined benefit plan

The municipality provides retirement benefits for its employees and councillors. Benefits are provided via defined contribution plans and defined benefit plans.

The following are defined benefit plans:

- South African Local Authorities Pension Fund (SALA)
- Municipal Employment Pension Fund (MEPF)

These are not treated as defined benefit plans as defined by IAS 19, but are accounted for as defined contribution plans. This is in line with the exemption in IAS 19 paragraph 30 which states that where information required for proper defined benefit accounting is not available in respect of multi-employer and state plans, these should be accounted for as defined contribution plans. The municipality has been unsuccessful in obtaining the necessary information to support proper defined benefit plan accounting due to restrictions imposed by the multi-employer plan. It is therefore deemed impracticable to obtain this information at a suitable level of detail.

Some employees belong to the South African Local Authorities Pension Fund (SALA). The latest actuarial valuation of the funds was on 1 July 2010. Valuation of this fund occurs every three years. These valuations indicate that the funds are in sound financial position. The actuarial valuations states that the fund is currently 96% funded by employer contributions. This has remained stable since the previous valuation date. If the current employer contribution rate is maintained the fund is expected to be close to 100% funded at the next statutory valuation. The total liabilities of the fund is R 7 418 million which is financed by net assets of R 7 110 million.

Some employees belong to the Municipal Employment Pension Fund (MEPF). The latest actuarial valuation of the fund was on 31 March 2010. These valuations indicate that the fund are in a sound financial position. The actuarial valuation states that that the funding level has remained at 100%. The total liabilities of the fund is R 801 004 million which is financed by net assets of R 801 004 million.

According to the actuaries it is not possible to report separately for each municipality on these funds, thus the reason for treating it as a contribution plans in terms of IAS 19(AC116).30.

An amount of R 7 587 440 (2012: R 5 695 955) was contributed by Council in respect of Councillors and employees retirement funding. These contributions have been expensed and are included in employee related costs for the year.

7 Inventories

Consumable stores - at cost	786 313	819 468
Property held for sale	2 113 000	2 113 000
	2 899 313	**2 932 468**

8 Trade and other receivables

Deposit (Eskom and Greater Tzaneen Municipality)	491 719	131 269
Insurance claim	162 036	-
Sundry debtors (Cash Suspense)	986 486	1 052 763
Other (Refer to Drawer Cheques)	5 256	-
	1 645 497	**1 184 033**

Trade and other receivables pledged as security

None of the other receivables were pledged as security for any financial liability.

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

9 Consumer debtors

Gross balances		
Property Rates	16 260 838	12 182 298
Electricity	12 972 850	7 946 125
Refuse	18 417 223	14 764 897
VAT	4 394 610	2 426 205
Other	11 591 166	13 717 092
	63 636 687	**51 036 617**
Less: Provision for debt impairment		
Rates	(15 440 119)	(110 757)
Electricity	(9 296 936)	(1 869 459)
Refuse	(16 908 208)	(13 258 588)
VAT	(3 668 720)	(2 128 114)
Other	(11 074 412)	(9 591 989)
	(56 388 395)	**(26 958 907)**
Net balance		
Rates	820 719	12 071 541
Electricity	3 675 914	6 076 666
Refuse	1 509 015	1 506 309
VAT	725 890	298 091
Other	516 754	4 125 103
	7 248 292	**24 077 710**
Property rates		
Current (0 - 30 days)	554 043	598 537
31 - 60 days	427 596	443 177
61 - 90 days	419 497	397 974
91 days +	14 859 702	10 742 610
	16 260 838	**12 182 298**
Electricity		
Current (0 - 30 days)	776 323	1 527 028
31 - 60 days	316 567	438 507
61 - 90 days	378 964	356 883
91 days +	11 500 996	5 623 707
	12 972 850	**7 946 125**
Refuse		
Current (0 - 30 days)	438 172	502 279
31 - 60 days	377 432	443 343
61 - 90 days	357 737	414 961
91 days +	17 243 883	29 547 611
	18 417 223	**30 908 194**
Other		
Current (0 - 30 days)	92 355	110 742
31 - 60 days	84 635	40 437
61 - 90 days	84 572	54 440
91 days +	11 329 604	1 573 932
	11 591 166	**1 779 551**
Residential		
Current (0 - 30 days)	1 845 976	946 075
31 - 60 days	1 496 411	975 886
61 - 90 days	1 466 180	835 515
91 days +	71 428 203	37 628 958
	76 236 770	**40 386 434**

