



Greater Letaba Municipality
Financial statements
for the year ended 30 June 2015

Greater Letaba Municipality

Financial Statements for the year ended 30 June 2015

General Information

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

Greater Letaba Municipality

Financial Statements for the year ended 30 June 2015

General Information

Councillors (continued)

MF Moruthoane
M Mathedimosa
MP Masela
M Serekele
DL Selowa
TJ Senyolo
MJ Nakana
MF Mokwalakwala
ZT Maluleke
MJ Masutha

Audit committee

RR Shilenge (Chairperson)
TW Sebola
MJ Mabuza
HG Hlomane
TM Malatji
SAB Ngobeni

Old Audit committee

TC Modipane
FJ Mudau
SAB Ngobeni
SST Kholong
HG Hlomane

Chief Finance Officer (CFO)

MF Mankgabe

Accounting Officer

TG Mashaba

Registered office

Civic Centre
44 Botha Street
Modjadjiskloof
Limpopo

Business address

Civic Centre
44 Botha Street
Modjadjiskloof
Limpopo

Postal address

PO Box 36
Modjadjiskloof
0835

Bankers

First National Bank

Auditors

Auditor General of South Africa

Enabling legislation

Division of Revenue Act (Act 1 of 2011)
Local Government Municipal Finance Management Act
(Act 56 of 2003)
Municipal Property Rates Act (Act 6 of 2004)
Local Government Municipal Systems Act (Act 32 of 2000)
Local Government Municipal Structures Act (Act 117 of 1998)

Level of rounding

Nearest Rand

Greater Letaba Municipality

Financial Statements for the year ended 30 June 2015

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Abbreviations

DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
FMG	Finance Management Grant
MSIG	Municipal Systems Improvement Grant

Greater Letaba Municipality

Financial Statements for the year ended 30 June 2015

Accounting Officer's Responsibilities and Approval

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

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

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

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

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

The Accounting Officer has reviewed the municipality's cash flow forecast for the year to 30 June 2016 and, in the light of this review and the current financial position, she is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The financial statements set out on pages 6 to 75, which have been prepared on the going concern basis, were approved by the Accounting Officer on 31 August 2015 and were signed by:

TG Mashaba
Accounting Officer

Greater Letaba Municipality

Financial Statements for the year ended 30 June 2015

Accounting Officer's Report

The Accounting Officer submits her report for the year ended 30 June 2015.

1. Review of activities

Main business and operations

The municipality is engaged in providing municipal services and maintaining the best interest of the local community mainly in the Greater Letaba area.

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

Net surplus of the Municipality was R 83,126,708 (2014: surplus R 70,982,771).

2. Going concern

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

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.

4. Accounting Officer's interest in contracts

None.

5. Accounting policies

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

6. Accounting Officer

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

Accounting Officer
TG Mashaba

Greater Letaba Municipality

Financial Statements for the year ended 30 June 2015

Statement of Financial Position as at 30 June 2015

Figures in Rand	Notes	2015	2014 Restated*
Assets			
Current Assets			
Inventories	3	3,093,305	2,903,965
Receivables from exchange transactions	4	20,894,446	4,937,570
Receivables from non-exchange transactions	5	43,270	-
VAT receivable		4,291,711	591,546
Consumer debtors	6	9,850,286	11,372,863
Cash and cash equivalents	7	94,518,640	115,705,106
		132,691,658	135,511,050
Non-Current Assets			
Investment property	8	258,065	267,057
Property, plant and equipment	9	458,387,574	355,115,633
Intangible assets	10	366,696	575,056
Heritage assets	11	548,500	385,500
Other financial assets	12	74,496	8,054,061
		459,635,331	364,397,307
Total Assets		592,326,989	499,908,357
Liabilities			
Current Liabilities			
Other financial liabilities	13	-	946,349
Payables from exchange transactions	14	30,478,748	23,173,284
Consumer deposits	15	345,003	333,387
Unspent conditional grants and receipts	16	24,289,710	16,079,872
		55,113,461	40,532,892
Non-Current Liabilities			
Other financial liabilities	13	-	7,507,827
Employee benefit obligation	17	10,375,812	8,156,630
Provisions	18	2,236,803	2,236,803
		12,612,615	17,901,260
Total Liabilities		67,726,076	58,434,152
Net Assets		524,600,913	441,474,205
Accumulated surplus		524,600,913	441,474,205

* See Note 40

Greater Letaba Municipality

Financial Statements for the year ended 30 June 2015

Statement of Financial Performance

Figures in Rand	Notes	2015	2014 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	19	14,016,688	14,004,364
Rental of facilities and equipment		87,907	111,364
Interest received - outstanding receivables		6,937,101	6,120,546
Agency services		1,737,708	1,573,915
Licences and permits		2,914,588	2,846,217
Other income		2,735,615	805,622
Interest received - investment	20	6,458,282	5,417,710
Total revenue from exchange transactions		34,887,889	30,879,738
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	21	8,685,065	8,633,559
Transfer revenue			
Government grants and subsidies	22	216,519,162	188,010,338
Traffic fines		970,685	715,470
Total revenue from non-exchange transactions		226,174,912	197,359,367
Total revenue	23	261,062,801	228,239,105
Expenditure			
Employee related costs	24	(61,294,546)	(53,969,137)
Remuneration of councillors	25	(16,225,142)	(15,220,576)
Depreciation and amortisation	26	(14,095,488)	(13,196,629)
Impairment loss	27	-	(4,089,889)
Finance costs	28	(1,235,494)	(1,345,982)
Debt Impairment	48	(16,476,391)	(11,200,067)
Repairs and maintenance		(4,371,298)	(5,055,616)
Bulk purchases	29	(8,476,095)	(10,325,878)
Contracted services	30	(9,072,067)	(7,765,239)
General expenses	31	(46,689,571)	(35,087,322)
Total expenditure		(177,936,092)	(157,256,335)
Operating surplus		83,126,709	70,982,770
Surplus for the year		83,126,709	70,982,770

* See Note 40

Greater Letaba Municipality

Financial Statements for the year ended 30 June 2015

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	321,293,034	321,293,034
Adjustments		
Surplus for the year	50,673,124	50,673,124
Prior year adjustments	(1,474,724)	(1,474,724)
Balance at 01 July 2013 as restated*	370,491,434	370,491,434
Changes in net assets		
Surplus for the year	70,982,771	70,982,771
Total changes	70,982,771	70,982,771
Opening balance as previously reported	443,425,529	443,425,529
Adjustments		
Prior year adjustments	(1,951,324)	(1,951,324)
Restated* Balance at 01 July 2014 as restated*	441,474,205	441,474,205
Changes in net assets		
Surplus for the year	83,126,708	83,126,708
Total changes	83,126,708	83,126,708
Balance at 30 June 2015	524,600,913	524,600,913
Note(s)		

* See Note 40

Greater Letaba Municipality

Financial Statements for the year ended 30 June 2015

Cash Flow Statement

Figures in Rand	Note(s)	2015	2014 Restated*
Cash flows from operating activities			
Receipts			
Cash received from trade services, assessment rates and rental		10,561,094	10,916,343
Grants		224,729,000	197,006,000
Interest income		13,395,383	11,538,256
Cash received from agency fees, fines and sundry income		4,886,076	1,253,216
		<u>253,571,553</u>	<u>220,713,815</u>
Payments			
Employee costs		(71,707,247)	(66,217,268)
Suppliers		(84,130,605)	(67,465,251)
Finance costs		(1,235,494)	(1,345,982)
		<u>(157,073,346)</u>	<u>(135,028,501)</u>
Net cash flows from operating activities	32	<u>96,498,207</u>	<u>85,685,314</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	9	(117,150,062)	(72,609,613)
Purchase of other intangible assets	10	-	(124,659)
Purchases of heritage assets	11	(60,000)	-
Purchase of financial assets		-	(426,827)
Proceeds from sale of financial assets		7,979,565	-
		<u>(109,230,497)</u>	<u>(73,161,099)</u>
Cash flows from financing activities			
Repayment of other financial liabilities		(8,454,176)	(816,637)
		<u>(8,454,176)</u>	<u>(816,637)</u>
Net increase in cash and cash equivalents		(21,186,466)	11,707,578
Cash and cash equivalents at the beginning of the year		115,705,106	103,997,528
Cash and cash equivalents at the end of the year	7	<u>94,518,640</u>	<u>115,705,106</u>

* See Note 40

Greater Letaba Municipality

Financial Statements for the year ended 30 June 2015

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Refer to note 46 for explanations of major variances
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Figures in Rand

Statement of Financial Performance

Revenue

Revenue from exchange transactions

Service charges	20,000,000	-	20,000,000	14,016,688	(5,983,312)	
Rental of facilities and equipment	222,774	(100,000)	122,774	87,907	(34,867)	
Interest received - outstanding receivables	5,607,360	-	5,607,360	6,937,101	1,329,741	
Income from agency services	1,738,282	-	1,738,282	1,737,708	(574)	
Licences and permits	5,607,360	-	5,607,360	2,914,588	(2,692,772)	
Other income	13,489,723	500,000	13,989,723	2,735,615	(11,254,108)	
Gain on disposal of PPE	106,200	-	106,200	-	(106,200)	
Interest received	6,488,544	-	6,488,544	6,458,282	(30,262)	
Total revenue from exchange transactions	53,260,243	400,000	53,660,243	34,887,889	(18,772,354)	

Revenue from non-exchange transactions

Taxation revenue

Property rates	6,354,687	-	6,354,687	8,685,065	2,330,378	
Government grants	225,294,000	15,429,873	240,723,873	216,519,162	(24,204,711)	

Transfer revenue

Fines	336,442	-	336,442	970,685	634,243	
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Total revenue from non-exchange transactions	231,985,129	15,429,873	247,415,002	226,174,912	(21,240,090)	
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Total revenue	285,245,372	15,829,873	301,075,245	261,062,801	(40,012,444)	
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Expenditure

Employee related costs	(64,346,273)	2,063,040	(62,283,233)	(61,294,546)	988,687	
Remuneration of councillors	(16,855,524)	500,000	(16,355,524)	(16,225,142)	130,382	
Depreciation and amortisation	(10,048,950)	(6,749,948)	(16,798,898)	(14,095,488)	2,703,410	
Finance costs	(2,107,008)	-	(2,107,008)	(1,235,494)	871,514	
Debt impairment	(6,011,222)	-	(6,011,222)	(16,476,391)	(10,465,169)	
Repairs and maintenance	(9,498,650)	2,907,684	(6,590,966)	(4,371,298)	2,219,668	
Bulk purchases	(13,483,727)	2,000,000	(11,483,727)	(8,476,095)	3,007,632	
Contracted Services	(8,884,018)	(360,000)	(9,244,018)	(9,072,067)	171,951	
General Expenses	(32,915,375)	4,700,224	(28,215,151)	(48,908,752)	(20,693,601)	

Total expenditure	(164,150,747)	5,061,000	(159,089,747)	(180,155,273)	(21,065,526)	
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Surplus before taxation	121,094,625	20,890,873	141,985,498	80,907,528	(61,077,970)	
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Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	121,094,625	20,890,873	141,985,498	80,907,528	(61,077,970)	
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Greater Letaba Municipality

Financial Statements for the year ended 30 June 2015

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Refer to note 46 for explanations of major variances
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Figures in Rand

Statement of Financial Position

Assets

Current Assets

Inventories	3,013,000	-	3,013,000	3,093,305	80,305	
Receivables from exchange transactions	-	-	-	20,894,446	20,894,446	
Receivables from non-exchange transactions	-	-	-	43,270	43,270	
VAT receivable	-	-	-	4,291,711	4,291,711	
Consumer debtors	10,916,016	-	10,916,016	9,850,285	(1,065,731)	
Cash and cash equivalents	79,874,390	-	79,874,390	94,518,640	14,644,250	
	93,803,406	-	93,803,406	132,691,657	38,888,251	

