**GREATER TZANEEN MUNCIPALITY**

**UNAUDITED ANNUAL FINANCIAL STATEMENTS**
**FOR THE YEAR ENDED 30 JUNE 2013**

# GENERAL INFORMATION

| | |
|---|---|
| **Nature of business and principal activities** | Greater Tzaneen Municipality is a local municipality performing the functions as set out in the constitution (Act no 105 of 1996).<br><br>GTEDA is a municipal agency performing the functions consistant with that of an agency and not that of an entity. |
| **Jurisdiction within which the Municipality operates** | The Greater Tzaneen Municipality is situated in the eastern quadrant of the Limpopo Province in the Mopani District Municipality Area of Jurisdiction. It comprises a land area of approximately 3240 km², and extends from Haenertsburg in the west, to Rubbervale in the east (85km), and just south of Modjadjiskloof in the north, to Trichardtsdal in the south (47km). |
| **Mayoral committee** | |
| Mayor | Councillor DJ Mmetle |
| Members of the Executive Committee | Councillor DJ Mmetle<br>Councillor C Machimana (Finance)<br>Councillor M Mokgomole (Agriculture and Environment Management)<br>Councillor RE Pohl<br>Councillor C Nkhwashu (Water Service)<br>Councillor RR Selomo (Infrastructure)<br>Councillor SJ Nkuna (Health and Social Development)<br>Councillor B Sekgotodi (Public Transport and Roads)<br>Councillor MS Maunatlala (Economic Development, Housing and Spatial Development Plan)<br>Councillor MR Shingange (Corporate Gov. and Shared Services)<br>Councillor P Machete (Speaker)<br>Councillor MN Mboweni (Chief Whip) |
| **Ordinary Councilors** | Councillor S Mbhalati (MPAC Chairperson)<br>Councillor C Baloyi<br>Councillor KO Banyini<br>Councillor ML Hlangwane<br>Councillor AJ van Vuuren<br>Councillor MM Letsoalo<br>Councillor MD Mabape<br>Councillor G Mabuza<br>Councillor NM Mahasha<br>Councillor S Mahori<br>Councillor MR Makhudu<br>Councillor SC Makwala<br>Councillor M Makwala<br>Councillor A Makwela<br>Councillor C Mamogale<br>Councillor MG Mangena<br>Councillor SP Masetla<br>Councillor BM Mashava<br>Councillor NA Masila<br>Councillor L Matita<br>Councillor M Sabela<br>Councillor M Mbhalati<br>Councillor MS Mboweni |

## GENERAL INFORMATION

| | |
|---|---|
| | Councillor DQ Mhlari<br>Councillor MD Hlangwini<br>Councillor MM Mmola<br>Councillor TS Manyama<br>Councillor MM Mohale<br>Councillor L Mohale<br>Councillor T Mokgobi<br>Councillor MJ Mokgoloboto<br>Councillor ST Mushwana<br>Councillor DG Mushwana<br>Councillor M Malebati<br>Councillor M McNeil<br>Councillor ML Ncha<br>Councillor ND Ndhlovu<br>Councillor D Maake<br>Councillor DL Ndove<br>Councillor GG Nghondzweni<br>Councillor RP Nghonyama<br>Councillor GE Ntimbane<br>Councillor K Nukeri<br>Councillor B Mashele<br>Councillor J Mothiba<br>Councillor ML Pudikabekwa<br>Councillor MS Raganya<br>Councillor PJ Ramodipa<br>Councillor ME Ramolefo<br>Councillor NR Rikhotso<br>Councillor ML Mhlongo<br>Councillor N Nkhwashu<br>Councillor MH Magoro<br>Councillor M Sibiya<br>Councillor M Valentine<br>Councillor NH Zandemela |
| **Grading of local authority** | Grade 4: High capacity |
| **Chief Finance Officer (CFO)** | Norah Mokgadi Lion |
| **Municipal Manager** | Masiye Elias Mankabidi |
| **Registered office** | Agatha Street<br>Civic Centre<br>Tzaneen<br>0850 |
| **Business address** | Greater Tzaneen Municipality<br>Agatha Street<br>Civic Center<br>Tzaneen<br>0850 |

# GENERAL INFORMATION

| | |
|---|---|
| **Postal address** | Greater Tzaneen Municipality<br>PO Box 24<br>Tzaneen<br>0850 |
| **Bankers** | ABSA |
| **Website address** | www.tzaneen.gov.za |
| **Audit committee** | TC Modipane (Chairperson)<br>FJ Mudau<br>HG Hlomane<br>SAB Ngobeni<br>Adv. SST Kholong |
| **Level of rounding** | Rounding to the nearest Rand |
| **AGSA** | Senior Manager: MD Tjale<br>Telephone number: 015 283 9336<br>E-mail address: dtjale@agsa.co.za |

# INDEX

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

## INDEX

**Abbreviations**

| | |
|---|---|
| COID | Compensation for Occupational Injuries and Diseases |
| CRR | Capital Replacement Reserve |
| DBSA | Development Bank of South Africa |
| GTEDA | Greater Tzaneen Economic Development Agency |
| GRAP | Generally Recognised Accounting Practice |
| HDF | Housing Development Fund |
| IAS | International Accounting Standards |
| IMFO | Institute of Municipal Finance Officers |
| IPSAS | International Public Sector Accounting Standards |
| ME's | Municipal Entities |
| MEC | Member of the Executive Council |
| MFMA | Municipal Finance Management Act |
| MIG | Municipal Infrastructure Grant (Previously CMIP) |
| SALGA | South African Local Government Association |

# ACCOUNTING OFFICER'S RESPONSIBILITIES AND APPROVAL

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

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

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

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

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2014 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The unaudited annual financial statements are prepared on the basis that the municipality is a going concern and that the Greater Tzaneen Municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

Although the accounting officer are primarily responsible for the financial affairs of the municipality, they are supported by the municipality's external auditors.

The unaudited annual financial statements set out on pages 8 to 84, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2013 and were signed on its behalf by:

**Masiye Elias Mankabidi**
**Municipal Manager**

# REPORT OF THE AUDITOR GENERAL

**To the Provincial Legislature of Greater Tzaneen Muncipality**

**Report on the financial statements**

# ACCOUNTING OFFICER'S REPORT

The accounting officer submits his report for the year ended 30 June 2013.

## 1. Review of activities

### Main business and operations

The Greater Tzaneen Municipality is situated in the eastern quadrant of the Limpopo Province within the Mopani District Municipality Area of Jurisdiction. It comprises a land area of approximately 3240 km², and extends from Haenertsburg in the west, to Rubbervale in the east (85km), and just south of Modjadjiskloof in the north, to Trichardtsdal in the south (47km).

The operating results for the year were satisfactory for the following reasons.

**Revenue**
The municipality achieve a 98% collection rate on the budgeted revenue and all grant funding allocated to the Greater Tzaneen Municipality have been received.

**Expenditure**
The municipality closes the financial year with a deficit due to the fact that no loan was taken up to finance capital projects. All capital projects were financed from own funds. The increase in employee costs is as a result of benchmarking Greater Tzaneen Municipality with other municipalities.

## 2. Going concern

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

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality.