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
Government		
Current (0 - 30 days)	51 020	-
31 - 60 days	38 755	-
61 - 90 days	40 056	-
91 days +	1 218 892	-
	1 348 722	**-**
Business		
Current (0 - 30 days)	638 265	-
31 - 60 days	263 817	-
61 - 90 days	364 660	-
91 days +	7 847 798	-
	9 114 540	**-**
Other (Churches, NGO, etc)		
Current (0 - 30 days)	4 489	-
31 - 60 days	2 133	-
61 - 90 days	22 196	-
91 days +	1 214 370	-
	1 243 188	**-**

10 Cash and cash equivalents

Cash and cash equivalents consist of:

	2013	2012
Cash on hand		
Cash at Bank	46 801 356	32 031 752
Call account	1 731 219	1 663 603
	48 532 575	**33 695 355**

The municipality had the following bank accounts

	Bank statement balances			Cash book balances		
	30 June 2013	30 June 2012	30 June 2011	30 June 2013	30 June 2012	30 June 2011
FNB 52100005761	33 800 959	11 011 742	1 724 589	33 800 959	11 011 742	1 724 589
FNB 62051705534	12 981 944	21 001 096	29 579 083	12 981 944	21 001 096	29 579 083
FNB 62051706409	18 453	18 914	19 271	18 453	18 914	19 271
	46 801 356	**32 031 752**	**31 322 943**	**46 801 356**	**32 031 752**	**31 322 943**

11 Other financial liabilities

	2013	2012
Held at amortised cost	9 270 813	9 974 895

DBSA - 9004859

The loan is from the Development Bank of Southern Africa and repayments are made on a monthly basis.
on a monthly basis. The loan will be redeemed on 30 June 2020 and bears interest at 14,99%.

	2013	2012
Non-current liabilities		
Held at amortised cost	8 566 732	9 269 115
Current liabilities		
Held at amortised cost	704 081	705 780

12 Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

	2013	2012
Finance Management Grant (FMG)	24 689	22 904
Municipal Infrastructure Grant (MIG)	6 897 921	-
Municipal systems improvement grant	161 600	-
Extended Public Works Grant	-	-
National electrification grant	-	-
Water Affairs grant	-	-
Government grants other	-	-
Unspent conditional grants and receipts	7 084 210	22 904

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
Finance Management Grant (FMG)		
Balance unspent at beginning of year	22 904	819 925
Current year receipts	1 500 000	1 250 000
Adjustments	-	(489 000)
Conditions met – transferred to revenue	(1 498 216)	(1 558 021)
Unspent amount transferred to liabilities (see note 19)	24 689	22 904

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.

	2013	2012
Municipal Infrastructure Grant (MIG)		
Balance unspent at beginning of year	-	-
Current year receipts	40 027 000	32 997 000
Conditions met – transferred to revenue	(33 129 079)	(32 997 000)
Unspent amount transferred to liabilities (see note 19)	6 897 921	-

This grant was used to construct municipal infrastructure to provide basic services for the benefit of communities. The conditions of the grant were met. No funds have been withheld.

	2013	2012
Municipal systems improvement grant		
Balance unspent at beginning of year	-	-
Current year receipts	800 000	790 000
Conditions met – transferred to revenue	(638 400)	(790 000)
Unspent amount transferred to liabilities (see note 19)	161 600	-
Extended Public Works Grant		
Balance unspent at beginning of year	-	-
Current year receipts	1 318 000	-
Conditions met – transferred to revenue	(1 318 000)	-
Unspent amount transferred to liabilities (see note 19)	-	-
INEP		
Balance unspent at beginning of year	-	-
Current year receipts	-	3 000 000
Conditions met – transferred to revenue	-	(3 000 000)
Unspent amount transferred to liabilities (see note 19)	-	-

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited.

See note 19 for reconciliation of grants from National/Provincial Government.

The amounts will be recognised as revenue when the qualifying expenditure is incurred. No grants were withheld due to unfulfilled conditions.