Non-Current Assets

Investment property	408,969	-	408,969	258,065	(150,904)	
Property, plant and equipment	448,055,373	69,732,102	517,787,475	458,387,575	(59,399,900)	
Intangible assets	656,337	-	656,337	366,696	(289,641)	
Heritage assets	-	-	-	548,500	548,500	
Other financial assets	8,077,685	-	8,077,685	74,496	(8,003,189)	
	457,198,364	69,732,102	526,930,466	459,635,332	(67,295,134)	

Total Assets

	551,001,770	69,732,102	620,733,872	592,326,989	(28,406,883)	
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Liabilities

Current Liabilities

Other financial liabilities	817,031	-	817,031	-	(817,031)	
Payables from exchange transactions	42,233,514	-	42,233,514	30,478,748	(11,754,766)	
Consumer deposits	257,939	-	257,939	345,003	87,064	
Unspent conditional grants and receipts	7,200,000	8,329,874	15,529,874	24,289,710	8,759,836	
Provisions	336,442	-	336,442	-	(336,442)	
	50,844,926	8,329,874	59,174,800	55,113,461	(4,061,339)	

Non-Current Liabilities

Other financial liabilities	7,749,701	-	7,749,701	-	(7,749,701)	
Employee benefit obligation	-	-	-	10,375,812	10,375,812	
Provisions	5,764,366	-	5,764,366	2,236,803	(3,527,563)	
	13,514,067	-	13,514,067	12,612,615	(901,452)	

Total Liabilities

	64,358,993	8,329,874	72,688,867	67,726,076	(4,962,791)	
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Net Assets

	486,642,777	61,402,228	548,045,005	524,600,913	(23,444,092)	
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Greater Letaba Municipality

Financial Statements for the year ended 30 June 2015

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Refer to note 46 for explanations of major variances
Figures in Rand						
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	486,642,777	61,402,228	548,045,005	524,600,913	(23,444,092)	

Greater Letaba Municipality

Financial Statements for the year ended 30 June 2015

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Refer to note 46 for explanations of major variances
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Figures in Rand

Cash Flow Statement

Cash flows from operating activities

Receipts

Cash received from trade services, assessment rates and rental	65,987,961	(17,839,000)	48,148,961	10,561,094	(37,587,867)	
Grants	225,294,000	-	225,294,000	224,729,000	(565,000)	
Interest income	11,595,714	500,000	12,095,714	13,395,383	1,299,669	
Cash received from agency fees, fines and sundry income	-	-	-	4,886,076	4,886,076	
	302,877,675	(17,339,000)	285,538,675	253,571,553	(31,967,122)	

Payments

Suppliers and employees	(162,043,739)	5,060,905	(156,982,834)	(155,837,852)	1,144,982	
Finance costs	(2,107,008)	-	(2,107,008)	(1,235,494)	871,514	
	(164,150,747)	5,060,905	(159,089,842)	(157,073,346)	2,016,496	

Net cash flows from operating activities	138,726,928	(12,278,095)	126,448,833	96,498,207	(29,950,626)	
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Cash flows from investing activities

Purchase of property, plant and equipment	(165,975,472)	(88,119,015)	(254,094,487)	(117,150,062)	136,944,425	
Proceeds from sale of property, plant and equipment	106,200	-	106,200	-	(106,200)	
Purchase of heritage assets	-	-	-	(60,000)	(60,000)	
Proceeds from sale of financial assets	-	-	-	7,979,565	7,979,565	

Net cash flows from investing activities	(165,869,272)	(88,119,015)	(253,988,287)	(109,230,497)	144,757,790	
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Cash flows from financing activities

Repayment of other financial liabilities	(817,031)	-	(817,031)	(8,454,176)	(7,637,145)	
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Net increase in cash and cash equivalents	(27,959,375)	(100,397,110)	(128,356,485)	(21,186,466)	107,170,019	
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Cash and cash equivalents at the beginning of the year	66,612,220	49,093,106	115,705,326	115,705,106	(220)	
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Cash and cash equivalents at the end of the year	38,652,845	(51,304,004)	(12,651,159)	94,518,640	107,169,799	
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Greater Letaba Municipality

Financial Statements for the year ended 30 June 2015

Accounting Policies

1. Basis of preparation

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

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

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

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

1.1 Presentation currency

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

1.2 Going concern assumption

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

1.3 Significant judgements and sources of estimation uncertainty

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

Loans and receivables

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

Fair value estimation

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

Impairment testing

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

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 18 - Provisions.

Greater Letaba Municipality

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Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

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

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

Post retirement benefits

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

Other key assumptions for post retirement benefit obligations are based on current market conditions. Additional information is disclosed in Note 17.

Effective interest rate

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

Debtors impairment

The provision for impairment is measured with reference to historical data and payment trend analysis per group of consumers and/or category. An impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired.

1.4 Investment property

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

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

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

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

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

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

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

Cost model

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

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

Item	Useful life
Property - buildings	30 years

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

Greater Letaba Municipality

Financial Statements for the year ended 30 June 2015

Accounting Policies

1.4 Investment property (continued)

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

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

1.5 Property, plant and equipment

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

Recognition

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

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

Initial measurement

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

Subsequent measurement

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

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

Greater Letaba Municipality

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Accounting Policies

1.5 Property, plant and equipment (continued)

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

Item	Average useful life
Infrastructure	
• 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	
• 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

Land is not depreciated as it is deemed to have an indefinite useful life.

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

Derecognition

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

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

1.6 Intangible assets

An asset is identified as an intangible asset when it:

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

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

An intangible asset is recognised when:

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

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

Greater Letaba Municipality

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Accounting Policies

1.6 Intangible assets (continued)

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

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

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

Item	Useful life
Computer software	3 years

Intangible assets are derecognised:

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

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.

1.7 Heritage assets

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

Recognition

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

Initial measurement

Heritage assets are measured at cost.

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

Subsequent measurement

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

Impairment

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

Transfers

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

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

Derecognition

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

The gain or loss arising from the derecognition of a heritage asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

Greater Letaba Municipality

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Accounting Policies

1.8 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

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

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
 - receive cash or another financial asset from another entity; or
 - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Classification

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Consumer debtors	Financial asset measured at amortised cost
Other receivables	Financial asset measured at amortised cost
Other financial asset	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Other financial liabilities	Financial liability measured at amortised cost
Payables from exchange transactions	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost

Greater Letaba Municipality

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Accounting Policies

1.8 Financial instruments (continued)

Initial recognition

The municipality recognises a financial asset or a financial liability in its statement of financial position when the municipality becomes a party to the contractual provisions of the instrument.

The municipality recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The municipality measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Subsequent measurement of financial assets and financial liabilities

The municipality measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the municipality establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the municipality uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

Reclassification

The municipality does not reclassify a financial instrument while it is issued or held unless it is:

- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the entity reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from cost to fair value.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Greater Letaba Municipality

Financial Statements for the year ended 30 June 2015

Accounting Policies

1.8 Financial instruments (continued)

Impairment and uncollectibility of financial assets

The municipality assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

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

Derecognition

Financial assets

The municipality derecognises a financial asset only when:

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

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

If the municipality transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognise either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the municipality adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the municipality obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the municipality recognise the new financial asset, financial liability or servicing liability at fair value.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

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Accounting Policies

1.8 Financial instruments (continued)

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the municipality has retained substantially all the risks and rewards of ownership of the transferred asset, the municipality continues to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the municipality recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

Financial liabilities

The municipality removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Dividends or similar distributions relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Distributions to holders of residual interests are debited by the municipality directly to net assets, net of any related income tax benefit. Transaction costs incurred on residual interests is accounted for as a deduction from net assets, net of any related income tax benefit.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the municipality currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the municipality does not offset the transferred asset and the associated liability.

1.9 Cash and cash equivalents

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

1.10 Leases

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

Greater Letaba Municipality

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Accounting Policies

1.10 Leases (continued)

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

Operating leases - lessee

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

1.11 Additional Note

1.12 Inventories

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

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

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

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

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

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

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

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

1.13 Related parties

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

1.14 Events after the reporting date

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

1.15 Value added tax

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

Greater Letaba Municipality

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Accounting Policies

1.16 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.

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

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

Value in use

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

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

Basis for estimates of future cash flows

In measuring value in use the municipality:

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

Composition of estimates of future cash flows

Estimates of future cash flows include:

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

Estimates of future cash flows exclude:

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

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

Discount rate

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

Greater Letaba Municipality

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Accounting Policies

1.16 Impairment of cash-generating assets (continued)

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Cash-generating units

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

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

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

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

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

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

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

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

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

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

Greater Letaba Municipality

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Accounting Policies

1.16 Impairment of cash-generating assets (continued)

Reversal of impairment loss

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

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

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

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

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

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

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

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

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

Redesignation

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

1.17 Impairment of non-cash-generating assets

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

Value in use

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

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

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Accounting Policies

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

Depreciated replacement cost approach

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

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Reversal of an impairment loss

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

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

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

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

Redesignation

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

1.18 Employee benefits

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

Greater Letaba Municipality

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Accounting Policies

1.18 Employee benefits (continued)

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

Short-term employee benefits

Short-term employee benefits include items such as:

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

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

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

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

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

Retirement benefits

Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

Post-employment benefits: Defined contribution plans

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

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

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

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

Greater Letaba Municipality

Financial Statements for the year ended 30 June 2015

Accounting Policies

1.18 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

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

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

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

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

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

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

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

Other post retirement obligations

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

1.19 Provisions and contingencies

Provisions are recognised when:

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

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

Greater Letaba Municipality

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Accounting Policies

1.19 Provisions and contingencies (continued)

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

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

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

The municipality does not recognise contingent liabilities or contingent assets. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable. Contingent assets and liabilities are disclosed in note 34.

1.20 Revenue from exchange transactions

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

Measurement

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

Service charges

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

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

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

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

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

Interest

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

Greater Letaba Municipality

Financial Statements for the year ended 30 June 2015

Accounting Policies

1.20 Revenue from exchange transactions (continued)

Agency Services

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

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

Collection charges are recognised when such amounts are incurred.

1.21 Revenue from non-exchange transactions

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

Rates (including collection charges and penalty interest)

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

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

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

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.

Stipulations can either be in the form of conditions or in the form of restrictions. For both conditions and restrictions a recipient may be required to use the transferred asset for a particular purpose. However the difference between a restriction and a condition is that a condition has an additional requirement which states that the asset or its future economic benefits or service potential should be returned to the transferor should the recipient not use the asset for the particular purpose stipulated.

When conditions are attached to a transferred asset, the municipality incurs a liability. The municipality has a present obligation to comply with the conditions of the asset or to return the economic benefits or service potential of the asset to the transferor when the conditions are not met. Therefore, when a recipient initially recognises an asset that is subject to a condition, the recipient also incurs a liability.

Restrictions on transferred assets arise when there is an expectation and/or understanding about the particular way that the assets will be used. However, there is no requirement that the transferred asset, or future economic benefits or service potential are to be returned to the transferor if the assets are not used as per the expectation or understanding. Thus, initially gaining control of an asset with restrictions does not impose a present obligation on the recipient and consequently no liability is recognised.

Greater Letaba Municipality

Financial Statements for the year ended 30 June 2015

Accounting Policies

1.21 Revenue from non-exchange transactions (continued)

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

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

Public donations and contributions

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

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

Other

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

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

1.22 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.

1.23 Comparative information

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

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.

1.24 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.

Greater Letaba Municipality

Financial Statements for the year ended 30 June 2015

Accounting Policies

1.25 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.

1.26 Irregular expenditure

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

1.27 Budget information

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

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

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

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

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

Comparative information is not required.

Greater Letaba Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2015 or later periods:

2.2 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2015 or later periods but are not relevant to its operations:

GRAP 20: Related parties

The objective of this standard is to ensure that a reporting entity's financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

An entity that prepares and presents financial statements under the accrual basis of accounting (in this standard referred to as the reporting entity) shall apply this standard in:

- identifying related party relationships and transactions;
- identifying outstanding balances, including commitments, between an entity and its related parties;
- identifying the circumstances in which disclosure of the items in (a) and (b) is required; and
- determining the disclosures to be made about those items.