## 3. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year.

## 4. Accounting Officer

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

| Name | Nationality |
| --- | --- |
| Masiye Elias Mankabidi | South African |

# Statement of Financial Position as at 30 June 2013

| | Note(s) | 2013 R | 2012 R |
|---|---|---|---|
| **Assets** | | | |
| **Current Assets** | | | |
| Inventories | 3 | 33 245 772 | 10 977 924 |
| Other financial assets | 4 | 539 730 | 170 566 |
| Operating lease asset | 5 | 159 323 | 176 954 |
| Other receivables from non-exchange transactions | 6 | 198 902 409 | 104 587 505 |
| Consumer debtors | 7 | 57 358 648 | 54 562 911 |
| Cash and cash equivalents | 8 | 10 876 224 | 50 277 604 |
| | | **301 082 106** | **220 753 464** |
| **Non-Current Assets** | | | |
| Investment property | 9 | 188 943 792 | 208 588 792 |
| Property, plant and equipment | 10 | 1 551 897 721 | 1 566 538 654 |
| Intangible assets | 11 | 131 570 | 49 645 |
| Other financial assets | 4 | 4 953 416 | 23 677 175 |
| | | **1 745 926 499** | **1 798 854 266** |
| **Total Assets** | | **2 047 008 605** | **2 019 607 730** |
| **Liabilities** | | | |
| **Current Liabilities** | | | |
| Other financial liabilities | 12 | 10 815 912 | 9 573 601 |
| Finance lease obligation | 13 | 3 078 821 | 2 753 768 |
| Accounts payable | 14 | 121 067 281 | 88 933 087 |
| VAT payable | 15 | 23 729 020 | 25 738 089 |
| Consumer deposits | 16 | 16 229 380 | 18 554 112 |
| Unspent conditional grants and receipts | 17 | 31 536 518 | 39 919 997 |
| Provisions | 18 | 273 487 | 2 139 391 |
| | | **206 730 419** | **187 612 045** |
| **Non-Current Liabilities** | | | |
| Other financial liabilities | 12 | 119 654 076 | 142 330 562 |
| Finance lease obligation | 13 | 2 688 483 | 3 935 338 |
| Retirement benefit obligation | 19 | 55 540 543 | 50 152 756 |
| Provisions | 18 | 2 872 705 | 2 611 550 |
| | | **180 755 807** | **199 030 206** |
| **Total Liabilities** | | **387 486 226** | **386 642 251** |
| **Net Assets** | | **1 659 522 379** | **1 632 965 479** |
| **Net Assets** | | | |
| Accumulated surplus | | 1 659 522 379 | 1 632 965 479 |

# STATEMENT OF FINANCIAL PERFORMANCE

| | Note(s) | 2013<br>R | 2012<br>R |
|---|---|---|---|
| **Revenue** | | | |
| Fines | | 5 864 717 | 7 009 597 |
| Government grants and subsidies | 20 | 283 115 879 | 208 297 060 |
| Income from agency services | | 14 598 636 | 20 929 065 |
| Interest received - outstanding receivables | | 8 731 739 | 13 943 143 |
| Interest received - external investments | | 3 901 063 | 5 159 947 |
| Licences and permits | | 543 903 | 498 951 |
| Other income | 21 | 9 396 590 | 7 166 071 |
| Property rates | 22 | 61 059 598 | 55 727 950 |
| Property rates - penalties imposed | | 4 216 707 | 3 106 571 |
| Rental of facilities and equipment | | 1 292 420 | 393 210 |
| Service charges | 23 | 356 168 113 | 329 306 461 |
| **Total Revenue** | | **748 889 365** | **651 538 026** |
| **Expenditure** | | | |
| Bulk purchases | 24 | 233 343 443 | 204 802 906 |
| Collection costs | | 653 333 | 667 961 |
| Contracted services | 25 | 40 672 013 | 28 892 588 |
| Debt impairment | | 50 680 062 | 12 496 142 |
| Depreciation and amortisation | | 105 229 808 | 99 936 375 |
| Finance costs | 26 | 16 330 762 | 12 766 508 |
| General Expenses | 27 | 48 546 111 | 54 099 844 |
| Grants and subsidies paid | 28 | 23 481 039 | 24 560 971 |
| Impairment of assets | | (21 560 018) | 96 882 830 |
| Loss on disposal of assets | | 25 233 385 | 3 503 |
| Employee costs | 29 | 127 800 852 | 97 737 149 |
| Remuneration of councillors | 30 | 17 561 286 | 16 655 144 |
| Repairs and maintenance | 31 | 91 867 350 | 90 818 691 |
| Loss on inventory | | (164 010) | (38 856) |
| **Total Expenditure** | | **759 675 416** | **740 281 756** |
| **Deficit for the year** | | **(10 786 051)** | **(88 743 730)** |

## STATEMENT OF CHANGES IN NET ASSETS

| | Accumulated surplus R | Total net assets R |
|---|---|---|
| Opening balance as previously reported | 1 794 955 625 | 1 794 955 625 |
| Adjustments | | |
| Prior year adjustments | 5 180 018 | 5 180 018 |
| **Balance at 01 July 2011 as restated** | **1 800 135 643** | **1 800 135 643** |
| Changes in net assets | | |
| Surplus / (deficit) for the year | (88 743 730) | (88 743 730) |
| Appropriations | (35 005 373) | (35 005 373) |
| Transfers to / from accumulated surplus/(deficit) | (43 421 061) | (43 421 061) |
| Total changes | (167 170 164) | (167 170 164) |
| **Balance at 01 July 2012** | **1 632 965 484** | **1 632 965 484** |
| Changes in net assets | | |
| Surplus / (deficit) for the year | (10 786 051) | (10 786 051) |
| Transfers to / from accumulated surplus/(deficit) | 37 342 946 | 37 342 946 |
| Total changes | 26 556 895 | 26 556 895 |
| **Balance at 30 June 2013** | **1 659 522 379** | **1 659 522 379** |

Note(s)

# CASH FLOW STATEMENT

| | Note(s) | 2013 R | 2012 R |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| **Receipts** | | | |
| Cash receipts from ratepayers, government and other | | 647 877 661 | 558 039 975 |
| Interest income | | 3 901 063 | 19 103 090 |
| | | 651 778 724 | 577 143 065 |
| **Payments** | | | |
| Cash paid to suppliers and employees | | (574 588 775) | (475 677 101) |
| Finance costs | | (16 330 762) | (12 054 685) |
| | | (590 919 537) | (487 731 786) |
| **Net cash flows from operating activities** | 32 | **60 859 187** | **89 411 279** |
| **Cash flows from investing activities** | | | |
| Purchase of property, plant and equipment | 10 | (95 409 939) | (97 520 564) |
| Proceeds from sale of property, plant and equipment | 10 | (20 358 936) | 3 503 |
| Proceeds from sale of investment property | 9 | 19 645 000 | - |
| Purchase of other intangible assets | 11 | (135 310) | (1 284) |
| Purchase of financial assets | | (369 164) | (2 994 546) |
| Proceeds from sale of financial assets | | 18 723 759 | 2 729 697 |
| **Net cash flows from investing activities** | | **(77 904 590)** | **(97 783 194)** |
| **Cash flows from financing activities** | | | |
| Proceeds from other financial liabilities | | - | 35 684 405 |
| Repayment of other financial liabilities | | (21 434 175) | - |
| Net movement in finance lease liabilities | | (921 802) | 766 840 |
| **Net cash flows from financing activities** | | **(22 355 977)** | **36 451 245** |
| **Net increase/(decrease) in cash and cash equivalents** | | **(39 401 380)** | **28 079 330** |
| Cash and cash equivalents at the beginning of the year | | 50 277 604 | 22 198 274 |
| **Cash and cash equivalents at the end of the year** | 8 | **10 876 224** | **50 277 604** |

# ACCOUNTING POLICIES

## 1. Basis of preparation

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

These unaudited annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. They are presented in South African Rand.

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

The principal accounting policies adopted in the preparation of these annual financial statements are set out below.

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

## 1.1 Significant judgements and sources of estimation uncertainty

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

**Trade receivables and loans and receivables**

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

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

**Allowance for slow moving, damaged and obsolete stock**

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

**Fair value estimation**

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

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

# ACCOUNTING POLICIES

### 1.1 Significant judgements and sources of estimation uncertainty (continued)

**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 goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including production estimates, supply demand, together with economic factors such as inflation interest and economic conditions.

**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.

**Post retirement benefits**

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

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in note 19.

**Effective interest rate**

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

**Allowance for doubtful debts**

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

### 1.2 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.

### 1.2 Investment property (continued)

Where investment property is acquired at no cost or for a nominal cost, 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.