13 Provisions

Reconciliation of provisions - 2013	Opening balance	Total
Long service awards	1 692 079	1 975 489
Post retirement medical aid benefits	3 710 727	4 668 968
Provision for landfill rehabilitation	2 103 846	2 103 846
	7 506 652	8 748 303

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

Reconciliation of provisions - 2012

	Opening balance	Total
Long service awards	1 320 533	1 692 079
Post retirement medical aid benefits	2 694 446	3 710 727
Provision for landfill rehabilitation	2 103 846	2 103 846
	6 118 825	7 506 652

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.

The municipality applied the transitional provision as per Directive 4 in the measurement of the site restoration and dismantling costs.

Site restoration and dismantling costs has accordingly been recognised at a provisional amount of R1 per site.

14 Payables from Exchange transactions

Trade creditors	4 384 622	6 198 738
Payments received in advance	1 845 970	681 317
Staff leave	4 238 426	3 838 099
Retentions	6 225 007	4 639 092
Provision for bonus	1 042 149	1 071 839
Sundry creditor	8 000	8 000
Mopani District (Water & Sanitation function)	10 462 569	19 721 830
	28 206 743	36 158 915

15 Consumer deposits

Electricity Deposit	221 375	196 992

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.

16 Revenue

Fines	207 635	417 632
Government grants and subsidies	169 418 695	156 914 382
Property rates	6 418 553	6 920 579
Rental of facilities and equipment	90 510	51 210
Service charges	15 266 500	11 338 325
	191 401 893	175 642 128

Rental of facilities and equipment	90 510	51 210
Service charges	15 266 500	11 338 325
The amount included in revenue arising from exchanges of goods or services are as follows:		
	15 357 010	11 389 535

Fines	207 635	417 632
Government grants and subsidies	169 418 695	156 914 382
Property rates	6 418 553	6 920 579
The amount included in revenue arising from non-exchanges of goods or services are as follows:		
	176 044 883	164 252 593

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

17 Property Rates

Rates received

Residential	4 331 233	4 441 110
Commercial	2 589 485	2 655 176
Government / State	947 472	971 508
Municipal	836 316	857 532
Other	22 272	22 837
Income foregone	(2 308 225)	(2 027 584)
	6 418 552	**6 920 579**

Valuations

Residential	478 371 656	478 371 656
Commercial	90 647 500	90 647 500
Government / State	26 855 100	26 855 100
Municipal	69 888 900	69 888 900
Other	396 837 750	396 837 750
	1 062 600 906	**1 062 600 906**

Valuations on land and buildings are performed every four years. The last general valuation came into effect on 1 July 2008 to 30 June 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 at 14%.

18 Service Charges

Sale of electricity	11 822 993	8 436 130
Refuse removal	3 463 663	3 092 225
Free Basic Service rebates	(20 155)	(190 030)
	15 266 500	**11 338 325**

19 Government Grants and Subsidies

Equitable shares	132 835 000	117 473 000
Finance management grant	1 498 216	1 558 021
Municipal infrastructure grant	33 129 079	32 997 000
Municipal systems improvement grant	638 400	790 000
National electrification grant	1 318 000	-
Government grants other	-	4 096 361
	169 418 695	**156 914 382**

20 Other Income

Donations	-	184 226
Sundry income	577 839	592 353
	577 839	**776 576**

21 General Expenses

Advertising	652 042	609 268
Auditor’s remuneration	1 917 160	1 536 179
Back to school campaign	-	144 060
Bank charges	197 867	189 773
Bursary Scheme	1 999 634	822 353
Capacity building	38 074	330 800
Catering	730 016	371 664
Conferences and seminars	278 636	417 367
Data cleansing	-	520 000
Electricity	630 902	496 016
Entertainment	99 888	101 728
Fuel and oil	2 098 281	2 055 864

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
Free basic services	1 025 179	1 688 427
Gender desk activities	183 113	240 252
Insurance	918 020	831 086
Interns	2 272 001	2 082 781
Legal expenses	929 160	1 046 730
Membership fees	448 831	161 986
Other	4 695 086	1 385 878
Printing and stationery	599 832	469 757
Public Participation	742 759	502 184
Rental Network printer	474 376	474 376
Postage	51 402	111 574
Revenue Enhancement Strategy	-	591 780
SAIMSA Games	278 835	250 491
SALGA	443 746	103 786
Stores and material	371 338	350 894
Telephone & cell phone costs	647 572	682 033
Tourism Indaba	107 000	177 876
Training	356 540	742 404
Travel and subsistence	2 765 287	2 382 267
Vehicle licences	83 394	74 531
Electrification of villages	-	1 539 863
Contribution to post retirement medical care	-	1 016 281
UIF	305 561	253 344
Unbundling of Assets	-	879 622
Workshop and meetings : Ward Committee	4 482 507	3 693 985
Youth Desk Activities	294 294	212 939
Youth Empowerment Project	54 076	1 006 522
	31 172 408	**30 548 719**