This standard requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of the reporting entity in accordance with the Standard of GRAP on Consolidated and Separate Financial Statements. This standard also applies to individual financial statements.

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

The standard states that a related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. As a minimum, the following are regarded as related parties of the reporting entity:

- A person or a close member of that person's family is related to the reporting entity if that person:
 - has control or joint control over the reporting entity;
 - has significant influence over the reporting entity;
 - is a member of the management of the entity or its controlling entity.
- An entity is related to the reporting entity if any of the following conditions apply:
 - the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others);
 - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member);
 - both entities are joint ventures of the same third party;
 - one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - the entity is a post-employment benefit plan for the benefit of employees of either the entity or an entity related to the entity. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity;
 - the entity is controlled or jointly controlled by a person identified in (a); and
 - a person identified in (a)(i) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

The standard furthermore states that related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

The standard elaborates on the definitions and identification of:

- Close member of the family of a person;
- Management;
- Related parties;
- Remuneration; and
- Significant influence

Greater Letaba Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

2. New standards and interpretations (continued)

The standard sets out the requirements, inter alia, for the disclosure of:

- Control;
- Related party transactions; and
- Remuneration of management

The effective date of the standard is for years beginning on or after 01 April 2016.

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

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

GRAP32: Service Concession Arrangements: Grantor

The objective of this Standard is: to prescribe the accounting for service concession arrangements by the grantor, a public sector entity.

It furthermore covers: Definitions, recognition and measurement of a service concession asset, recognition and measurement of liabilities, other liabilities, contingent liabilities, and contingent assets, other revenues, presentation and disclosure, transitional provisions, as well as the effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

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

GRAP108: Statutory Receivables

The objective of this Standard is: to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.

It furthermore covers: Definitions, recognition, derecognition, measurement, presentation and disclosure, transitional provisions, as well as the effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

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

IGRAP17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset

This Interpretation of the Standards of GRAP provides guidance to the grantor where it has entered into a service concession arrangement, but only controls, through ownership, beneficial entitlement or otherwise, a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease. This Interpretation of the Standards of GRAP shall not be applied by analogy to other types of transactions or arrangements.

A service concession arrangement is a contractual arrangement between a grantor and an operator in which the operator uses the service concession asset to provide a mandated function on behalf of the grantor for a specified period of time. The operator is compensated for its services over the period of the service concession arrangement, either through payments, or through receiving a right to earn revenue from third party users of the service concession asset, or the operator is given access to another revenue-generating asset of the grantor for its use.

Greater Letaba Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

2. New standards and interpretations (continued)

Before the grantor can recognise a service concession asset in accordance with the Standard of GRAP on Service Concession Arrangements: Grantor, both the criteria as noted in paragraph .01 of this Interpretation of the Standards of GRAP need to be met. In some service concession arrangements, the grantor only controls the residual interest in the service concession asset at the end of the arrangement, and can therefore not recognise the service concession asset in terms of the Standard of GRAP on Service Concession Arrangements: Grantor.

A consensus is reached, in this Interpretation of the Standards of GRAP, on the recognition of the performance obligation and the right to receive a significant interest in a service concession asset.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

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

GRAP109: Accounting by Principals and Agents

The objectives of the this Standard is to outline principles to be used by the municipality assess whether it is party to a principal-agent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement. The Standard does not introduce new recognition or measurement requirements for revenue, expenses, assets and/or liabilities that results from principal-agent arrangements. The Standard does however provide guidance on whether revenue, expenses, assets and/or liabilities should be recognised by an agent or a principal, as well as prescribe what assets and/or liabilities.

An entity that prepares and presents financial statements under the the accrual basis of accounting basis of accounting shall apply this Standard in determining whether it is a principal or an agent in a principal-agent arrangement. When an entity is party to a principal-agent arrangement, it shall apply the principles in this Standard to assess whether it is a principal or an agent before applying other Standards of GRAP dealing with the recognition and measurement of revenue, expenses, assets and/or liabilities.

It furthermore covers the defination of the of the principal-agent arrangement, binding arrangement, assessing which entity benefits from transactions with third parties, recognition and measurement of revenue and expenses as a principal or agent as well as assets and liabilities as a principal or agent, presentation, disclosure by agents and principals, transitional provisions and the the effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the Standard for the first time when the Minister set the effective date for the Standard.

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

Greater Letaba Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

Figures in Rand	2015	2014
3. Inventories		
Consumable stores	941,305	751,965
Unsold properties held for resale	2,152,000	2,152,000
	3,093,305	2,903,965
<p>The total of consumable store's is represented by items held for use in operations. The unsold properties held for resale are stated at market value and agree to the latest approved valuation roll.</p>		
4. Receivables from exchange transactions		
Deposits	793,464	763,011
Sundry debtors	1,674,139	1,327,911
Cash suspense	9,406	19,640
Mopani District Municipality (Water and Sanitation function)	18,470,534	2,936,936
Less: Allowance for impairment	(53,097)	(109,928)
	20,894,446	4,937,570
Receivables from exchange transactions pledged as security		
None of the receivables from exchange transactions were pledged as security for any financial liability.		
Receivables from exchange transactions impaired		
As of 30 June 2015, receivables from exchange transactions of R53,097 (2014: R109 928) were impaired and provided for.		
5. Receivables from non-exchange transactions		
Fines	3,653,440	2,788,040
Impairment of fines	(3,610,170)	(2,788,040)
	43,270	-
6. Consumer debtors		
Gross balances		
Rates	28,186,298	23,094,062
Electricity	18,196,433	14,590,527
Refuse	27,882,232	22,945,423
Other	18,164,602	17,668,028
	92,429,565	78,298,040
Less: Allowance for impairment		
Rates	(23,603,100)	(18,259,478)
Electricity	(15,606,378)	(11,448,794)
Refuse	(25,662,384)	(21,042,488)
Other	(17,707,418)	(16,174,417)
	(82,579,280)	(66,925,177)
Net balance		
Rates	4,583,198	4,834,584
Electricity	2,590,055	3,141,733
Refuse	2,219,848	1,902,935
Other	457,185	1,493,611
	9,850,286	11,372,863

Greater Letaba Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

Figures in Rand	2015	2014
6. Consumer debtors (continued)		
Included in above is receivables from exchange transactions		
Electricity	2,590,055	3,141,733
Refuse	2,219,848	1,902,935
Other	457,185	1,493,611
	5,267,088	6,538,279
Included in above is receivables from non-exchange transactions (taxes and transfers)		
Rates	4,583,198	4,834,584
Net balance	9,850,286	11,372,863
Rates: Ageing		
Current (0 -30 days)	1,028,376	1,271,666
31 - 60 days	755,347	623,353
61 - 90 days	718,541	611,503
91 - 120 days	689,413	594,122
121 - 365 days	4,831,054	4,404,491
> 365 days	20,163,567	15,588,927
	28,186,298	23,094,062
Electricity: Ageing		
Current (0 -30 days)	1,053,612	902,193
31 - 60 days	568,307	687,659
61 - 90 days	427,551	649,585
91 - 120 days	344,226	727,859
121 - 365 days	4,248,359	2,591,644
> 365 days	11,554,378	9,031,587
	18,196,433	14,590,527
Refuse: Ageing		
Current (0 -30 days)	552,736	479,097
31 - 60 days	512,095	428,817
61 - 90 days	478,365	419,499
91 - 120 days	468,878	414,454
121 - 365 days	3,469,714	3,122,474
> 365 days	22,400,444	18,081,082
	27,882,232	22,945,423
Other: Ageing		
Current (0 -30 days)	94,123	74,132
31 - 60 days	69,379	71,268
61 - 90 days	71,853	71,729
91 - 120 days	70,685	71,645
121 - 365 days	527,896	625,346
> 365 days	17,330,666	16,753,908
	18,164,602	17,668,028

Greater Letaba Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

Figures in Rand	2015	2014
6. Consumer debtors (continued)		
Summary of debtors by customer classification		
Residential: Ageing		
Current (0 -30 days)	1,988,312	2,215,405
31 - 60 days	1,474,087	1,532,378
61 - 90 days	1,327,616	1,479,196
91 - 120 days	1,234,214	1,455,151
121 - 365 days	10,839,685	8,707,525
> 365 days	63,788,282	51,385,951
	80,652,196	66,775,606
Commercial: Ageing		
Current (0 -30 days)	661,336	421,536
31 - 60 days	355,516	232,243
61 - 90 days	308,245	227,263
91 - 120 days	279,179	306,460
121 - 365 days	1,809,500	1,739,444
> 365 days	6,218,016	6,900,629
	9,631,792	9,827,575
National and provincial government: Ageing		
Current (0 -30 days)	77,580	88,184
31 - 60 days	73,666	45,639
61 - 90 days	59,295	44,583
91 - 120 days	58,752	45,212
121 - 365 days	419,557	292,981
> 365 days	1,433,329	1,164,282
	2,122,179	1,680,881
Other: Ageing		
Current (0 -30 days)	1,620	1,965
31 - 60 days	1,859	839
61 - 90 days	1,155	1,273
91 - 120 days	1,058	1,256
121 - 365 days	8,281	4,006
> 365 days	9,426	4,639
	23,399	13,978
Total		
Current (0 -30 days)	2,728,847	2,727,090
31 - 60 days	1,905,128	1,811,099
61 - 90 days	1,696,311	1,752,315
91 - 120 days	1,573,203	1,808,079
121 - 365 days	13,077,023	10,743,956
> 365 days	71,449,054	59,455,501
	92,429,566	78,298,040
Less: Allowance for impairment	(82,579,280)	(66,925,177)
	9,850,286	11,372,863
Less: Allowance for impairment		
> 365 days	(82,579,280)	(66,925,177)

Greater Letaba Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

Figures in Rand	2015	2014
6. Consumer debtors (continued)		
Reconciliation of allowance for impairment		
Balance at beginning of the year	(66,925,177)	(56,388,395)
Contributions to allowance	(15,654,103)	(10,536,782)
	(82,579,280)	(66,925,177)

Consumer debtors pledged as security

No consumer debtors were pledged as security for any liabilities.

Fair value of consumer debtors

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

Consumer debtors impaired

As of 30 June 2015, consumer debtors of R82,579,280 (2014: R66,925,177) were impaired and provided for.

The amount of the provision was R15,654,103 as of 30 June 2015 (2014: R10,536,782).

7. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	31,380,968	55,763,801
Short-term deposits	61,252,868	58,133,448
Call account	1,884,804	1,807,857
	94,518,640	115,705,106

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2015	30 June 2014	30 June 2013	30 June 2015	30 June 2014	30 June 2013
FNB - 52100005761	27,880,019	31,055,339	33,800,959	27,154,756	31,073,531	33,800,959
FNB - 62051705534	4,226,135	24,601,153	12,981,944	4,226,212	24,672,340	12,981,944
FNB - 62051706409	-	17,930	18,453	-	17,930	18,453
Total	32,106,154	55,674,422	46,801,356	31,380,968	55,763,801	46,801,356

8. Investment property

	2015			2014		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	480,511	(222,446)	258,065	480,511	(213,454)	267,057

Reconciliation of investment property - 2015

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

Greater Letaba Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

Figures in Rand 2015 2014

8. Investment property (continued)

Reconciliation of investment property - 2014

	Opening balance	Impairments	Depreciation	Total
Investment property	408,970	(127,615)	(14,298)	267,057

Pledged as security

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

9. Property, plant and equipment

	2015			2014		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	31,570,092	-	31,570,092	20,990,092	-	20,990,092
Buildings	145,281,036	(17,462,807)	127,818,229	126,476,672	(14,307,543)	112,169,129
Infrastructure	316,738,497	(45,171,586)	271,566,911	241,113,421	(38,709,866)	202,403,555
Other assets	50,227,633	(22,795,291)	27,432,342	38,086,995	(18,534,138)	19,552,857
Total	543,817,258	(85,429,684)	458,387,574	426,667,180	(71,551,547)	355,115,633

Reconciliation of property, plant and equipment - 2015

	Opening balance	Additions	Assets under construction	Depreciation	Impairment loss	Total
Land	20,990,092	10,580,000	-	-	-	31,570,092
Buildings	112,169,128	1,725,430	17,078,934	(3,155,263)	-	127,818,229
Infrastructure	202,403,555	19,625,631	55,999,429	(6,461,704)	-	271,566,911
Other assets	19,552,857	12,140,638	-	(4,260,730)	(423)	27,432,342
	355,115,632	44,071,699	73,078,363	(13,877,697)	(423)	458,387,574

Reconciliation of property, plant and equipment - 2014

	Opening balance	Additions	Assets under construction	Depreciation	Impairment loss	Total
Land	20,990,092	-	-	-	-	20,990,092
Buildings	84,953,419	9,150,711	20,442,693	(2,377,695)	-	112,169,128
Infrastructure	175,166,114	6,124,372	30,930,636	(6,204,627)	(3,612,940)	202,403,555
Other assets	18,030,817	5,961,201	-	(4,389,281)	(49,880)	19,552,857
	299,140,442	21,236,284	51,373,329	(12,971,603)	(3,662,820)	355,115,632

Pledged as security

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

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

Greater Letaba Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

Figures in Rand 2015 2014

10. Intangible assets

	2015			2014		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	1,091,649	(724,953)	366,696	1,091,649	(516,593)	575,056

Reconciliation of intangible assets - 2015

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

Reconciliation of intangible assets - 2014

	Opening balance	Additions	Amortisation	Total
Computer software	661,126	124,659	(210,729)	575,056

11. Heritage assets

	2015			2014		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Waterfall picnic site	103,000	-	103,000	-	-	-
Historical monuments and statues	190,500	-	190,500	190,500	-	190,500
Mayoral gold chain	195,000	-	195,000	195,000	-	195,000
Paintings	60,000	-	60,000	-	-	-
Total	548,500	-	548,500	385,500	-	385,500

Reconciliation of heritage assets 2015

	Opening balance	Additions	Fair value adjustment	Total
Waterfall picnic site	-	-	103,000	103,000
Historical monuments and statues	190,500	-	-	190,500
Mayoral gold chain	195,000	-	-	195,000
Painting	-	60,000	-	60,000
	385,500	60,000	103,000	548,500

Reconciliation of heritage assets 2014

	Opening balance	Impairment losses recognised	Total
Historical monuments and statues	489,954	(299,454)	190,500
Mayoral gold chain	195,000	-	195,000
	684,954	(299,454)	385,500

Greater Letaba Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

Figures in Rand	2015	2014
12. Other financial assets		
At amortised cost		
Momentum	<u>74,496</u>	<u>8,054,061</u>
As the loan from the Development Bank of Southern Africa has been settled in full, the investment no longer serves as security. (refer to note 13).		
Non-current assets		
At amortised cost	<u>74,496</u>	<u>8,054,061</u>
13. Other financial liabilities		
At amortised cost		
DBSA - 9004859	-	<u>8,454,176</u>
The loan from the Development Bank of Southern Africa was fully paid on 30 June 2015.		
Non-current liabilities		
At amortised cost	-	<u>7,507,827</u>
Current liabilities		
At amortised cost	-	<u>946,349</u>
14. Payables from exchange transactions		
Trade payables	6,794,855	5,243,770
Payments received in advanced	2,353,001	1,955,962
Retentions	12,971,124	8,669,299
Accrued leave pay	6,804,930	5,497,371
Accrued bonus	1,309,995	1,243,476
Other payables	244,843	563,406
	<u>30,478,748</u>	<u>23,173,284</u>
15. Consumer deposits		
Electricity	<u>345,003</u>	<u>333,387</u>
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. Unspent conditional grants and receipts		
Unspent conditional grants and receipts comprises of:		
Unspent conditional grants and receipts		
Finance Management Grant (FMG)	308,195	241,512
Municipal Infrastructure Grant (MIG)	23,896,515	14,863,293
Municipal Systems Improvement Grant (MSIG)	85,000	975,067
	<u>24,289,710</u>	<u>16,079,872</u>

Greater Letaba Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

Figures in Rand	2015	2014
16. Unspent conditional grants and receipts (continued)		
Movement during the year		
Balance at the beginning of the year	16,079,872	7,084,210
Additions during the year	57,705,000	50,588,000
Income recognition during the year	(48,930,162)	(41,592,338)
Paid back to Treasury	(565,000)	-
	24,289,710	16,079,872

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

See note 22 for reconciliation of grants from National / Provincial Government.

17. Employee benefit obligations

Defined benefit plans

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

Defined benefit obligation - Post retirement medical aid plan	7,644,119	5,768,145
Defined benefit obligation - Long service awards	2,731,693	2,388,485
	10,375,812	8,156,630

17.1 Post retirement medical aid plan

The post-employment health care benefits valuation considers all current employees, retired employees and their dependants who participate in the health care arrangements and are entitled to a post-employment medical scheme subsidy. The post-employment health care liability is not a funded arrangement, i.e. no separate assets have been set aside to meet this liability. The effective date of the valuation is 30 June 2015.

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

Carrying value

Present value of the defined benefit obligation-wholly unfunded	7,644,119	5,768,145
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Changes in the present value of the defined benefit obligation are as follows:

Opening balance	5,768,145	4,668,968
Benefits paid	(93,772)	(78,997)
Net expense recognised in the statement of financial performance	1,969,746	1,178,174
	7,644,119	5,768,145

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

Current service cost	680,191	14,324
Interest cost	546,361	383,542
Actuarial (gains) losses	743,194	780,308
	1,969,746	1,178,174

Greater Letaba Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

Figures in Rand	2015	2014
17. Employee benefit obligations (continued)		
Calculation of actuarial gains and losses		
Actuarial (gains) losses – Obligation	743,194	780,308
Key assumptions used		
Discount rates used	8.94 %	8.94 %
Medical aid contribution inflation	8.05 %	8.05 %
Average retirement age	63	63

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

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

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

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

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

We used the nominal and real zero curves as at 30 June 2015 supplied by the JSE to determine our discount rates and CPI assumptions at each relevant time period. In the event that the valuation is performed prior to the effective valuation date, we use the prevailing yield at the time of performing our calculations. We have changed this methodology from a point estimate in order to present a more accurate depiction of the liability. For example a liability which pays out in 1 year will be discounted at a different rate than a liability which pays out in 30 years. Previously only one discount rate was used to value all the liabilities.

Other assumptions

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

	One percentage point increase	One percentage point decrease
Effect on the aggregate of the service cost and interest cost	1,238,818	1,214,286
Effect on defined benefit obligation	7,720,560	7,567,678
	8,959,378	8,781,964

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

	2015 R	2014 R	2013 R	2012 R	2011 R
Defined benefit obligation	7,644,119	5,768,145	4,668,968	3,710,727	2,694,446
Surplus (deficit)	(7,644,119)	(5,768,145)	(4,668,968)	(3,710,727)	(2,694,446)

Greater Letaba Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

Figures in Rand 2015 2014

17. Employee benefit obligations (continued)

17.2 Long service awards obligation

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

An actuarial valuation of the obligation has been performed by ZAQ Consultants and Actuaries on all 204 employees that are entitled to long service awards as at 30 June 2015 (2014: 188). As at the valuation date, the long service leave award liability of the Municipality was unfunded, i.e. no dedicated assets have been set aside to meet this liability.

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

Carrying value

Present value of the defined benefit obligation-wholly unfunded	2,731,693	2,388,485
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Changes in the present value of the defined benefit obligation are as follows:

Opening balance	2,388,485	1,975,489
Benefits paid	(236,607)	(101,065)
Net expense recognised in the statement of financial performance	579,815	514,061
	2,731,693	2,388,485

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

Current service cost	340,402	247,591
Interest cost	200,134	144,646
Actuarial (gains) losses	39,279	121,824
	579,815	514,061

Calculation of actuarial gains and losses

Actuarial (gains) losses – Obligation	39,279	121,824
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Key assumptions used

Assumptions used at the reporting date:

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

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

We have derived the underlying future rate of consumer price index (CPI inflation) from the relationship between the (yield curve based) inflation-linked Bond rate for each relevant time period. Our assumed rate of salary inflation was set as the assumed value of CPI plus 1%. The salaries used in the valuation include an assumed increase on 1 July 2015 of 6.79%. As at the time of this valuation South African Municipal salaries negotiations were still on progress. Therefore, for the purpose of performing this valuation, we have assumed that the previous year's increase rate of 6.79% is still relevant in this year's valuation. The next salary increase was assumed to take place on 1 July 2016.

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

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

Greater Letaba Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

Figures in Rand 2015 2014

17. Employee benefit obligations (continued)

We use the nominal and real zero curves as at **30 June 2015** supplied by the JSE to determine our discounted rates and CPI assumptions at each relevant time period. We have changed this methodology from a point estimate in order to present a more accurate depiction of the liability which pays out in 30 years. Previously only one discount rate was used to value all the liabilities.

Other assumptions

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

	One percentage point increase	One percentage point decrease
Effect on the aggregate of the service cost and interest cost	545,941	535,131
Effect on defined benefit obligation	2,759,010	2,704,376

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

	2015 R	2014 R	2013 R	2012 R	2011 R
Defined benefit obligation	2,731,693	2,388,485	1,975,489	1,692,079	1,320,533
Surplus (deficit)	(2,731,693)	(2,388,485)	(1,975,489)	(1,692,079)	(1,320,533)

Defined contribution plan

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

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

The amount recognised as an expense for defined contribution plans is 10,925,329 9,740,604

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

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

18. Provisions

Reconciliation of provisions - 2015

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

Reconciliation of provisions - 2014

	Opening Balance	Additions	Total
Environmental rehabilitation	2,103,846	132,957	2,236,803

Greater Letaba Municipality

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Notes to the Financial Statements

Figures in Rand	2015	2014
18. Provisions (continued)		
Landfill rehabilitation provision		
In terms of the Mineral and Petroleum Recourses Development Act, 2002 (Act No 28 of 2002), it is required from the municipality to execute the environmental management program to restore landfill sites and quarries.		
19. Service charges		
Sale of electricity	10,475,124	10,504,272
Refuse removal	3,581,413	3,526,293
Free basic services rebate	(39,848)	(26,201)
	14,016,689	14,004,364
20. Investment revenue		
Interest revenue		
Bank	2,783,487	2,245,750
Interest received - Investments	3,674,794	3,171,960
	6,458,281	5,417,710
21. Property rates		
Rates received		
Residential	4,349,511	3,446,142
Commercial	3,971,390	912,150
Government	514,311	627,866
Municipal	305,639	366,213
Other	2,767,702	5,213,573
Less: Income forgone	(3,223,488)	(1,932,384)
	8,685,065	8,633,560
Valuations		
Residential	873,029,200	566,604,900
Commercial	150,118,000	149,973,000
Government	103,232,000	103,232,000
Municipal	61,347,450	60,211,650
Other	555,530,140	857,200,840
	1,743,256,790	1,737,222,390

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

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

Greater Letaba Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

Figures in Rand	2015	2014
22. Government grants and subsidies		
Operating grants		
Equitable share	167,589,000	146,418,000
Finance Management Grant	1,533,317	1,333,177
Municipal Systems Improvement Grant	1,806,067	76,533
National Electrification Grant	1,731,000	1,198,000
	172,659,384	149,025,710
Capital grants		
Municipal Infrastructure Grant	43,859,778	38,984,628
	43,859,778	38,984,628
	216,519,162	188,010,338

Equitable Share

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

Finance Management Grant (FMG)

Balance unspent at beginning of year	241,512	24,689
Current-year receipts	1,600,000	1,550,000
Conditions met - transferred to revenue	(1,533,317)	(1,333,177)
Conditions still to be met - transferred to liabilities	308,195	241,512

Conditions still to be met - remain liabilities (see note 16).

This grant was used to promote and support reforms to municipal financial management and the implementation of the MFMA, 2003. The conditions of the grant were met. No funds have been withheld.