**Fair value**

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

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

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

If the municipality determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the entity determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the entity measure that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The entity apply the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

Once the entity becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

### 1.3 Property, plant and equipment

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

The cost of an item of property, plant and equipment is recognised as an asset when:
- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

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

Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at date of acquisition.

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

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

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

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

# ACCOUNTING POLICIES

### 1.3 Property, plant and equipment (continued)

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

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

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

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

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

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

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

| **Item** | **Average useful life (in years)** |
|---|---|
| Infrastructure | |
| • Roads and paving | 30 |
| • Pedestrian malls | 30 |
| • Electricity | 20 - 30 |
| • Water | 15 - 20 |
| • Sewerage | 15 - 20 |
| • Housing | 30 |
| Community | |
| • Improvements | 30 |
| • Recreational facilities | 20 - 30 |
| • Security | 5 |
| Other | |
| • Buildings | 30 |
| • Specialist vehicles | 10 |
| • Other vehicles | 5 |
| • Office equipment | 3 - 7 |
| • Furniture and fittings | 7 - 10 |
| • Watercraft | 15 |
| • Bins and containers | 5 |
| • Specialised plant and equipment | 10 - 15 |
| • Other items of plant and equipment | 2 - 5 |

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

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

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

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

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

### 1.3 Property, plant and equipment (continued)

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.

Heritage assets, which are defined as culturally significant resources, are not depreciated as they are regarded as having an indefinite life. Land is also not depreciated for the same reason.

Incomplete construction work is stated at historic cost. Depreciation only commences when the asset is commissioned into use.

### 1.4 Intangible assets

An asset is identified as an intangible asset when it:

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

An intangible asset is recognised when:

- it is probable that the expected future economic benefits 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.

Intangible assets are initially recognised at cost.

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

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

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

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

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

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential.

Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

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

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

Expenditure, which enhances and extends the benefits of computer software programs beyond the original life of the software is capitalised. Computer software development costs recognised as assets are amortised using the straight line method over their useful lives. Costs associated with the maintenance of existing computer software programs are expensed as incurred.

Research and development expenditure is written off as incurred.

### 1.4 Intangible assets (continued)

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 | 2 - 8 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.

### 1.5 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.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

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.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

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.

# ACCOUNTING POLICIES

**1.5 Financial instruments (continued)**

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 guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

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 municipality.

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.

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.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

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.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the municipality had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:
- the municipality designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

## 1.5 Financial instruments (continued)

### Classification

The municipality 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 |
| --- | --- |
| Cash and cash equivalents | Financial asset measured at amortised cost |
| Other receivables | Financial asset measured at amortised cost |
| Consumer debtors | Financial asset measured at amortised cost |
| Loans and receivables | Financial asset measured at amortised cost |
| Held-to-maturity investments | Financial asset measured at fair value |

The municipality 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 |
| Trade and other payables | Financial liability measured at amortised cost |
| Consumer deposits | Financial liability measured at fair value |

### 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.

The municipality measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value].

The municipality first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the entity analyses a concessionary loan into its component parts and accounts for each component separately. The municipality accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

### 1.5 Financial instruments (continued)

**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 entity 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.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

**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.

Where the municipality cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined instrument at fair value. This requires a reclassification of the instrument from amortised cost or cost to fair value.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the municipality 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.

**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:

# ACCOUNTING POLICIES

### 1.5 Financial instruments (continued)

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 OR through the use of an allowance account. 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.

**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.

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.

### 1.6 Leases

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

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

**Finance leases - lessee**

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

The discount rate used in calculating the present value of the minimum lease payments is the municipality's incremental borrowing rate.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

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

# ACCOUNTING POLICIES

### 1.6 Leases (continued)

**Operating leases - lessor**

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

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

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

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

### 1.7 Inventories

Inventories consist of raw materials, work in progress, consumables and finished goods, which are valued at the lower of cost, determined on the first in, first out method, and net realisable value. Where it is held for distribution or consumption at no charge or for a nominal amount, inventories are valued at the lower of cost and current replacement value.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Redundant and slow moving inventories are identified and written down with regard to their cost. Consumables are written down according to their age, condition and utility.

Stands available for sale during the next 12 months are recognised as inventory.

### 1.8 Non-current assets held for sale

Any land or buildings owned or acquired by the municipality with the intention of selling such property in the ordinary course of business, or any land or buildings owned or acquired by the municipality with the intention of developing such property for the purpose of selling it in the ordinary course of business, shall be accounted for as non-current assets held for sale, and not included in either property, plant and equipment or investment property in the municipality's statement of financial position.

Such assets will, however, be recorded in the fixed asset register in the same manner as other fixed assets, but a separate section of the fixed asset register will be maintained for this purpose.

### 1.9 Impairment of cash-generating assets

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

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

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

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

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

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

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

# ACCOUNTING POLICIES

**1.9 Impairment of cash-generating assets (continued)**

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

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

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

**Identification**

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

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

Irrespective of whether there is any indication of impairment, the municipality also test a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

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

# ACCOUNTING POLICIES

## 1.9 Impairment of cash-generating assets (continued)

### 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 entity 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.

### 1.9 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 entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an 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.

### 1.10 Impairment of non-cash-generating assets

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

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

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

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

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

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

# ACCOUNTING POLICIES

### 1.10 Impairment of non-cash-generating assets (continued)

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

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

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

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

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

**Identification**

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

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

**Value in use**

Value in use of an asset is the present value of the asset's remaining service potential.

The present value of the remaining service potential of an asset is determined using the following approach:

**Depreciated replacement cost approach**

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

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

**Restoration cost approach**

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

**Service units approach**

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

# ACCOUNTING POLICIES

### 1.10 Impairment of non-cash-generating assets (continued)

**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.

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

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

**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.

### 1.11 Employee benefits

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

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

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

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

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

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

# ACCOUNTING POLICIES

### 1.11 Employee benefits (continued)

Vested employee benefits are employee benefits that are not conditional on future employment.

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

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

**Short-term employee benefits**

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

Short-term employee benefits include items such as:
- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months 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 entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:
- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the municipality 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 entity 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 entity has no realistic alternative but to make the payments.

**Post-employment benefits**

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

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

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

# ACCOUNTING POLICIES

### 1.11 Employee benefits (continued)

**Post-employment benefits: Defined contribution plans**

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

When an employee has rendered service to the 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.

# ACCOUNTING POLICIES

### 1.11 Employee benefits (continued)

**Post-employment benefits: Defined benefit plans**

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

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

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either:
- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or
- the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

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

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

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The municipality account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the municipality's informal practices. Informal practices give rise to a constructive obligation where the municipality has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the municipality's informal practices would cause unacceptable damage to its relationship with employees.

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

The amount determined as a defined benefit liability may be negative (an asset). The municipality measure the resulting asset at the lower of:
- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

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

### 1.11 Employee benefits (continued)

The municipality determine the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the unaudited annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

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

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

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

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

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

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

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

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

Before determining the effect of a curtailment or settlement, the municipality re-measure the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is [OR is not] presented as the net of the amount recognised for a reimbursement.

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

# ACCOUNTING POLICIES

### 1.11 Employee benefits (continued)

**Actuarial assumptions**

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

### 1.12 Provisions and contingencies

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

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

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

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

# ACCOUNTING POLICIES

### 1.12 Provisions and contingencies (continued)

A contingent liability is:
- a possible obligation that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or
- a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or the amount of the obligation cannot be measured with sufficient reliability.

The municipality does not recognise a contingent liability but discloses details of any contingencies in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote. Contingencies are disclosed in note 36.

### 1.13 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

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

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

**Measurement**

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

**Sale of goods**

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:
- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

**Rendering of services**

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and revenue is recognized when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed and are based on the consumption history. The provisional estimates of consumption are recognized as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period when meters have been read. These adjustments are recognized as revenue in the invoicing period.