22 Employee Related Cost

Employee related costs - Salaries and Wages	31 489 654	27 547 854
Pension fund and Industrial fund contributions	5 985 937	5 049 735
Travel & motor allowances	1 262 325	481 238
Housing benefits and allowances	349 476	373 485
Overtime benefits	2 792 667	2 774 157
Leave provision	733 031	941 066
Medical Aid benefits and allowances	2 466 088	1 056 547
Bonuses	2 221 435	2 081 565
	47 300 613	**40 305 647**

Remuneration of Municipal Manager

Annual remuneration	618 333	683 950
Travel allowance	150 000	249 851
Contributions to UIF, medical and pension funds	140 000	67 679
	908 333	**1 001 480**

Remuneration of Chief Financial Officer

Annual remuneration	535 079	252 317
Travel allowance	135 134	58 217
Contributions to UIF, medical and pension funds	99 663	26 750
	769 875	**337 284**

Remuneration of Director Planning and Development

Annual remuneration	528 767	502 647
Travel allowance	161 000	140 946
Contributions to UIF, medical and pension funds	109 968	110 000
	799 734	**753 593**

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

Remuneration of Director Corporate Services

Annual remuneration	605 604	512 548
Travel allowance	94 416	139 333
Contributions to UIF, medical and pension funds	99 572	79 750
	799 592	**731 631**

Remuneration of Director Community Services

Annual remuneration	504 506	190 501
Travel allowance	172 220	33 000
Contributions to UIF, medical and pension funds	122 316	19 500
	799 041	**243 001**

23 Remuneration of councillors

Mayor	484 163	461 060
Executive committee	1 261 401	1 158 941
Speaker	387 328	366 414
Councillors	8 638 375	7 648 836
Travel expenses	2 712 634	2 742 779
Cell phone expenses	751 428	973 443
	14 235 329	**13 351 473**

24 Debt Impairment

Bad Debt Provision	**29 429 488**	**(6 887 685)**

25 Interest Received

Bank	1 876 556	2 107 952
Outstanding consumer debtors	5 298 477	4 231 088
Investment interest	3 220 395	2 516 858
	10 395 428	**8 855 898**

26 Depreciation and amortisation

Property, plant and equipment	11 160 541	8 883 109
Investment Property	14 308	
Intangible assets	164 699	120 929
	11 339 548	**9 004 038**

27 Impairment of assets

Property, plant and equipment	139 829	-

A motor vehicle, a Toyota Corolla 1.6, registration number CGD492L, was involved in an accident on 17 January 2013. Its carrying amount up to the date of the accident of R139 829.24 was written off, and and amount of R162 685.85 was received from the insurance company for the loss.

28 Finance costs

DBSA Loan - Interest Paid	1 458 537	1 558 604

Refer to note 11

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

29 Contracted Services

Banking services	116 087	106 068
Couriers	6 688	9 143
Copiers and faxes	601 928	73 874
Investment strategy	-	47 850
Insurance	918 019	-
Meter readers	348 880	341 026
Mobile toilets	-	26 700
Premicell	16 692	570 276
Refuse removal	1 653 834	1 615 840
Security services	3 950 389	3 662 388
Supplementary valuations	153 356	185 483
Temporary workers	92 143	102 834
Other	157 444	6 896
	8 015 460	**6 748 378**

30 Bulk Purchases

Electricity purchases	**10 611 608**	**9 487 172**

31 Cash generated from operations

Surplus	50 633 863	
Adjustments for:		
Depreciation and amortisation	182 814	
Fair value adjustments	-45 687	
Interest income	-5 354 104	
Dividends received		
Finance costs		
Impairment deficit		
Debt impairment		
Changes in working capital:		
Inventories	0	
Trade and other receivables	0	
Other receivables from non-exchange transactions	-	
Consumer debtors	681 321	
Payables from exchange transactions	-681 322	
VAT	0	
Unspent conditional grants and receipts	0	
Consumer deposits	-0	
	45 416 885	-

32 Commitments

Commitments in respect of expenditure:

Approved and contracted for	**37 623 569**	**12 109 274**
The expenditure will be financed from:		
- Own Funds	30 909 487	
- Government Grants	6 714 082	12 109 274

This commitments is due to multi-year projects.
For full list of Commitments please refer to **Appendix G**

33 Contingencies

Ramalepe vs Greater Letaba Municipality	95 668	

The Municipality is sued for selling a resedential site to two people.