Municipal Infrastructure Grant (MIG)

Balance unspent at beginning of year	14,863,293	6,897,921
Current-year receipts	53,440,000	46,950,000
Conditions met - transferred to revenue	(43,859,780)	(38,984,628)
Paid back to Treasury	(547,000)	-
Conditions still to be met - transferred to liabilities	23,896,513	14,863,293

Conditions still to be met - remain liabilities (see note 16).

This grant was used to construct municipal infrastructure to provide basic services for the benefit of communities. The conditions of the grant were partially met as a result an amount of R444 000 were repaid to National Treasury.

Municipal Systems Improvement Grant (MSIG)

Balance unspent at beginning of year	975,067	161,600
Current-year receipts	934,000	890,000
Conditions met - transferred to revenue	(1,806,067)	(76,533)
Paid back to Treasury	(18,000)	-
	85,000	975,067

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

Greater Letaba Municipality

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Figures in Rand	2015	2014
22. Government grants and subsidies (continued)		
Extended Public Works Grant		
Current-year receipts	1,731,000	1,198,000
Conditions met - transferred to revenue	(1,731,000)	(1,198,000)
	-	-
23. Revenue		
Service charges	14,016,688	14,004,364
Rental of facilities and equipment	87,907	111,364
Interest received - outstanding receivables	6,937,101	6,120,546
Agency services	1,737,708	1,573,915
Licences and permits	2,914,588	2,846,217
Other income	2,735,615	805,622
Interest received - investment	6,458,282	5,417,710
Property rates	8,685,065	8,633,559
Government grants and subsidies	216,519,162	188,010,338
Traffic fines	970,685	715,470
	261,062,801	228,239,105
The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	14,016,688	14,004,364
Rental of facilities and equipment	87,907	111,364
Interest received - outstanding receivables	6,937,101	6,120,546
Agency services	1,737,708	1,573,915
Licences and permits	2,914,588	2,846,217
Other income	2,735,615	805,622
Interest received - investment	6,458,282	5,417,710
	34,887,889	30,879,738
The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	8,685,065	8,633,559
Transfer revenue		
Government grants and subsidies	216,519,162	188,010,338
Traffic fines	970,685	715,470
	226,174,912	197,359,367
24. Employee related costs		
Salaries and wages	38,600,170	34,535,371
Bonus	2,865,205	2,620,880
Medical aid benefits	2,356,656	3,454,343
UIF	375,781	332,394
Leave pay provision charge	1,594,626	1,420,154
Pension fund and other fund contributions	9,626,959	6,653,723
Overtime payments	3,236,113	2,948,674
Travel and car allowance	2,040,766	1,681,730
Housing benefits and allowances	598,270	321,869
	61,294,546	53,969,138

Greater Letaba Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

Figures in Rand	2015	2014
24. Employee related costs (continued)		
Remuneration of Municipal Manager		
Annual Remuneration	834,032	779,092
Car Allowance	204,000	198,000
Contributions to UIF, Medical and Pension Funds	206,100	177,000
	1,244,132	1,154,092
Remuneration of Chief Finance Officer		
Annual Remuneration	487,920	288,253
Car Allowance	252,000	72,196
Acting allowance	-	286,490
Contributions to UIF, Medical and Pension Funds	60,000	64,947
Other	-	4,780
	799,920	716,666
Remuneration of Director Planning and Development		
Annual Remuneration	628,324	583,493
Car Allowance	210,000	179,000
Contributions to UIF, Medical and Pension Funds	86,000	95,000
	924,324	857,493
Remuneration of Director Corporate Services		
Annual Remuneration	248,500	249,935
Car Allowance	74,500	72,196
Acting allowance	-	280,039
Contributions to UIF, Medical and Pension Funds	77,000	68,570
Other	-	4,552
	400,000	675,292
The post of director was only filled in January 2015 and for the period July 2014 to the date that the post was filled nobody acted as Director of Corporate Services		
Remuneration of Director Community Services		
Annual Remuneration	590,125	550,293
Car Allowance	180,000	180,000
Contributions to UIF, Medical and Pension Funds	154,200	127,200
	924,325	857,493
25. Remuneration of councillors		
Executive Mayor's salary	538,871	508,371
Executive committee salary	1,333,698	1,802,827
Speaker's salary	431,094	406,694
Councillors' salary	9,400,884	8,223,740
Travel allowance	3,330,034	3,104,949
Cell phone allowance	1,190,561	1,173,995
	16,225,142	15,220,576

Greater Letaba Municipality

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Notes to the Financial Statements

Figures in Rand	2015	2014
25. Remuneration of councillors (continued)		
Remuneration per councillor		
Refer to note 39 for detail of remuneration per councillor.		
26. Depreciation and amortisation		
Property, plant and equipment	13,878,136	12,971,603
Investment property	8,992	14,298
Intangible assets	208,360	210,728
	14,095,488	13,196,629
27. Impairment of assets		
Impairments		
Property, plant and equipment	-	3,662,821
Investment property	-	127,614
Heritage assets	-	299,454
	-	4,089,889
28. Finance costs		
DBSA Loan - Interest paid	1,216,296	1,345,982
Other interest paid	19,199	-
	1,235,495	1,345,982
29. Bulk purchases		
Electricity	8,476,095	10,325,878
30. Contracted services		
Meter reading services	407,454	205,193
Security services	4,371,444	4,381,809
Operating leases	291,248	730,038
Specialist services	124,035	978,539
Other contractors	2,509,132	1,469,659
Refuse removal	1,368,754	-
	9,072,067	7,765,238

Greater Letaba Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

Figures in Rand	2015	2014
31. General expenses		
Advertising	967,451	436,366
Auditor's remuneration	2,886,163	1,776,848
Bank charges	260,818	207,400
Consulting and professional fees	2,612,596	1,916,716
Entertainment	11,688	31,225
Hire	9,859	-
Insurance	1,072,427	1,013,376
Conferences and seminars	311,415	162,021
Lease rentals on operating lease	-	895,719
Motor vehicle expenses	112,036	73,673
Stores and material	638,636	502,771
Fuel and oil	2,804,119	2,416,479
Postage and courier	61,689	47,296
Printing and stationery	1,173,805	752,091
SAIMSA games	349,733	310,422
Youth empowerment project	247,314	31,000
Youth desk development	147,650	320,888
Subscriptions and membership fees	1,850,932	2,149,206
Telephone and fax	1,255,344	916,228
Training	559,881	596,282
Travel - local	5,108,786	2,883,631
Electricity	706,649	770,292
Tourism development	132,253	117,900
Bursary scheme	3,580,941	2,946,287
Capacity building	434,877	206,200
Catering	528,621	482,280
Interns	3,275,213	1,466,167
Free basic services	360,790	842,224
Gender desk activities	1,173,538	183,936
Public participation	1,657,118	591,052
Workshops and meetings	3,495,818	3,436,960
Other expenses	8,901,409	6,604,386
	46,689,569	35,087,322
32. Cash generated from operations		
Surplus	83,126,708	70,982,771
Adjustments for:		
Depreciation and amortisation	14,095,488	13,196,629
Fair value adjustments	(103,000)	-
Impairment deficit	-	4,089,889
Debt impairment	16,476,391	11,200,067
Movements in retirement benefit assets and liabilities	2,219,182	1,512,173
Movements in provisions	-	132,956
Changes in working capital:		
Inventories	(189,340)	(4,652)
Receivables from exchange transactions	(15,956,876)	(4,780,812)
Consumer debtors	(14,953,813)	(14,784,440)
Other receivables from non-exchange transactions	(43,270)	-
Payables from exchange transactions	7,305,447	(5,033,459)
VAT	(3,700,164)	66,517
Unspent conditional grants and receipts	8,209,838	8,995,662
Consumer deposits	11,616	112,013
	96,498,207	85,685,314

Greater Letaba Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

Figures in Rand	2015	2014
33. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
• Property, plant and equipment	141,403,930	107,397,450
Not yet contracted for and authorised by accounting officer		
• Property, plant and equipment	-	10,580,000
Total capital commitments		
Already contracted for but not provided for	141,403,930	107,397,450
Not yet contracted for and authorised by accounting officer	-	10,580,000
	141,403,930	117,977,450

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

The closing balance as reported in 2014 increased by R1 101 836 and was restated in 2015 financial statements opening balance as R117 977 450. This increase was due to the understatement of some of the individual commitment balances in 2014.

Operating leases - as lessee (expense)

Minimum lease payments due		
- within one year	206,848	223,315
- in second to fifth year inclusive	62,256	269,104
	269,104	492,419

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

Greater Letaba Municipality

Financial Statements for the year ended 30 June 2015

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Figures in Rand

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34. Contingencies

Ramalepe vs Greater Letaba Municipality

The Plaintiff is suing the municipality on allegations that the municipality has sold one site initially allocated to him to a second person. R89 000 (2014: R89 000)

Merifon (Pty) Ltd vs Greater Letaba Municipality

The Plaintiff is suing the municipality for a specific performance forcing the municipality to commit to the initial agreement of purchasing the plaintiff's land R52 000 000 (2014: R52 000 000).

Hennox 60 CC vs Greater Letaba Municipality

The municipality is sued for an amount of R3 635 593 (2014: R3 635 593) for damages suffered as a result of defective storm water pipes running through the plaintiff's property which has flooded the plaintiff's house.

All of Us Trading CC vs Greater Letaba Municipality

The plaintiff is suing the municipality for an amount of R128 500 (2014: R128 500) for services rendered as well as the costs for hiring the equipment

Anna Magaretha Botes vs Greater Letaba Municipality

The plaintiff is suing the municipality for an amount of R950 000 (2014: R950 000) for vicarious liability in that she alleges that she sustained injuries after falling into a manhole which was left open by the municipality and its employees.

Qualis Consultant vs Greater Letaba Municipality

The plaintiff is suing the municipality for the services rendered to the amount of R 213 659. The plaintiff was appointed as a service provider and they are alleging that the services have been rendered. The municipality has got reservations about the quality and completion of the work.

Ben Bonthuys vs Greater Letaba Municipality

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

Wimpy van Wyk vs Greater Letaba Municipality

The plaintiff alleges that he suffered damages as a result of high voltage electricity which caused damage to his household electric appliances to the value of R88 459.

J.P Marx vs Greater Letaba Municipality

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

Motlatso Samuel Sekgota vs Greater Letaba Municipality

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

The Municipality currently has labour disputes with the following employees:

- Ratlabala MY
- Mataga MS
- Malatji NS
- Magabane ML
- Ngolele HJ
- Matheba JP
- Chauke DP

Greater Letaba Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

Figures in Rand	2015	2014
35. Unauthorised expenditure		
Opening balance	54,635,707	34,730,022
Unauthorised expenditure in current year	42,261,407	19,905,685
Less condoned by council on the 29 August 2014	(54,635,707)	-
Closing balance	42,261,407	54,635,707

Reconciliation of budgeted vs actual expenditure - Per income statement

Actual expenditure	177,936,094	156,716,135
Approved operational budget	(159,089,747)	(151,120,764)
Overspending of budget	18,846,347	5,595,371
Total net effect of overspending of budget	18,846,347	5,595,371

Unauthorised expenditure during 2015 as a result of overspending of budget per vote amounted to R42 261 407 (2014: R19 905 685). These over expenditure amounts are not recoverable and must still be investigated and condoned by Council in terms of Section 32 of the MFMA.

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

36. Fruitless and wasteful expenditure

Opening balance	204,590	119,696
Condoned by Council	(204,590)	-
Interest paid to service providers	21,668	13,922
Cost incurred for goods not functioning properly	-	70,972
Fruitless and wasteful expenditure awaiting condonement	21,668	204,590

Interest accrued on late payments

During 2014/15 financial year interest accrued on late payments to suppliers. The interest would have been avoided had reasonable care been exercised. The total value of the interest was R21 668.