Revenue arising from application of the approved tariff of changes in recognised when the relevant service is rendered by applying the relevant authorised tariff. This includes the issuing of licenses and permits.

Service charges relating to solid waste, sanitation and sewerage are levied monthly in terms of the approved tariffs.

# ACCOUNTING POLICIES

### 1.13 Revenue from exchange transactions (continued)

**Interest, royalties and dividends**

Revenue arising from the use by others of entity assets yielding interest and dividends is recognised when:
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

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

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

### 1.14 Revenue from non-exchange transactions

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

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

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

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

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

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

**Recognition**

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

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

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

# ACCOUNTING POLICIES

### 1.14 Revenue from non-exchange transactions (continued)

**Transfers**

Apart from Services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

**Fines**

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

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

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

**Bequests**

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

**Gifts and donations, including goods in-kind**

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

### 1.15 Borrowing costs

It is inappropriate to capitalise borrowing costs when, and only when, there is clear evidence that it is difficult to link the borrowing requirements of an entity directly to the nature of the expenditure to be funded i.e. capital or current.

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

### 1.16 Comparative figures

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

### 1.17 Unauthorised expenditure

Unauthorised expenditure is expenditure that has not been budgeted for, 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 No. 56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### 1.18 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

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

# ACCOUNTING POLICIES

### 1.19 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.

### 1.20 Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised. The liability is transferred to revenue as and when the conditions attached to the grants are met. Grants without any conditions attached are recognised as revenue when the asset s recognised.

### 1.21 Segmental information

Segmental information on Property, Plant and Equipment as well as income and expenditure is set out in Appendix C and D based on the budget formats prescribed by National Treasury. The municipality operates solely in its area of jurisdiction as determined by the Demarcation Board.

### 1.22 Related parties

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

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

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

### 1.23 VAT

The municipality accounts for VAT on the payment basis. Output VAT is only payable as and when the purchase consideration is received and input tax can only be claimed as and when payments are made.

## 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 2013 or later periods:

**GRAP 18: Segment Reporting**

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

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

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

Directive 2 - Transitional provisions for public entities, municipal entities and constitutional institutions, states that no comparative segment information need to be presented on initial adoption of this Standard.

Directive 3 - Transitional provisions for high capacity municipalities states that no comparative segment information need to be presented on initial adoption of the Standard. Where items have no been recognised as a result of transitional provisions under the Standard of GRAP on Property, Plant and Equipment, recognition requirements of this Standard would not apply to such items until the transitional provision in that Standard expires.

Directive 4 – Transitional provisions for medium and low capacity municipalities states that no comparative segment information need to be presented on initial adoption of the Standard. Where items have not been recognised as a result of transitional provisions un the Standard of GRAP on Property, Plant and Equipment and the Standard of GRAP on Agriculture, the recognition requirements of the Standard would not apply to such items until the transitional provision in that standard expires.

The effective date of the standard is for years beginning on or after 01 April 2013.

The municipality expects to adopt the standard for the first time in the 2014 unaudited annual financial statements.

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

**GRAP 25: Employee benefits**

The objective of GRAP25 is to prescribe the accounting and disclosure for employee benefits. The Standard requires an municipality to recognise:

- a liability when an employee has provided service in exchange for employee benefits to be paid in the future; and
- an expense when an municipality consumes the economic benefits or service potential arising from service provided by an employee in exchange for employee benefits.

GRAP25 must be applied by an employer in accounting for all employee benefits, except share based payment transactions.

GRAP25 defines, amongst others, the following:

- Employee benefits as all forms of consideration given by an municipality in exchange for service rendered by employees;
- Defined contribution plans as post-employment benefit plans under which an municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods;

# NOTES TO THE UNAUDITED ANNUAL FINANCIAL STATEMENTS

**2. New standards and interpretations (continued)**

- Defined benefit plans as post-employment benefit plans other than defined contribution plans;
- Multi-employer plans as defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that:
  - pool the assets contributed by various entities that are not under common control; and
  - use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the municipality that employs the employees concerned;
- Other long-term employee benefits as employee benefits (other than post-employment benefits and termination benefits) that is not due to be settled within twelve months after the end of the period in which the employees render the related service;
- Post-employment benefits as employee benefits (other than termination benefits) which are payable after the completion of employment;
- Post-employment benefit plans as formal or informal arrangements under which an municipality provides post-employment benefits for one or more employees;
- Short-term employee benefits as employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service;
- State plans as plans other than composite social security programmes established by legislation which operate as if they are multi-employer plans for all entities in economic categories laid down in legislation;
- Termination benefits as employee benefits payable as a result of either:
  - an entity’s decision to terminate an employee’s employment before the normal retirement date; or
  - an employee’s decision to accept voluntary redundancy in exchange for those benefits;
- Vested employee benefits as employee benefits that are not conditional on future employment.

The standard states the recognition, measurement and disclosure requirements of:

- Short-term employee benefits;
  - All short-term employee benefits;
  - Short-term compensated absences;
  - Bonus, incentive and performance related payments;
- Post-employment benefits: Defined contribution plans;
- Other long-term employee benefits;
- Termination benefits.

The standard states Post-employment benefits: Distinction between defined contribution plans and defined benefit plans:

- Multi-employer plans;
- Defined benefit plans where the participating entities are under common control;
- State plans;
- Composite social security programmes;
- Insured benefits.

The standard states, for Post-employment benefits: Defined benefit plans, the following requirements:

- Recognition and measurement;
- Presentation;
- Disclosure;
- Accounting for the constructive obligation;
- Statement of financial position;
- Asset recognition ceiling;
- Asset recognition ceiling: When a minimum funding requirement may give rise to a liability;
- Statement of financial performance.

The standard prescribes recognition and measurement for:

- Present value of defined benefit obligations and current service cost:
  - Actuarial valuation method;
  - Attributing benefits to periods of service;
  - Actuarial assumptions;
  - Actuarial assumptions: Discount rate;
  - Actuarial assumptions: Salaries, benefits and medical costs;
  - Actuarial gains and losses;
  - Past service cost.

# NOTES TO THE UNAUDITED ANNUAL FINANCIAL STATEMENTS

**2. New standards and interpretations (continued)**

- Plan assets:
  - Fair value of plan assets;
  - Reimbursements;
  - Return on plan assets.

The standard also deals with Entity combinations and Curtailments and settlements.

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

The effective date of the standard is for years beginning on or after 01 April 2013.

The municipality expects to adopt the standard for the first time in the 2014 unaudited annual financial statements.

The impact of this standard is currently being assessed.

**GRAP 105: Transfers of functions between entities under common control**

The objective of this Standard is to establish accounting principles for the acquirer and transferor in a transfer of functions between entities under common control. It requires an acquirer and a transferor that prepares and presents financial statements under the accrual basis of accounting to apply this Standard to a transaction or event that meets the definition of a transfer of functions. It includes a diagram and requires that entities consider the diagram in determining whether this Standard should be applied in accounting for a transaction or event that involves a transfer of functions or merger.

It furthermore covers Definitions, Identifying the acquirer and transferor, Determining the transfer date, Assets acquired or transferred and liabilities assumed or relinquished, Accounting by the acquirer and transferor, Disclosure, Transitional provisions as well as the Effective date of the standard.

The effective date of the standard is for years beginning on or after 01 April 2014.

The municipality expects to adopt the standard for the first time in the 2015 unaudited annual financial statements.

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

**GRAP 106: Transfers of functions between entities not under common control**

The objective of this Standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control. It requires an entity that prepares and presents financial statements under the accrual basis of accounting to apply this Standard to a transaction or other event that meets the definition of a transfer of functions. It includes a diagram and requires that entities consider the diagram in determining whether this Standard should be applied in accounting for a transaction or event that involves a transfer of functions or merger.