Sameul Motlatso vs Greater Letaba Municipality	95 190	

The Municipality is sued for damages suffered by the plaintif as a result of construction work conducted next to his house.

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

34 Prior period errors

During the 2012-13 financial year it was discovered that a piece of land, Erf number 165/1, that was capitalised on 27 March 2007, does not belong to the municipality. Thise error was corrected retrospectively and comparative figures have been appropriately adjusted.

The financial effect of misstatement and reclassification is as follows:

		2013	2012
Decrease in Property, Plant and Equipment			
Overstatement of Land	Correction of Land balance overstated in the accounting records	-	(500)
Decrease in Net Assets		-	(500)

35 Unauthorised expenditure

	2013	2012
Unauthorised expenditure	-	-

The overall budget for expenditure was not overspend (2012: R0)

36 Fruitless And Wasteful Expenditure

Reconciliation of fruitless and wasteful expenditure

	2013	2012
Opening balance	23 085	47 752
Fruitless and wasteful expenditure current year	3 064	7 236
Recovered from official - trf to Other Receivables	-	(31 903)
Condoned by Council	-	-
Fruitless and wasteful expenditure awaiting condonement	**26 149**	**23 085**

36 Irregular Expenditure

Reconciliation of irregular expenditure

	2013	2012
Opening balance	36 106 612	13 789 568
Irregular expenditure current year	5 748 155	22 512 044
Recovered from official - trf to Other Receivables	-	(195 000)
Condoned by Council	-	-
Irregular expenditure awaiting condonement	**41 854 767**	**36 106 612**

SALGA

	2013	2012
Opening balance	-	-
Current year	443 746	103 786
Amount paid - current year	(443 746)	(103 786)
	-	-

Audit fees

	2013	2012
Opening balance	-	-
Current year	1 917 160	1 282 977
Amount paid - current year	(1 917 160)	(1 282 977)
	-	-

PAYE, UIF and SDL

	2013	2012
Opening balance	-	-
Current year	9 977 767	8 310 995
Amount paid - current year	(9 977 767)	(8 310 995)
	-	-

Pension and medical aid

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
Opening balance	-	-
Current year	11 542 012	9 357 479
Amount paid - current year	(11 542 012)	(9 357 479)
	-	-

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

VAT

VAT payable / refundable	658 063	221 016

VAT output payables and VAT input receivables are shown in note 15.

Councillors' arrear consumer accounts

MJ Nakana	-	1 416
SS Malatji	-	1 704
T C Kgafela	-	15 984
	-	**19 104**

All councillors accounts at date of disclosure where paid in full and up to date

Greater Letaba Municipality
Unaudited Annual Financial Statements for the year ended 30 June 2013