Interest on late payment of Eskom account: R505
Interest on late payment of Telkom account: R1 964
Interest on late payment to Auditor General of South Africa: R19 199

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

37. Irregular expenditure

Opening balance	107,422,210	100,911,070
Add: Irregular Expenditure - Deviation from supply chain management processes	2,729,308	6,139,973
Less: Amounts condoned	(107,422,210)	-
Add: Stock losses due to theft and shortages	147,493	371,167
	2,876,801	107,422,210

Greater Letaba Municipality

Financial Statements for the year ended 30 June 2015

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Figures in Rand 2015 2014

37. Irregular expenditure (continued)

Analysis of expenditure awaiting condonation per age classification

Current year	2,876,801	6,511,140
Prior years	107,422,210	100,911,070
Condoned by Council	(107,422,210)	-
	<u>2,876,801</u>	<u>107,422,210</u>

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

38. Additional disclosure in terms of Municipal Finance Management Act

SALGA

Current year subscription / fee	760,660	521,208
Amount paid - current year	(760,660)	(521,208)
	<u>-</u>	<u>-</u>

Audit fees

Current year subscription / fee	2,886,163	1,776,848
Amount paid - current year	(2,886,163)	(1,776,848)
	<u>-</u>	<u>-</u>

PAYE, UIF and SDL

Current year subscription / fee	12,607,953	10,960,865
Amount paid - current year	(12,607,953)	(10,960,865)
	<u>-</u>	<u>-</u>

Pension and Medical Aid Deductions

Current year subscription / fee	15,308,815	13,303,611
Amount paid - current year	(15,308,815)	(13,303,611)
	<u>-</u>	<u>-</u>

VAT

VAT receivable	<u>4,291,711</u>	<u>591,546</u>
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Councillors' arrear consumer accounts

None of the Councillors had arrear accounts outstanding for more than 90 days at 30 June 2015 and 30 June 2014.

Greater Letaba Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

39. Related parties

Relationships

Members of key management

TG Mashaba (Municipal Manager)
MF Mankgaba (Chief Financial Officer)
CW Molokomme (Director Planning and
Development)
MB Letsoalo (Director Corporate Services)
DI Mogale (Director Community Services)
Councillors - Refer to list of Councillors below

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

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

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

There are no share based payments.

Related party transactions:

Remuneration per councillor	Salary	Travel allowance	Cell phone allowance	Total package
2015				
GH Modjadji (Mayor)	538,871	179,624	20,868	739,363
MM Nkwana (Speaker)	431,094	143,698	20,868	595,660
FN Maake	161,661	53,887	20,868	236,416
PJ Mampeula	244,866	81,622	13,258	339,746
MJ Masutha	161,661	53,887	20,868	236,416
RJ Makhananisa	161,661	53,886	20,868	236,415
MD Makhananisa	161,661	53,887	20,868	236,416
MP Masela	161,661	53,887	20,868	236,416
TC Shai	404,152	134,717	20,868	559,737
MC Seale	222,283	74,094	20,868	317,245
NN Baloi	222,283	74,094	20,868	317,245
MF Moroatshehla	222,283	74,094	20,868	317,245
MP Malola	404,152	134,717	20,868	559,737
DI Matloga	215,548	-	20,868	236,416
MF Mokwalakwala	161,661	53,887	20,868	236,416
MG Selowa	161,661	53,887	20,868	236,416
SP Mabale	161,661	53,886	20,868	236,415
MF Kgamede	161,661	53,887	20,868	236,416
ME Mafona	169,295	56,432	20,868	246,595
MJ Baloyi	271,064	93,212	20,868	385,144
MA Makgeru	161,661	53,887	20,868	236,416
NE Phatudi	222,283	74,094	20,868	317,245
M Mathedimosa	161,661	53,887	20,868	236,416
MF Moruthoane	215,548	-	20,868	236,416
MA Lebepe	161,661	53,887	20,868	236,416
MG Ntuli	161,661	53,887	20,868	236,416
SS Malatji	161,661	53,887	20,868	236,416
MI Manyama	169,295	56,432	20,868	246,595
NT Machehe	215,548	-	20,868	236,416
MSS Sebelemetja	161,661	53,887	20,868	236,416
MP Satekge	222,283	74,094	20,868	317,245
RR Ramalatso	58,763	21,182	8,695	88,640
MJ Nakana	161,661	53,887	20,868	236,416
BE Ngobeni	161,661	53,887	20,868	236,416
MF Makhubela	169,295	56,432	20,868	246,595
NM Kgatla	404,152	134,717	20,868	559,737

Greater Letaba Municipality

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Notes to the Financial Statements

39. Related parties (continued)

Remuneration per councillor 2015 (continued)

ME Lebepe	169,295	56,432	20,868	246,595
MD Rabapana	161,661	53,887	20,868	236,416
MA Lebepe	169,295	56,432	20,868	246,595
TD Mokhari	215,548	-	20,868	236,416
MF Manyama	161,661	53,887	20,868	236,416
DL Selowa	161,661	53,887	20,868	236,416
M Serekele	161,661	53,887	20,868	236,416
TE Makgatho	169,295	56,432	20,868	246,595
MV Makgwatlhela	161,661	53,887	20,868	236,416
TJ Rababalela	222,283	74,094	20,868	317,245
MV Mashapa	215,548	-	20,868	236,416
TJ Senyolo	161,661	53,887	20,868	236,416
AM Mantlhakga	169,295	56,432	20,868	246,595
MM Mankgero	161,661	53,887	20,868	236,416
LR Mashapa	161,661	53,887	20,868	236,416
F Morwatshehla	225,726	-	20,868	246,594
MJ Kgatla	161,661	53,886	20,868	236,415
GJ Mkansi	225,726	-	20,868	246,594
N Selowa	161,661	53,887	20,868	236,416
RE Sekhonoane	165,897	49,651	20,868	236,416
ME Machethe	161,661	53,887	20,868	236,416
ZT Maluleke	207,075	8,471	20,868	236,414
	11,704,549	3,330,032	1,190,561	16,225,142

Remuneration per councillor

2014

	Salary	Travel allowance	Cell phone allowance	Total
GH Modjadji (Mayor)	508,371	169,457	20,868	698,696
RR Ramalatso (Speaker)	406,694	135,565	20,868	563,127
FN Maake	381,278	127,092	20,868	529,238
MM Nkwana	381,278	127,092	20,868	529,238
MJ Masutha	381,278	127,092	20,868	529,238
RJ Makhananisa	381,278	127,092	20,868	529,238
MD Makhananisa	209,702	69,901	20,868	300,471
MP Masela	209,702	69,901	20,868	300,471
TC Kgafela	209,702	69,901	20,868	300,471
MC Seale	209,702	69,901	20,868	300,471
NN Baloi	209,702	69,901	20,868	300,471
MF Moroatshehla	209,702	69,901	20,868	300,471
MP Malola	152,511	50,837	20,868	224,216
DI Matloga	203,348	-	20,868	224,216
MF Mokwalakwala	95,065	31,687	13,008	139,760
MG Selowa	152,511	50,837	20,868	224,216
SP Mabale	152,511	50,837	20,868	224,216
MF Kgamede	152,511	50,837	20,868	224,216
ME Mafona	152,511	50,837	20,868	224,216
MJ Baloyi	209,702	69,901	20,868	300,471
MA Makgeru	152,511	50,837	20,868	224,216
NE Phatudi	152,511	50,837	20,868	224,216
M Mathedimosa	152,511	50,837	20,868	224,216
MF Moruthoane	203,348	-	20,868	224,216
MA Lebepe	152,511	50,837	20,868	224,216
MG Ntuli	152,511	50,837	20,868	224,216
SS Malatji	152,511	50,837	20,868	224,216
MI Manyama	152,511	50,837	20,868	224,216
NT Machethe	203,348	-	20,868	224,216
MSS Sebelemetja	152,511	50,837	20,868	224,216

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39. Related parties (continued)

Remuneration per councillor 2014 (continued)

MP Satekge	152,511	50,837	20,868	224,216
RA Seunane	5,810	1,936	496	8,242
MJ Nakana	152,511	50,837	20,868	224,216
BE Ngobeni	152,511	50,837	20,868	224,216
MF Makhubela	152,511	50,837	20,868	224,216
NM Kgatla	152,511	50,837	20,868	224,216
ME Lebepe	152,511	50,837	20,868	224,216
MD Rabapana	152,511	50,837	20,868	224,216
MA Lebepe	152,511	50,837	20,868	224,216
TD Mokhari	203,348	-	20,868	224,216
MF Manyama	152,511	50,837	20,868	224,216
MJ Willemse	72,624	24,207	6,197	103,028
DL Selowa	152,511	50,837	20,868	224,216
M Serekele	152,511	50,837	20,868	224,216
TE Makgatho	152,511	50,837	20,868	224,216
MV Makgwathela	152,511	50,837	20,868	224,216
TJ Rababalela	152,511	50,837	20,868	224,216
MV Mashapa	203,348	-	20,868	224,216
TJ Senyolo	152,511	50,837	20,868	224,216
AM Mantlhakga	152,511	50,837	20,868	224,216
MM Mankgero	152,511	50,837	20,868	224,216
LR Mashapa	152,511	50,837	20,868	224,216
F Morwatshehla	203,348	-	20,868	224,216
MJ Kgatla	152,511	50,837	20,868	224,216
GJ Mkansi	203,348	-	20,868	224,216
N Selowa	152,511	50,837	20,868	224,216
RE Sekhonoane	203,348	-	20,868	224,216
ME Machehe	152,511	50,837	20,868	224,216
ZT Maluleke	47,888	15,962	6,552	70,402
	10,941,636	3,104,947	1,173,993	15,220,576

Refer to note 24 for remuneration detail of Section 57 managers.

40. Prior period adjustments

Correction of prior period errors

The restatement of property, plant and equipment to the value of R 526 185 consist of:

- Land overstated or duplicated in the asset register with a value of R 929 618.
- Accumulated depreciation of buildings was overstated in the asset register by R 29 513.
- Accumulated depreciation of vehicles was overstated in the asset register by R 170 422.
- Accumulated depreciation of plant and equipment was overstated in the asset register by R 198 710.
- Accumulated depreciation of intangible assets was overstated in the asset register by R 4 788.

Receivables from non-exchange transactions was understated by R 2 247 840.

Traffic revenue was understated by R 63 600.

Provision for bad debts on traffic fine receivables was understated by R 2 788 040.

Greater Letaba Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

40. Prior period adjustments (continued)

The balance of suspense accounts included under receivables from exchange transactions was overstated by R 297 928

The balance of SARS included under receivables from exchange transactions was overstated by R 650 609

The balance of Value Added Tax and payables from exchange transactions were understated by R 989 570 due to value added tax that was not provided on retention fees

Assessment rate revenue was understated by R 313 514 due to certain accounts that were billed using the incorrect valuation roll information. The same amount must however be written off as it is not recoverable from consumers. This write-off was approved by council.

The correction of the errors results in adjustments as follows:

Statement of financial position

	As previously reported	Correction of error	2014 Restated
Property, plant and equipment	355,646,605	(530,972)	355,115,633
Intangible assets	570,268	4,788	575,056
Receivables from exchange transactions	5,886,108	(948,538)	4,937,570
Receivables from non-exchange transactions	476,600	(476,600)	-
Payables from exchange transactions	(22,183,710)	(989,574)	(23,173,284)
Vat Payable	(398,024)	989,574	591,550
Accumulated surplus	(443,425,531)	1,951,322	(441,474,209)
	(103,427,684)	-	(103,427,684)

Statement of financial performance

	As previously reported	Correction of error	Reclassification	2014 Restated
Traffic fines	651,870	-	63,600	715,470
Debt Impairment	(10,659,867)	-	(540,200)	(11,200,067)
	(10,007,997)	-	(476,600)	(10,484,597)

41. Deviation from supply chain management regulations

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

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the financial statements. The total deviations for the year under review amounted to R2 876 801.

Refer to Appendix C for detail.