It furthermore covers Definitions, Identifying a transfer of functions between entities not under common control, The acquisition method, Recognising and measuring the difference between the assets acquired and liabilities assumed and the consideration transferred, Measurement period, Determining what is part of a transfer of functions, Subsequent measurement and accounting, Disclosure, Transitional provisions as well as the Effective date of the standard.

The effective date of the standard is for years beginning on or after 01 April 2014.

The municipality expects to adopt the standard for the first time in the 2015 unaudited annual financial statements.

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

# NOTES TO THE UNAUDITED ANNUAL FINANCIAL STATEMENTS

**2. New standards and interpretations (continued)**

**GRAP 107: Mergers**

The objective of this Standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control. It requires an entity that prepares and presents financial statements under the accrual basis of accounting to apply this Standard to a transaction or other event that meets the definition of a transfer of functions. It includes a diagram and requires that entities consider the diagram in determining whether this Standard should be applied in accounting for a transaction or event that involves a transfer of functions or merger.

It furthermore covers Definitions, Identifying a transfer of functions between entities not under common control, The acquisition method, Recognising and measuring the difference between the assets acquired and liabilities assumed and the consideration transferred, Measurement period, Determining what is part of a transfer of functions, Subsequent measurement and accounting, Disclosure, Transitional provisions as well as the Effective date of the standard.

The effective date of the standard is for years beginning on or after 01 April 2014.

The municipality expects to adopt the standard for the first time in the 2015 unaudited annual financial statements.

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

**GRAP 20: Related parties**

The objective of this standard is to ensure that a reporting entity's unaudited annual 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 unaudited annual 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.

**2. New standards and interpretations (continued)**

- 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

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 2013.

The municipality expects to adopt the standard for the first time in the 2014 unaudited annual financial statements.

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

**GRAP 1 (as revised 2012): Presentation of Financial Statements**

Paragraphs .108 and .109 were amended by the improvements to the Standards of GRAP issued previously:

Amendments were made to the Statement of Financial Performance as well as the Statement of Changes in Net Assets.

All amendments to be applied retrospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The municipality expects to adopt the amendment for the first time in the 2014 unaudited annual financial statements.

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

**GRAP 3 (as revised 2012): Accounting Policies, Change in Accounting Estimates and Errors**

Paragraphs .17 and .18 were amended by the improvements to the Standards of GRAP issued previously:

Amendments were made to Changes in Accounting Policies.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The municipality expects to adopt the amendment for the first time in the 2014 unaudited annual financial statements.

**2. New standards and interpretations (continued)**

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

**GRAP 9 (as revised 2012): Revenue from Exchange Transactions**

Paragraphs .11 and .13 were amended by the improvements to the Standards of GRAP issued previously:

Amendments were made to the Scope and Definitions.

All amendments to be applied retrospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The municipality expects to adopt the amendment for the first time in the 2014 unaudited annual financial statements.

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

**GRAP 12 (as revised 2012): Inventories**

Paragraph .30 was amended by the improvements to the Standards of GRAP issued previously:

Amendments were made to Measurement after recognition. All amendments to be applied retrospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The municipality expects to adopt the amendment for the first time in the 2014 unaudited annual financial statements.

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

**GRAP 13 (as revised 2012): Leases**

Paragraphs .38 and .42 were amended by the improvements to the Standards of GRAP issued previously:

Amendments were made to Disclosures. All amendments to be applied retrospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The municipality expects to adopt the amendment for the first time in the 2014 unaudited annual financial statements.

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

**GRAP 16 (as revised 2012): Investment Property**

Paragraphs .12, .15, .34, .76, .84 and .87 were amended by the improvements to the Standards of GRAP issued previously:

Amendments were made to Definitions, Measurement at recognition, Disposals and Disclosure. All amendments to be applied prospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The municipality expects to adopt the amendment for the first time in the 2014 unaudited annual financial statements.

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

# NOTES TO THE UNAUDITED ANNUAL FINANCIAL STATEMENTS

**2. New standards and interpretations (continued)**

**GRAP 17 (as revised 2012): Property, Plant and Equipment**

Paragraphs .44, .45, .72, .75, .79 and .85 were amended by the improvements to the Standards of GRAP issued previously:

Amendments were made to Measurement after recognition, Derecognition and Disclosure.

All amendments to be applied prospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The municipality expects to adopt the amendment for the first time in the 2014 unaudited annual financial statements.

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

**GRAP 31 (as revised 2012): Intangible Assets (Replaces GRAP 102)**

Numerous paragraphs were amended by the improvements to the Standards of GRAP issued previously:

Changes made comprise 3 areas that can be summarised as follows:

- Consequential amendments arising from the alignment of the accounting treatment and text of GRAP 102 with that in IPSAS 31,
- The deletion of guidance and examples from Interpretations issues by the IASB previously included in GRAP102,
- Changes to ensure consistency between the Standards, or to clarify existing principles.

All amendments to be applied retrospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The municipality expects to adopt the amendment for the first time in the 2014 unaudited annual financial statements.

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

**IGRAP 1 (as revised 2012): Applying the probability test on initial recognition of revenue**

Paragraphs .03, .04, .05, .06, .08 and .10, were amended and paragraph .02 was added in the Interpretation of the Standards of GRAP.

This Interpretation of the Standards of GRAP now addresses the manner in which an entity applies the probability test on initial recognition of both:

(a) exchange revenue in accordance with the Standard of GRAP on Revenue from Exchange Transactions and

(b) non-exchange revenue in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

This Interpretation of the Standards of GRAP supersedes the Interpretation of the Standards of GRAP: Applying the Probability Test on Initial Recognition of Exchange Revenue issued in 2009.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The municipality expects to adopt the amendment for the first time in the 2014 unaudited annual financial statements.

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

# NOTES TO THE UNAUDITED ANNUAL FINANCIAL STATEMENTS

| | 2013<br>R | 2012<br>R |
|---|---|---|

## 3. Inventories

| | | |
|---|---|---|
| Consumable stores | 11 330 772 | 9 254 924 |
| Stands | 21 915 000 | 1 723 000 |
| | **33 245 772** | **10 977 924** |

The carrying value of consumable stores is disclosed at cost while the carrying value of stands is disclosed at net realisable value.

**Inventory pledged as security**

No inventory was pledge as security.

## 4. Other financial assets

| | | |
|---|---|---|
| **Held to maturity** | | |
| Fixed deposits - Unlisted | 4 953 416 | 23 677 175 |
| **Loans and receivables** | | |
| Stand sale arrangements | 539 730 | 170 566 |
| **Total other financial assets** | **5 493 146** | **23 847 741** |

| | | |
|---|---|---|
| **Non-current assets** | | |
| Held to maturity | 4 953 416 | 23 677 175 |
| **Current assets** | | |
| Loans and receivables | 539 730 | 170 566 |
| | **5 493 146** | **23 847 741** |

| | | |
|---|---|---|
| **Council's valuation of unlisted investments** | | |
| Liberty | 4 953 416 | 3 786 347 |
| BOE (Sinking Fund) | - | 19 890 828 |
| | **4 953 416** | **23 677 175** |

An investment of R6 982 292 has been made with BOE to repay a loan of R20 000 000 on maturity date. The loan bears interest at a variable rate and the value of the investment amounted to R20 000 000. The BOE investment has been ceded to ABSA and the investment was utilised to repay the Sinking Fund loan from ABSA during the current financial year. Refer to note 12 for more detail on long term liabilities.

Fair value of investments are at quoted book value as at 30 June 2013.

No non-current investments defaulted and no terms of any of the non-current investments were re-negotiated.