Appendix A
Actual Versus Budget (Revenue and Expenditure)
Figures in Rand

2012

Revenue	Actual	Budget	Variance	Variance	Explanation of significant variances of 10% and grater versus budget
Property rates	6 920 579	6 065 000	855 579	14%	
Collection charges	-	-	-	0%	
Service charges	11 338 325	14 233 000	(2 894 675)	-20%	
Rental : Property & equipment	51 210	50 000	1 210	2%	
Interest earned - Outstanding receivables	4 231 088	2 856 041	1 375 047	48%	
Interest earned - Investments	4 624 810	758 400	3 866 410	510%	
Fines	417 632	510 000	(92 368)	-18%	
Licenses & Permits	3 061 805	4 007 792	(945 987)	-24%	
Agency services	1 519 262	1 433 800	85 462	6%	
Government grants and subsidies	123 917 382	125 156 000	(1 238 618)	-1%	
Other income	776 579	18 673 000	(17 896 421)	-96%	
Less Revenue foregone	-	-	-	0%	
Dividends received	-	-	-	0%	
Fair value gain	-	-	-	0%	
Total Revenue	**156 858 672**	**173 743 033**	**(16 884 361)**	**-10%**	
Expenditure					
Employee related costs	40 305 647	48 664 000	(8 358 353)	-17%	
Remuneration of councillors	13 351 473	15 885 000	(2 533 527)	-16%	
Contribution to Provisions	-	-	-	0%	
Collection costs	-	-	-	0%	
Depreciation	9 004 039	6 166 000	2 838 039	46%	
Repairs & Maintenance	2 925 779	4 948 105	(2 022 326)	-41%	
Bulk purchases	9 487 172	10 180 000	(692 828)	-7%	
Contracted services	6 748 378	11 236 000	(4 487 622)	-40%	
Grants & Subsidies paid	-	-	-	0%	
General expenses - other	30 548 721	27 221 000	3 327 721	12%	
Internal transfers/ Departmental charges	-	-	-	0%	
Amortisation	-	-	-	0%	
Impairments	15 400 583	-	15 400 583	0%	
Finance cost	1 558 604	1 773 000	(214 396)	-12%	
Debt impairments	(6 887 685)	2 989 000	(9 876 685)	-330%	
Assets written off	326 104	-	326 104	100%	
Legal fees	-	-	-	0%	
Insurance	-	-	-	0%	
Travel and accommodation	-	-	-	0%	
Bad debts	-	-	-	0%	
Audit fees	-	-	-	0%	
Capital Expenditure from income	-	-	-	0%	
Total Expenditure	**122 768 815**	**129 062 105**	**(6 293 290)**	**-5%**	
Fair value adjustments	-	-	-	0%	
Other revenue and costs	**-**	**-**	**-**	0%	
SURPLUS FOR THE YEAR	**34 089 857**	**44 680 928**	**(10 591 071)**		
Capital Expenditure own budget	32 997 000	-	32 997 000	100%	
NET SURPLUS/ (DEFICIT)	**67 086 857**	**44 680 928**	**22 405 929**	50%	

2013

Revenue	Actual	Budget	Variance	Variance	Explanation of significant variances of 10% and grater versus budget
Property rates	6 418 553	7 508 000	(1 089 447)	-15%	
Collection charges	-	-	-		
Service charges	15 266 500	13 627 000	1 639 500	12%	
Rental : Property & equipment	90 510	198 644	(108 134)	-54%	
Interest earned - Outstanding receivables	6 074 253	3 027 000	3 047 253	101%	
Interest earned - Investments	5 096 950	804 000	4 292 950	534%	
Fines	207 635	750 000	(542 365)	-72%	
Licenses & Permits	3 257 791	3 925 000	(667 209)	-17%	
Agency services	1 307 932	1 550 000	(242 068)	-16%	
Government grants and subsidies	136 289 616	136 608 000	(318 384)	0%	
Other income	4 326 460	30 867 000	(26 540 540)	-86%	
Less Revenue foregone	-	-	-		
Dividends received	-	-	-		
Fair value gain	-	-	-		
Total Revenue	**178 336 200**	**198 864 644**	**(20 528 444)**	**-10%**	
Expenditure					
Employee related costs	47 300 613	55 154 000	(7 853 387)	-14%	
Remuneration of councillors	14 235 330	16 679 000	(2 443 670)	-15%	
Contribution to Provisions	30 205 264	6 660 043	23 545 221	354%	
Collection costs	-	-	-		
Depreciation	11 451 665	8 632 000	2 819 665	33%	
Repairs & Maintenance	4 462 056	4 896 566	(434 510)	-9%	
Bulk purchases	10 611 608	11 554 000	(942 392)	-8%	
Contracted services	8 015 460	11 676 000	(3 660 540)	-31%	
Grants & Subsidies paid	-	-	-		
General expenses - other	26 561 261	22 376 642	4 184 619	19%	
Internal transfers/ Departmental charges	-	-	-		
Amortisation	-	-	-		
Impairments	139 829	-	139 829		
Finance cost	1 458 537	1 879 000	(420 463)	-22%	
Debt impairments	-	2 392 000	(2 392 000)	-100%	
Assets written off	-	-	-		
Legal fees	929 160	1 650 000	(720 840)	-44%	
Insurance	918 020	1 600 000	(681 980)	-43%	
Travel and accommodation	2 765 287	2 807 358	(42 071)	-1%	
Bad debts	-	-	-		
Audit fees	1 917 160	2 500 000	(582 840)	-23%	
Capital Expenditure from income	-	-	-		
Total Expenditure	**160 971 250**	**130 677 909**	**10 514 641**	**8%**	
Fair value adjustments	45 685	-	45 685	0%	
Other revenue and costs	**45 687**	**-**	**45 685**	0%	
SURPLUS FOR THE YEAR	**17 410 637**	**50 615 941**	**(30 997 400)**		
Capital Expenditure own budget	33 129 081	40 027 000	(6 897 919)	100%	
NET SURPLUS/ (DEFICIT)	**50 539 716**	**90 642 941**	**(37 895 319)**	-42%	