42. Financial instruments disclosure

Categories of financial instruments

2015

Financial assets

	At amortised cost	Total
Other financial assets	74,496	74,496
Trade and other receivables from exchange transactions	20,894,446	20,894,446
Other receivables from non-exchange transactions	43,270	43,270
Consumer debtors	9,850,286	9,850,286
Cash and cash equivalents	94,518,640	94,518,640
	125,381,138	125,381,138

Greater Letaba Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

Financial instruments disclosure (continued)

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	30,478,748	30,478,748

2014

Financial assets

	At amortised cost	Total
Other financial assets	8,054,061	8,054,061
Trade and other receivables from exchange transactions	4,937,570	4,937,570
Consumer debtors	11,372,863	11,372,863
Cash and cash equivalents	115,705,106	115,705,106
	140,069,600	140,069,600

Financial liabilities

	At amortised cost	Total
Other financial liabilities	8,454,176	8,454,176
Trade and other payables from exchange transactions	23,173,284	23,173,284
	31,627,460	31,627,460

43. Risk management

Financial risk management

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

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

Liquidity risk

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

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

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

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

Greater Letaba Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

43. Risk management (continued)

At 30 June 2015	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Payables from exchange transactions	30,478,748	-	-	-

At 30 June 2014	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Other financial liabilities	946,349	1,096,383	4,446,668	1,964,776
Payables from exchange transactions	23,173,285	-	-	-

Credit risk

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

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

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

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

Financial instrument	2015	2014
Other receivables from exchange transactions	20,894,446	5,588,179
Other receivables from non-exchange transactions	43,270	-
Cash and cash equivalents	94,518,640	115,705,106
Consumer debtors	9,850,286	11,372,863

Market risk

Interest rate risk

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

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

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

44. Comparative figures

Certain comparative figures have changed. The changes are as a result of amounts reclassified or prior period errors. Refer to note 40 for more detail.

45. Events after the reporting date

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.

Greater Letaba Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

46. Budget information

Explanation of variances between approved and final amounts

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

Explanation of material variances: Final budget and actual amounts

Statement of financial position

Current assets

The variance is not that material. The projection was almost on par.

The municipality did not budget for receivables from exchange transactions. The receivables from exchange transaction is high compared to 2013/2014 due to the Mopani loan account which is at R18 470 534.

Consumer debtors has a negative variance. The variance results from Eskom challenge of electricity cut-offs introduced.

Cash and cash equivalent has a positive variance showing actual amount being higher than the budget due to funds in the bank and there should have been utilised to pay construction projects which are still in progress.

Non-current assets

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

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

Other financial assets included the long-term investment to momentum. The policy was surrendered to settle the DBSA loan hence the variance.

Current liability

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

Unspent conditional grants and receipt variance results from projects which could not be completed in the hence the balance on unspent grant increased.

Non-current liabilities

Other financial liabilities variance equals to the budget due the settlement of DBSA loan. The municipality saw it fit to settle the loan to save on finance costs. The settlement was also done as per council resolution.

Employee benefit obligation was not budgeted for. The total variance been confirmed by the certified actuarial company.

Statement of financial performance

Revenue

Property rates

There is a positive variance of R 2 330 376, this means more revenue was realised than estimated. This resulted from supplementary valuation roll. Properties increase value where there are developments and alterations to the buildings.

Licences and permits

There is a negative variance of R2 692 772. The municipality projected that there will be an increase in renewing vehicle licences as we have two DLTC offices in Modjadjiskloof and Ga-Kgapane.

Rental of facilities and equipment

The municipality had projected R122 744. The negative variance is at R34 867. The municipality is unable to rent out machinery due to prioritisation of service delivery.

Greater Letaba Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

46. Budget information (continued)

Interest: Outstanding receivables

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

Interest: External investments

The variance is not material. This resulted due to the Momentum loan which was surrender in June 2014..

Other income

The projection was at R13 989 723. The is a negative variance of R11 254 108. Only R2 735 615 revenue actual was realised. This revenue results from sale of tender documents and registration on database. The estimation was based on the number of projects the institution had and the number of tenders documents estimated to be sold.

Government grants and subsidies

There is a negative variance of R24 204 711. The variance is realised due to delayed projects implemented. The variance will only be realised as revenue only if it was spent.

Traffic fines

Traffic fines projections R336 442. The actual revenue on traffic fines R970 865. more fines were issued than projected. This means there is a high rate of offenders on traffic legislation of our roads .

Service charges

Revenue from service charges consist of electricity sales and refuse removal. The negative variance is influenced by electricity consumption which was less relative to the purchase which decrease by R 4 228 435 compared to purchase of 2013/14 financial year. The variance is in relation to the decrease in sale of electricity.

Gain on disposal of Property, Plant and equipment

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

Expenditure

Employee related costs

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

Depreciation and amortisation

The is avariance of R2 703 401. This depreciation projection is informed by the projects which in the budget for 2014/15 financial year the projects are still in progress and they could not be depreciated hence the variance

Finance costs

The variance of R871 514 results from the DBSA loan which was settled. Settling these loan reduced finance costs drastically.

Debt impairment

The variance is R10 465 169 for the current financial year. The debtors were impaired using the past historically data. The estimated impairment was too low. The municipality was optimistic that the debts will be settled.

Bulk purchases

Bulk purchase decreased due to current Eskom challenges of power cuts now and then. The actual amount is relative to the consumption which is also low. The variance is still high even if the allocation was reduced during budget adjustment.

Contracted services

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

General expenses

General expenses has a negative variance of R20 693 601. This is almost additional 73% of original budget. The variance is caused by an increased audit fees, price escalation and increased travelling costs where employees are reimbursed for local trips.

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

Greater Letaba Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

46. Budget information (continued)

Cash flow statement

Net cash flow from operating activities

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

Net cash flow from investing activities

Cash outflow to finance assets was less than the actual projection due to capital projects which are still in progress..

The variance in is too high

Cash from financing activities.

The variance is almost total amount paid to settled the DBSA loan, which was in the best interest of the municipality to avoid future finance charges.

47. Material losses

Electricity distribution losses

kWh units purchased from Eskom
kWh units sold per billing system statistics

	2015	2014
	(10,981,495)	(15,209,930)
	7,772,626	7,654,889
	(3,208,869)	(7,555,041)

Distribution losses

Losses as a percentage of units purchased

29.22 %	49.67 %
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The losses are as a result of illegal connections, faulty meters, incorrect meter readings and other sundry distribution losses.

48. Debt impairment

Debt impairment - consumer debtors
Debt impairment - traffic fines and other

	R	R
	15,654,261	10,659,867
	822,130	540,200
	16,476,391	11,200,067

49. Going concern

At year-end the municipality's total liabilities together with contracted commitments exceed its current assets by R67 954 019 (2014: R40 900 552).

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

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

Greater Letaba Municipality

Appendix A

June 2015

Schedule of external loans as at 30 June 2015

Loan Number	Redeemable	Balance at June 30, 2014	Interest accrued	Repayment during the year	Balance at June 30, 2015	Carrying Value of Property, Plant & Equip	Other Costs in accordance with the MFMA
Development Bank of South Africa							
DBSA	61000451 102111/1	30/06/2015	8,454,176	1,216,296	9,670,472	-	-
			8,454,176	1,216,296	9,670,472	-	-
Total external loans							
			8,454,176	1,216,296	9,670,472	-	-
			8,454,176	1,216,296	9,670,472	-	-

Greater Letaba Municipality

Unaudited Appendix B

June 2015

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

Cost/Revaluation							Accumulated depreciation						
Opening Balance	Additions	Disposals	Transfers	Fair value adjustment	Assets under construction	Closing Balance	Opening Balance	Disposals	Transfers	Depreciation	Impairment loss	Closing Balance	Carrying value

Land and buildings

Land (Separate for AFS purposes)	20,990,092	10,580,000	-	-	-	-	31,570,092	-	-	-	-	-	31,570,092
Buildings (Separate for AFS purposes)	126,476,672	1,725,430	-	-	-	17,078,934	145,281,036	(14,307,546)	-	(3,155,263)	-	(17,462,809)	127,818,229
	147,466,764	12,305,430	-	-	-	17,078,934	176,851,128	(14,307,546)	-	(3,155,263)	-	(17,462,809)	159,388,321

Infrastructure

Roads	203,696,371	18,438,326	-	-	-	52,332,910	274,467,607	(31,140,269)	-	(5,671,975)	-	(36,812,244)	237,655,363
Electricity	34,523,723	-	-	-	-	3,666,519	38,190,242	(5,069,625)	-	(736,880)	-	(5,806,505)	32,383,737
Solid waste	2,811,180	258,312	-	-	-	-	3,069,492	(2,486,292)	-	(45,221)	-	(2,531,513)	537,979
Cemeteries	82,147	928,993	-	-	-	-	1,011,140	(13,670)	-	(7,628)	-	(21,298)	989,832
	241,113,421	19,625,631	-	-	-	55,999,429	316,738,481	(38,709,856)	-	(6,461,704)	-	(45,171,560)	271,566,911

Greater Letaba Municipality

Unaudited Appendix B

June 2015

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

	Cost/Revaluation						Accumulated depreciation						Carrying value	
	Opening Balance	Additions	Disposals	Transfers	Fair value adjustment	Assets under construction	Closing Balance	Opening Balance	Disposals	Transfers	Depreciation	Impairment loss		Closing Balance
Other assets														
Vehicles	20,002,487	1,859,462	-	-	-	-	21,861,949	(8,242,810)	-	-	(1,782,048)	-	(10,024,858)	11,837,091
Plant & equipment	8,895,481	9,988,499	-	-	-	-	18,883,980	(4,817,932)	-	-	(1,396,215)	-	(6,214,147)	12,669,833
Furniture & Fittings	5,197,232	218,121	-	-	-	-	5,415,353	(3,140,985)	-	-	(607,707)	(423)	(3,749,115)	1,666,238
Office Equipment	3,991,795	74,556	-	-	-	-	4,066,351	(2,332,405)	-	-	(474,760)	-	(2,807,165)	1,259,180
	38,086,995	12,140,638	-	-	-	-	50,227,633	(18,534,132)	-	-	(4,260,730)	(423)	(22,795,285)	27,432,342

Greater Letaba Municipality

Unaudited Appendix B

June 2015

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

Cost/Revaluation **Accumulated depreciation**

	Opening Balance	Additions	Disposals	Transfers	Fair value adjustment	Assets under construction	Closing Balance	Opening Balance	Disposals	Transfers	Depreciation	Impairment loss	Closing Balance	Carrying value
Total property plant and equipment														
Land and buildings	147,466,764	12,305,430	-	-	-	17,078,934	176,851,128	(14,307,546)	-	-	(3,155,263)	-	(17,462,809)	159,388,321
Infrastructure	241,113,421	19,625,631	-	-	-	55,999,429	316,738,481	(38,709,856)	-	-	(6,461,704)	-	(45,171,560)	271,566,911
Other assets	38,086,995	12,140,638	-	-	-	-	50,227,633	(18,534,132)	-	-	(4,260,730)	(423)	(22,795,285)	27,432,342
	426,667,180	44,071,699	-	-	-	73,078,363	543,817,242	(71,551,534)	-	-	(13,877,697)	(423)	(85,429,654)	458,387,574
Heritage assets														
Monuments, statues and land	190,500	-	-	-	-	-	190,500	-	-	-	-	-	-	190,500
Mayoral gold chain	195,000	-	-	-	-	-	195,000	-	-	-	-	-	-	195,000
	385,500	-	-	-	-	-	385,500	-	-	-	-	-	-	385,500
Intangible assets														
Computers - software	1,091,649	-	-	-	-	-	1,091,649	(516,593)	-	-	(208,360)	-	(724,953)	366,696
	1,091,649	-	-	-	-	-	1,091,649	(516,593)	-	-	(208,360)	-	(724,953)	366,696
Investment properties														
Investment property	480,511	-	-	-	-	-	480,511	(213,454)	-	-	(8,992)	-	(222,446)	258,065
	480,511	-	-	-	-	-	480,511	(213,454)	-	-	(8,992)	-	(222,446)	258,065
Total														
Land and buildings	147,466,764	12,305,430	-	-	-	17,078,934	176,851,128	(14,307,546)	-	-	(3,155,263)	-	(17,462,809)	159,388,321
Infrastructure	241,113,421	19,625,631	-	-	-	55,999,429	316,738,481	(38,709,856)	-	-	(6,461,704)	-	(45,171,560)	271,566,911
Other assets	38,086,995	12,140,638	-	-	-	-	50,227,633	(18,534,132)	-	-	(4,260,730)	(423)	(22,795,285)	27,432,342
Heritage assets	385,500	-	-	-	-	-	385,500	-	-	-	-	-	-	385,500
Intangible assets	1,091,649	-	-	-	-	-	1,091,649	(516,593)	-	-	(208,360)	-	(724,953)	366,696
Investment properties	480,511	-	-	-	-	-	480,511	(213,454)	-	-	(8,992)	-	(222,446)	258,065
	428,624,840	44,071,699	-	-	-	73,078,363	545,774,902	(72,281,581)	-	-	(14,095,049)	(423)	(86,377,053)	459,397,835