# NOTES TO THE UNAUDITED ANNUAL FINANCIAL STATEMENTS

| | 2013<br>R | 2012<br>R |
|---|---|---|

## 4. Other financial assets (continued)

**Loans and receivables**

| | | |
|---|---|---|
| Stand sale arrangements | 539 730 | 170 566 |
| Debtor arrangements | 830 524 | 749 369 |
| | 1 370 254 | 919 935 |
| Less: Provision for impairment | (830 524) | (749 369) |
| | 539 730 | 170 566 |
| Less: Current portion | (539 730) | (170 566) |
| **Total non-current loans and receivables** | **-** | **-** |

| | | |
|---|---|---|
| **Reconciliation of provision for impairment of loans and receivables** | | |
| Opening balance | 749 369 | 1 412 928 |
| Provision for impairment | 81 155 | (574 750) |
| Amounts written off as uncollectible | - | (88 809) |
| | **830 524** | **749 369** |

No security is held for any loans and receivables.

No loans and receivables defaulted and no terms of any of the loans and receivables were re-negotiated.

No portion of the loans and receivables was pledged as security for financial liabilities.

**Loans to staff and the public**
To comply with the requirements of the MFMA, no loan has been made after 1 March 2004.

**Stand sale arrangements**
Arrangements were made to enable people to purchase stands from the Council. These arrangements are repayable within 60 days at a fixed interest rate of 18%.

**Debtor arrangements**
Short-term debt repayment arrangements are engaged in to enable debtors to pay outstanding consumer accounts.

## 5. Operating lease asset (accrual)

| | | |
|---|---|---|
| Current assets | 159 323 | 176 954 |
| | **159 323** | **176 954** |

| | | |
|---|---|---|
| **Municipality as lessor: Future minimum lease payments receivable** | | |
| Less than one year | 123 030 | 113 345 |
| Between one and five years | 256 940 | 333 311 |
| More than five years | 302 927 | 349 585 |
| | **682 897** | **796 241** |

## 6. Other receivables from non-exchange transactions

| | | |
|---|---|---|
| Payments in advance | 5 534 243 | 6 248 343 |
| Petrol deposit | 9 808 | 9 808 |
| Year end debtors | 192 451 633 | 94 431 407 |
| Other | 11 126 550 | 11 856 718 |
| Provision for impairment of other receivables | (10 219 825) | (7 958 771) |
| | **198 902 409** | **104 587 505** |

# NOTES TO THE UNAUDITED ANNUAL FINANCIAL STATEMENTS

| | 2013<br>R | 2012<br>R |
|---|---|---|
| **6. Other receivables from non-exchange transactions (continued)** | | |
| **Reconciliation of provision for impairment of other receivables** | | |
| Opening balance | 7 958 771 | 13 974 421 |
| Provision for impairment | 2 261 054 | 5 578 290 |
| Amounts written off as uncollectible | - | (11 593 940) |
| | **10 219 825** | **7 958 771** |
| **7. Consumer debtors** | | |
| **Gross balances** | | |
| Rates | 68 547 344 | 55 936 635 |
| Electricity | 88 033 570 | 55 841 956 |
| Refuse | 32 719 561 | 26 388 294 |
| | **189 300 475** | **138 166 885** |
| **Less: Provision for debt impairment** | | |
| Rates | (58 062 679) | (46 705 300) |
| Electricity | (45 378 284) | (14 689 896) |
| Refuse | (28 500 864) | (22 208 778) |
| | **(131 941 827)** | **(83 603 974)** |
| **Net balance** | | |
| Rates | 10 484 665 | 9 231 335 |
| Electricity | 42 655 286 | 41 152 060 |
| Refuse | 4 218 697 | 4 179 516 |
| | **57 358 648** | **54 562 911** |
| **Included in above is receivables from exchange transactions** | | |
| Electricity | 42 655 286 | 41 152 060 |
| Refuse | 4 218 697 | 4 179 516 |
| | **46 873 983** | **45 331 576** |
| **Included in above is receivables from non-exchange transactions (taxes and tansfers)** | | |
| Rates | 10 484 665 | 9 231 335 |
| **Rates: Ageing** | | |
| Current (0 -30 days) | 5 274 600 | 4 833 610 |
| 31 - 60 days | 2 750 946 | 2 389 666 |
| 61 - 90 days | 2 242 693 | 2 502 182 |
| 91 - 120 days | 1 923 233 | 1 671 254 |
| 121 days and older | 56 355 872 | 44 539 923 |
| | **68 547 344** | **55 936 635** |
| **Electricity: Ageing** | | |
| Current (0 -30 days) | 27 323 861 | 26 476 212 |
| 31 - 60 days | 9 774 063 | 8 365 940 |
| 61 - 90 days | 3 049 041 | 4 158 602 |
| 91 - 120 days | 6 217 475 | 2 151 304 |
| 121 days and older | 41 669 130 | 14 689 897 |
| | **88 033 570** | **55 841 955** |

# NOTES TO THE UNAUDITED ANNUAL FINANCIAL STATEMENTS

| | 2013 R | 2012 R |
|---|---|---|

## 7. Consumer debtors (continued)

**Refuse: Ageing**

| | 2013 R | 2012 R |
|---|---|---|
| Current (0 -30 days) | 2 265 619 | 2 194 225 |
| 31 - 60 days | 1 068 574 | 1 101 314 |
| 61 - 90 days | 843 840 | 909 482 |
| 91 - 120 days | 785 140 | 830 542 |
| 121 days and older | 27 756 388 | 21 352 731 |
| | **32 719 561** | **26 388 294** |

**Summary of debtors by customer classification including other debtors**

**Residential property: Ageing**

| | 2013 R | 2012 R |
|---|---|---|
| Current (0 -30 days) | 13 332 645 | 13 287 486 |
| 31 - 60 days | 6 782 228 | 6 239 757 |
| 61 - 90 days | 3 325 637 | 2 587 719 |
| 91 - 120 days | 3 579 637 | 2 185 877 |
| 121 days and older | 106 210 186 | 52 432 174 |
| | **133 230 333** | **76 733 013** |

**Industrial / Commercial: Ageing**

| | 2013 R | 2012 R |
|---|---|---|
| Current (0 -30 days) | 15 967 502 | 19 948 753 |
| 31 - 60 days | 7 950 220 | 6 719 346 |
| 61 - 90 days | 3 528 478 | 3 936 980 |
| 91 - 120 days | 6 585 417 | 1 878 100 |
| 121 days and older | 77 224 584 | 22 616 398 |
| | **111 256 201** | **55 099 577** |

**National and Provincial: Ageing**

| | 2013 R | 2012 R |
|---|---|---|
| Current (0 -30 days) | 5 916 602 | 685 360 |
| 31 - 60 days | 308 044 | 583 041 |
| 61 - 90 days | 295 632 | 349 147 |
| 91 - 120 days | 268 026 | 286 903 |
| 121 days and older | 9 972 077 | 7 194 944 |
| | **16 760 381** | **9 099 395** |

**Other: Ageing**

| | 2013 R | 2012 R |
|---|---|---|
| Current (0 -30 days) | 5 035 470 | 1 454 830 |
| 31 - 60 days | 1 331 777 | 1 012 804 |
| 61 - 90 days | 1 245 739 | 629 752 |
| 91 - 120 days | 851 599 | 441 689 |
| 121 days and older | 17 052 066 | 7 047 177 |
| | **25 516 651** | **10 586 252** |

**Consumer debtors pledged as security**

No portion of accounts receivable was pledged as security for any financial liabilities.

**Credit quality of consumer debtors**

The credit quality of consumer debtors that are neither past due nor impaired can be assessed by reference to historical information about counter party default rates.

# NOTES TO THE UNAUDITED ANNUAL FINANCIAL STATEMENTS

| | 2013 R | 2012 R |
|---|---|---|

## 7. Consumer debtors (continued)

**Fair value of consumer debtors**

The fair value of accounts receivable approximates their carrying amounts.

**Consumer debtors**

No security is held for any of the accounts receivable.

**Consumer debtors impaired**

As of 30 June 2013, consumer debtors of R131 941 827 (2012: R83 603 974) were impaired and provided for.

No debtors have been written off in the current year. For the 2011/2012 year, R4 178 342 were written off as uncollectable against the debt impairment allowance account.