Greater Letaba Municipality
Unaudited Annual Financial Statements for the year ended 30 June 2013

Appendix B
Analysis of Property, Plant and Equipment
Figures in Rand

	Historical Cost					Accumulated Depreciation and Impairment Losses				
	Balance 30 June 2012	**Additions**	**Write off**	**AUC additions**	**Balance 30 June 2013**	**Balance 30 June 2012**	**Depreciation**	**Write off**	**Balance 30 June 2013**	**Carrying value 30 June 2013**
Land										
Land	6 919 710				6 919 710				-	6 919 710
	6 919 710	**-**	**-**	**-**	**6 919 710**	**-**	**-**	**-**	**-**	**6 919 710**
Buildings										
Dwellings	4 656 164			-	4 656 164	462 736	153 933		616 668	4 039 495
Non residential structure	64 489 892	2 637 390		25 099 822	92 227 104	9 347 366	1 995 329		11 342 696	80 884 408
	69 146 056	**2 637 390**	**-**	**25 099 822**	**96 883 268**	**9 810 102**	**2 149 262**	**-**	**11 959 364**	**84 923 904**
Infrastructure										
Roads	156 959 850	1 996 075		15 907 935	174 863 860	18 187 231	4 520 883	-	22 708 114	152 155 745
Water	-	-		-	-	-	-	-	-	-
Electricity	19 860 016	6 441 210		-	26 301 226	2 781 979	932 951	-	3 714 930	22 586 295
Solid Waste	2 811 180	-		-	2 811 180	2 430 292	28 000	-	2 458 292	352 888
Cemetries	82 146	-		100 000	182 146	8 224	2 738	-	10 962	171 184
Total Infrastructure	**179 713 191**	**8 437 285**	**-**	**16 007 935**	**204 158 411**	**23 407 726**	**5 484 572**	**-**	**28 892 298**	**175 266 113**
Other Assets										
Vehicles	10 226 383	5 900 009	(182 814)	-	15 943 578	4 477 525	1 693 178	(42 984)	6 127 718	9 815 860
Plant & Equipment	7 891 173	620 868		-	8 512 041	3 244 276	838 137	-	4 082 413	4 429 628
Furniture and Office Equipm	4 174 451	286 415		-	4 460 866	1 875 435	593 322	-	2 468 757	1 992 108
Computer Equipment	1 664 413	577 596		-	2 242 009	637 095	291 522	-	928 617	1 313 392
	23 956 420	**7 384 887**	**(182 814)**	**-**	**31 158 493**	**10 234 330**	**3 416 159**	**(42 984)**	**13 607 505**	**17 550 988**
Heritage Assets										
Heritage Assets	684 954				684 954	-			-	684 954
	684 954	**-**	**-**	**-**	**684 954**	**-**	**-**	**-**	**-**	**684 954**
Total PPE as per note 3.1	**280 420 331**	**18 459 562**	**(182 814)**	**41 107 757**	**339 804 837**	**43 452 159**	**11 049 993**	**(42 984)**	**54 459 168**	**285 345 669**
Finance Leased Assets	967 323	-	-	-	967 323	746 074	110 549	-	856 623	110 700
Total PPE as per note 3	**281 387 654**	**18 459 562**	**(182 814)**	**41 107 757**	**340 772 160**	**44 198 232**	**11 160 542**	**(42 984)**	**55 315 790**	**285 456 370**
Intangibles	607 357	359 634	-	-	966 991	145 955	164 699	-	310 654	656 338
Investment Properties	480 511	-	-	-	480 511	57 233	14 308	-	71 541	408 970
Total Fixed Assets	**282 475 523**	**18 819 196**	**(182 814)**	**41 107 757**	**342 219 663**	**44 401 420**	**11 339 549**	**(42 984)**	**55 697 985**	**286 521 678**