Greater Letaba Municipality

Unaudited Appendix B

June 2015

Analysis of property, plant and equipment as at 30 June 2014

Cost/Revaluation							Accumulated depreciation						
Opening Balance	Additions	Disposals	Transfers	Fair value adjustment	Assets under construction	Closing Balance	Opening Balance	Disposals	Transfers	Depreciation	Impairment loss	Closing Balance	Carrying value

Land and buildings

Land (Separate for AFS purposes)	20,990,092	-	-	-	-	20,990,092	-	-	-	-	-	-	20,990,092	
Buildings (Separate for AFS purposes)	96,912,781	9,150,711	-	-	-	20,442,693	126,506,185	(11,959,365)	-	-	(2,377,695)	-	(14,337,060)	112,169,128
	117,902,873	9,150,711	-	-	-	20,442,693	147,496,277	(11,959,365)	-	-	(2,377,695)	-	(14,337,060)	133,159,220

Infrastructure

Roads	174,863,860	6,124,374	-	(582,474)	-	23,290,612	203,696,372	(22,708,114)	-	-	(4,871,632)	(3,560,523)	(31,140,269)	172,555,972
Electricity	26,301,226	-	-	582,474	-	7,640,024	34,523,724	(3,714,780)	-	-	(1,302,276)	(52,419)	(5,069,475)	29,454,249
Solid waste	2,811,180	-	-	-	-	-	2,811,180	(2,458,292)	-	-	(28,000)	-	(2,486,292)	324,888
Cemeteries	82,146	-	-	-	-	-	82,146	(10,962)	-	-	(2,738)	-	(13,700)	68,446
	204,058,412	6,124,374	-	-	-	30,930,636	241,113,422	(28,892,148)	-	-	(6,204,646)	(3,612,942)	(38,709,736)	202,403,555

Greater Letaba Municipality

Unaudited Appendix B

June 2015

Analysis of property, plant and equipment as at 30 June 2014

Cost/Revaluation **Accumulated depreciation**

	Opening Balance	Additions	Disposals	Transfers	Fair value adjustment	Assets under construction	Closing Balance	Opening Balance	Disposals	Transfers	Depreciation	Impairment loss	Closing Balance	Carrying value
Other assets														
Vehicles	16,114,000	4,058,909	-	-	-	-	20,172,909	(6,127,718)	-	-	(2,285,514)	-	(8,413,232)	11,759,672
Plant & equipment	8,710,751	383,440	-	-	-	-	9,094,191	(4,082,413)	-	-	(931,593)	(2,645)	(5,016,651)	4,077,540
Furniture & Fittings	4,460,865	736,391	-	-	-	-	5,197,256	(2,468,757)	-	-	(666,778)	(30,246)	(3,165,781)	2,031,475
Office Equipment	2,242,010	782,462	-	967,323	-	-	3,991,795	(928,617)	-	(856,623)	(505,396)	(16,989)	(2,307,625)	1,684,170
	31,527,626	5,961,202	-	967,323	-	-	38,456,151	(13,607,505)	-	(856,623)	(4,389,281)	(49,880)	(18,903,289)	19,552,857

Greater Letaba Municipality

Unaudited Appendix B

June 2015

Analysis of property, plant and equipment as at 30 June 2014 Cost/Revaluation Accumulated depreciation

	Opening Balance	Additions	Disposals	Transfers	Fair value adjustment	Assets under construction	Closing Balance	Opening Balance	Disposals	Transfers	Depreciation	Impairment loss	Closing Balance	Carrying value
Total property plant and equipment														
Land and buildings	117,902,873	9,150,711	-	-	-	20,442,693	147,496,277	(11,959,365)	-	-	(2,377,695)	-	(14,337,060)	133,159,220
Infrastructure	204,058,412	6,124,374	-	-	-	30,930,636	241,113,422	(28,892,148)	-	-	(6,204,646)	(3,612,942)	(38,709,736)	202,403,555
Other assets	31,527,626	5,961,202	-	967,323	-	-	38,456,151	(13,607,505)	-	(856,623)	(4,389,281)	(49,880)	(18,903,289)	19,552,857
	353,488,911	21,236,287	-	967,323	-	51,373,329	427,065,850	(54,459,018)	-	(856,623)	(12,971,622)	(3,662,822)	(71,950,085)	355,115,632
Heritage assets														
Monuments, statues and land	489,954	-	-	-	(299,454)	-	190,500	-	-	-	-	-	-	190,500
Mayoral gold chain	195,000	-	-	-	-	-	195,000	-	-	-	-	-	-	195,000
	684,954	-	-	-	(299,454)	-	385,500	-	-	-	-	-	-	385,500
Intangible assets														
Computers - software	966,991	124,659	-	-	-	-	1,091,650	(305,865)	-	-	(210,728)	-	(516,593)	575,057
	966,991	124,659	-	-	-	-	1,091,650	(305,865)	-	-	(210,728)	-	(516,593)	575,057
Investment properties														
Investment property	480,511	-	-	-	-	-	480,511	(71,541)	-	-	(14,298)	(127,615)	(213,454)	267,057
	480,511	-	-	-	-	-	480,511	(71,541)	-	-	(14,298)	(127,615)	(213,454)	267,057
Total														
Land and buildings	117,902,873	9,150,711	-	-	-	20,442,693	147,496,277	(11,959,365)	-	-	(2,377,695)	-	(14,337,060)	133,159,220
Infrastructure	204,058,412	6,124,374	-	-	-	30,930,636	241,113,422	(28,892,148)	-	-	(6,204,646)	(3,612,942)	(38,709,736)	202,403,555
Other assets	31,527,626	5,961,202	-	967,323	-	-	38,456,151	(13,607,505)	-	(856,623)	(4,389,281)	(49,880)	(18,903,289)	19,552,857
Heritage assets	684,954	-	-	-	(299,454)	-	385,500	-	-	-	-	-	-	385,500
Intangible assets	966,991	124,659	-	-	-	-	1,091,650	(305,865)	-	-	(210,728)	-	(516,593)	575,057
Investment properties	480,511	-	-	-	-	-	480,511	(71,541)	-	-	(14,298)	(127,615)	(213,454)	267,057
	355,621,367	21,360,946	-	967,323	(299,454)	51,373,329	429,023,511	(54,836,424)	-	(856,623)	(13,196,648)	(3,790,437)	(72,680,132)	356,343,246

Appendix C

June 2015

Segmental analysis of property, plant and equipment as at 30 June 2010
Cost/Revaluation **Accumulated Depreciation**

	Opening Balance	Additions	Disposals	Transfers	Revaluations	Other changes, movements	Closing Balance	Opening Balance	Disposals	Transfers	Depreciation	Impairment deficit	Closing Balance	Carrying value
Municipality														
Executive & Council/Mayor and Council	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Finance & Admin/Finance	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Planning and Development/Economic Development/Plan	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Health/Clinics	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Comm. & Social/Libraries and archives	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Public Safety/Police	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sport and Recreation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Environmental Protection/Pollution Control	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Waste Water Management/Sewerage	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Road Transport/Roads	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Water/Water Distribution	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Electricity /Electricity Distribution	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other/Air Transport	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total														
Municipality	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Municipal Owned Entities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Appendix E(1)

June 2015

Actual versus Budget(Revenue and Expenditure) for 2015

		Adjusted budget				Explanation of Significant greater than 10% versus
Revenue						
- - - - -	Property rates	8,685,065 -	6,354,687 -	2,330,378 -	36.7	- -
- - - - -	Service charges	14,023,968 -	20,000,000 -	(5,976,032)-	(29.9)	- -
- - - - -	Rental of facilities and equipment	87,907 -	122,774 -	(34,867)-	(28.4)	- -
- - - - -	Interest received - outstanding receivables	6,937,101 -	5,607,360 -	1,329,741 -	23.7	- -
- - - - -	Agency services	1,737,708 -	1,738,282 -	(574)-	-	- -
- - - - -	Licences and permits	2,914,588 -	5,607,360 -	(2,692,772)-	(48.0)	- -
- - - - -	Fines	970,685 -	336,442 -	634,243 -	188.5	- -
- - - - -	Other income	2,735,615 -	13,989,723 -	(11,254,108)-	(80.4)	- -
- - - - -	Government grants	216,501,162 -	240,723,873 -	(24,222,711)-	(10.1)	- -
- - - - -	Interest received	6,458,282 -	6,488,544 -	(30,262)-	(0.5)	- -
- - - - -	Gain on disposal of PPE	- -	106,200 -	(106,200)-	(100.0)	- -
		<u>261,052,081</u>	<u>301,075,245</u>	<u>(40,023,164)</u>	<u>(13.3)</u>	
Expenses						
- - - - -	Employee related costs	(61,294,546)-	(62,283,233)-	988,687 -	(1.6)	- -
- - - - -	Remuneration of councillors	(16,225,142)-	(16,355,524)-	130,382 -	(0.8)	- -
- - - - -	Depreciation and amortisation	(14,095,488)-	(16,798,898)-	2,703,410 -	(16.1)	- -
- - - - -	Amortisation	- -	- -	- -	-	- -
- - - - -	Debt impairment	- -	(6,011,222)-	6,011,222 -	(100.0)	- -
- - - - -	Finance costs	(1,235,494)-	(2,107,008)-	871,514 -	(41.4)	- -
- - - - -	Bad debts written off	(16,476,391)-	- -	(16,476,391)-	-	- -
- - - - -	Repairs and maintenance - General	(4,371,298)-	(6,590,966)-	2,219,668 -	(33.7)	- -
- - - - -	Bulk purchases	(8,476,095)-	(11,483,727)-	3,007,632 -	(26.2)	- -
- - - - -	Contracted Services	(9,072,067)-	(9,244,018)-	171,951 -	(1.9)	- -
- - - - -	General Expenses	(48,908,754)-	(28,215,151)-	(20,693,603)-	73.3	- -
		<u>(180,155,275)</u>	<u>(159,089,747)</u>	<u>(21,065,528)</u>	<u>13.2</u>	
	Other revenue and costs					
	Net surplus/ (deficit) for the year	<u>80,896,806</u>	<u>141,985,498</u>	<u>(61,088,692)</u>	<u>(43.0)</u>	

Appendix F
Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003
 June 2015

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts					Quarterly Expenditure					Grants and Subsidies delayed / withheld					Reason for delay/withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for noncompliance
Equitable share	National Government	37,000	-	34,000	-	-	-	-	-	-	-	-	-	-	-	-	-	Yes	
Financial Management Grant	National Government	00,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	Yes	
Municipal Systems Improvement Grant	National Government	34,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	Yes	
Extended Public Works Program Grant	National Government	92,000	20,000	19,000	-	-	-	-	-	-	-	-	-	-	-	-	-	Yes	
Municipal Infrastructure Grant	National Government	40,000	80,000	20,000	-	-	-	-	-	-	-	-	-	-	-	-	-	Yes	
		03,000	00,000	73,000	-	-	-	-	-	-	-	-	-	-	-	-	-		

Note: A municipality should provide additional information on how a grant was spent per Vote. This excludes allocations from the Equitable Share.