These amounts best represent the maximum exposure to credit risk at the end of the reporting period without taking account of any collateral held or other credit enhancements.

**Reconciliation of provision for impairment of consumer debtors**

| | 2013 | 2012 |
|---|---|---|
| Opening balance | 83 603 974 | 80 320 553 |
| Provision for impairment | 48 337 853 | 7 461 763 |
| Amounts written off as uncollectable | - | (4 178 342) |
| | **131 941 827** | **83 603 974** |

## 8. Cash and cash equivalents

Cash and cash equivalents consist of:

| | 2013 | 2012 |
|---|---|---|
| Bank balances | 10 876 224 | 50 277 604 |

No cash and cash equivalents, or portion thereof, was pledge as security for any financial liabilities.

No restrictions exist regarding the use of cash.

No portion of cash and cash equivalents is past due or impaired.

**The municipality had the following bank accounts**

| Account number / description | Bank statement balances | | | Cash book balances | | |
|---|---|---|---|---|---|---|
| | 30 June 2013 | 30 June 2012 | 30 June 2011 | 30 June 2013 | 30 June 2012 | 30 June 2011 |
| ABSA Bank - 126 085 0527 | - | - | - | 10 876 224 | 50 277 604 | 22 198 274 |
| ABSA Bank - 404 896 4222 | 10 091 268 | 51 117 022 | 32 338 697 | - | - | - |
| ABSA Bank - 908 197 4990 | 784 956 | 795 556 | 150 942 | - | - | - |
| **Total** | **10 876 224** | **51 912 578** | **32 489 639** | **10 876 224** | **50 277 604** | **22 198 274** |

# NOTES TO THE UNAUDITED ANNUAL FINANCIAL STATEMENTS

## 9. Investment property

| | 2013 | | | 2012 | | |
|---|---|---|---|---|---|---|
| | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value |
| Investment property | 188 943 792 | - | 188 943 792 | 208 588 792 | - | 208 588 792 |

**Reconciliation of investment property - 2013**

| | Opening balance | Disposals | Total |
|---|---|---|---|
| Investment property | 208 588 792 | (19 645 000) | 188 943 792 |

**Reconciliation of investment property - 2012**

| | Opening balance | Impairments | Total |
|---|---|---|---|
| Investment property | 305 471 622 | (96 882 830) | 208 588 792 |

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.

**Details of valuation**

The Greater Tzaneen Municipality valuation is based on the valuation roll and is reviewed every four years. The last valuation came into effect on 1 July 2008. Interim valuations are processed on a monthly basis to take into account changes in individual property values due to alterations and subdivisions. The valuation roll has been extended for one year and new valuations will be effective from 1 July 2013.

## 10. Property, plant and equipment

| | 2013 | | | 2012 | | |
|---|---|---|---|---|---|---|
| | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value |
| Land | 134 592 193 | - | 134 592 193 | 142 172 785 | - | 142 172 785 |
| Infrastructure | 1 670 600 056 | (536 025 946) | 1 134 574 110 | 1 665 893 554 | (447 419 111) | 1 218 474 443 |
| Community | 80 599 462 | (15 372 438) | 65 227 024 | 80 930 173 | (12 749 032) | 68 181 141 |
| Work in progress | 169 664 254 | - | 169 664 254 | 83 742 397 | - | 83 742 397 |
| Other assets | 74 935 077 | (32 898 211) | 42 036 866 | 70 159 295 | (23 230 045) | 46 929 250 |
| Leased assets | 15 117 675 | (9 314 401) | 5 803 274 | 14 415 429 | (7 376 791) | 7 038 638 |
| **Total** | **2 145 508 717** | **(593 610 996)** | **1 551 897 721** | **2 057 313 633** | **(490 774 979)** | **1 566 538 654** |

# NOTES TO THE UNAUDITED ANNUAL FINANCIAL STATEMENTS

### 10. Property, plant and equipment (continued)

**Reconciliation of property, plant and equipment - 2013**

| | Opening balance | Additions | Disposals | Classified as held for sale | Transferred to completed items | Depreciation | Total |
|---|---|---|---|---|---|---|---|
| Land | 142 172 785 | - | (3 438 974) | (4 141 618) | - | - | 134 592 193 |
| Infrastructure | 1 218 474 443 | 4 706 504 | - | - | - | (88 606 837) | 1 134 574 110 |
| Community | 68 181 141 | 602 292 | (933 000) | - | - | (2 623 409) | 65 227 024 |
| Work in progress | 83 742 397 | 89 784 582 | - | - | (3 862 725) | - | 169 664 254 |
| Other assets | 46 929 250 | 5 749 037 | (95 984) | - | - | (10 545 437) | 42 036 866 |
| Leased assets | 7 038 638 | 2 571 867 | (406 491) | - | - | (3 400 740) | 5 803 274 |
| | **1 566 538 654** | **103 414 282** | **(4 874 449)** | **(4 141 618)** | **(3 862 725)** | **(105 176 423)** | **1 551 897 721** |

**Reconciliation of property, plant and equipment - 2012**

| | Opening balance | Additions | Disposals | Transferred to completed items | Depreciation | Total |
|---|---|---|---|---|---|---|
| Land | 142 172 785 | - | - | - | - | 142 172 785 |
| Infrastructure | 1 293 681 657 | 13 620 909 | - | - | (88 828 123) | 1 218 474 443 |
| Community | 70 773 119 | - | - | - | (2 591 978) | 68 181 141 |
| Work in progress | 31 399 756 | 65 801 964 | - | (13 459 323) | - | 83 742 397 |
| Other assets | 24 095 326 | 27 342 956 | (3 503) | - | (4 505 529) | 46 929 250 |
| Leased assets | 6 911 772 | 4 214 057 | - | - | (4 087 191) | 7 038 638 |
| | **1 569 034 415** | **110 979 886** | **(3 503)** | **(13 459 323)** | **(100 012 821)** | **1 566 538 654** |

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.

# NOTES TO THE UNAUDITED ANNUAL FINANCIAL STATEMENTS

| | 2013 R | 2012 R |
|---|---|---|

## 11. Intangible assets

| | 2013 | | | 2012 | | |
|---|---|---|---|---|---|---|
| | Cost / Valuation | Accumulated amortisation and accumulated impairment | Carrying value | Cost / Valuation | Accumulated amortisation and accumulated impairment | Carrying value |
| Computer software | 234 777 | (103 207) | 131 570 | 99 467 | (49 822) | 49 645 |

**Reconciliation of intangible assets - 2013**

| | Opening balance | Additions | Amortisation | Total |
|---|---|---|---|---|
| Computer software | 49 645 | 135 310 | (53 385) | 131 570 |

**Reconciliation of intangible assets - 2012**

| | Opening balance | Additions | Amortisation | Total |
|---|---|---|---|---|
| Computer software | 81 545 | 1 284 | (33 184) | 49 645 |

## 12. Other financial liabilities

| | 2013 | 2012 |
|---|---|---|
| **At amortised cost** | | |
| Annuity loan - DBSA | 39 126 339 | 40 373 580 |
| Annuity loan - ABSA | 30 028 990 | 32 527 144 |
| Annuity loan - INCA | 16 163 106 | 18 110 312 |
| Sinking fund - ABSA | - | 11 600 000 |
| Annuity loan - Standard Bank | 30 151 553 | 34 293 127 |
| DBSA local registered stock loan | 15 000 000 | 15 000 000 |
| | **130 469 988** | **151 904 163** |
| **Non-current liabilities** | | |
| At amortised cost | 119 654 076 | 142 330 562 |
| **Current liabilities** | | |
| At amortised cost | 10 815 912 | 9 573 601 |
| | **130 469 988** | **151 904 163** |

**12. Other financial liabilities (continued)**

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

**Annuity loan - Standard Bank**
This loan has been split into two allocations of R21 011 000 and R13 281 000 and was taken up on 30 June 2012. These loans bear interest at rates of 11,8% and 10,96% respectively and will be fully redeemed on 30 June 2019 and 30 June 2017 respectively.

**Annuity loan - ABSA**
This loan has been split into two allocations of R25 140 000 and R9 640 000 and was taken up on 15 August 2010. These loans bear interest at rates of 10,62% and 6,75% respectively and will be fully redeemed on 31 July 2025 and 31 July 2015 respectively.

**Annuity loan - DBSA**
A loan of R41 000 000 of which R 35 010 350 has been allocated during the 2010 / 2011 financial year was taken up to finance capital projects. This loan bears interest at a rate of 6,75% per annum and will be fully redeemed on 31 October 2030.

**Annuity loan - INCA**
The loan has been taken up to finance the purchase of land. It bears interest at a rate of 12,5% per annum and will be fully redeemed on 31 December 2018.

**Sinking fund - ABSA**
An investment of R6 982 292 has been made with BOE to repay a loan of R20 000 000 on maturity date. The loan bears interest at a variable rate and the value of the investment amounts to R20 000 000. The BOE investment has been ceded to ABSA and the investment was utilised to repay the Sinking Fund loan from ABSA during the current financial year.

R11 600 000 is refelcted above as an ABSA Sinking Fund whilst R8 400 000, which represent water related transactions, is reflected in the annual financial statements of Mopani District Municipality.

**Excelsior 1 000 investment**
An investment of R855 619 has been made with Liberty to repay a loan of R15 000 000 on maturity date. The loan bears interest at a variable rate.

None of the loans are secured by any fixed or movable assets of the Greater Tzaneen Municipality.

The municipality did not default on any of the borrowings in respect of capital or interest portions.

No terms attached to the financial liabilities were re-negotiated.

**Undrawn borrowings**
There were no undrawn borrowing facilities that were available for future activities or to settle capital commitments at 30 June 2013.

# NOTES TO THE UNAUDITED ANNUAL FINANCIAL STATEMENTS

| | 2013<br>R | 2012<br>R |
|---|---|---|

## 13. Finance lease obligation

| | | |
|---|---|---|
| **Minimum lease payments due** | | |
| - within one year | 3 547 279 | 3 238 489 |
| - in second to fifth year inclusive | 2 888 741 | 4 321 914 |
| | 6 436 020 | 7 560 403 |
| less: future finance charges | (668 716) | (871 297) |
| **Present value of minimum lease payments** | **5 767 304** | **6 689 106** |
| **Present value of minimum lease payments due** | | |
| - within one year | 3 078 821 | 2 753 768 |
| - in second to fifth year inclusive | 2 688 483 | 3 935 338 |
| | **5 767 304** | **6 689 106** |
| Non-current liabilities | 2 688 483 | 3 935 338 |
| Current liabilities | 3 078 821 | 2 753 768 |
| | **5 767 304** | **6 689 106** |

The average lease term was 3-5 years. Interest rates are fixed at the contract date. Certain leases have fixed repayments and other escalate. No arrangements have been entered into for contingent rent.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets.

The municipality did not default on any of the interest or capital repayments of the finance leases.

No terms and conditions of the finance leases were re-negotiated.

## 14. Accounts payable

| | | |
|---|---|---|
| Trade payables | 78 980 512 | 53 505 256 |
| Payments received in advanced | 5 534 243 | 6 248 343 |
| Staff leave | 6 979 074 | 5 817 207 |
| Retention | 12 284 854 | 8 159 957 |
| Unknown direct deposits | 11 351 951 | 10 372 910 |
| Other payables | 1 115 677 | 769 006 |
| 13th Cheque | 4 820 970 | 4 060 408 |
| | **121 067 281** | **88 933 087** |

The Municipality did not default on any accounts payable in respect of capital or interest portions.

No terms attached to the accounts payable were re-negotiated.

## 15. VAT payable

| | | |
|---|---|---|
| Net VAT payable | 23 729 020 | 25 738 089 |

VAT is payable on the payments basis. Output VAT is only payable as and when the purchase consideration is received and input VAT can only be claimed as and when payments are made.

## 16. Consumer deposits

| | | |
|---|---|---|
| Electricity | 16 229 380 | 18 554 112 |
| Guarantees held in lieu of electricity deposits | 3 725 130 | 3 024 630 |

# NOTES TO THE UNAUDITED ANNUAL FINANCIAL STATEMENTS

| | 2013 R | 2012 R |
|---|---|---|

## 17. Unspent conditional grants and receipts

**Unspent conditional grants and receipts comprises of:**

| | 2013 R | 2012 R |
|---|---|---|
| **Conditional grants from other spheres of Government** | | |
| Grants - other | 31 536 518 | 39 919 997 |

**Movement during the year**

| | 2013 R | 2012 R |
|---|---|---|
| Balance at the beginning of the year | 39 919 997 | 15 909 094 |
| Additions during the year | 81 965 000 | 24 010 903 |
| Income and administration fees recognition during the year | (90 348 479) | - |
| | **31 536 518** | **39 919 997** |

Included in income and administration fees recognised during the year is income amounting to R78 252 803 and administration fees amounting to R12 095 676.

Refer to note 20 for reconciliation of unspent conditional grants.

These amounts are invested in a ring-fenced investment until utilised.

## 18. Provisions

**Reconciliation of provisions - 2013**

| | Opening Balance | Additions | Utilised during the year | Total |
|---|---|---|---|---|
| Provision for rehabilitation of landfill site | 2 611 550 | 261 155 | - | 2 872 705 |
| Provision for performance bonusses | 2 139 391 | - | (1 865 904) | 273 487 |
| | **4 750 941** | **261 155** | **(1 865 904)** | **3 146 192** |

**Reconciliation of provisions - 2012**

| | Opening Balance | Additions | Utilised during the year | Total |
|---|---|---|---|---|
| Provision for rehabilitation of landfill site | 2 374 136 | 237 414 | - | 2 611 550 |
| Provision for performance bonusses | 1 982 059 | 357 175 | (199 843) | 2 139 391 |
| | **4 356 195** | **594 589** | **(199 843)** | **4 750 941** |

| | 2013 R | 2012 R |
|---|---|---|
| Non-current liabilities | 2 872 705 | 2 611 550 |
| Current liabilities | 273 487 | 2 139 391 |
| | **3 146 192** | **4 750 941** |

**Provision for rehabilitation of landfill site**

The provision for rehabilitation of landfill sites relates to the legal obligation to rehabilitate landfill sites used for waste disposal. It is calculated as the present value of the future obligation, discounted at 10% over an average period of 20 years. The due date of this provision is June 2027.

**Provision for performance bonusses**

Performance bonusses accrue to Section 57 managers and managers on an annual basis subject to certain conditions. The provision is the actual amount due at the reporting date to staff. Performance bonusses are paid one year in arrears as the assessment of eligible employees had not taken place at the end of the reporting period. Performance bonusses are measured at face value as it is expected that these would be paid shortly after the financial year end once performance evaluations have been completed.

# NOTES TO THE UNAUDITED ANNUAL FINANCIAL STATEMENTS

| | 2013 R | 2012 R |
|---|---|---|

**19. Employee benefit obligations**

**Defined benefit plan**

**Long service awards**

Long service awards relates to the legal obligation to provide for long service leave awards. An actuarial valuation has been performed on all 642 (2012: 684) employees that are entitled to long service leave awards on 30 June 2013. The long service leave awards liability is not a funded arrangement, i.e no separate assets have been set aside to meet this liability.

**Post-employment health care benefit**

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 arragement, i.e. no separate assets have been set aside to meet this liability. The effective date of the valuation is 30 June 2013.

**Joint Municipal Pension Fund**

The last valuation of the Joint Municipal Pension Fund was done on 30 September 2011.

The results of the valuation (with provision for some future pension increases) are as follows:

Funding level (including solvency): 100%

| **Actuarial valuation** | **2011 R'000** | **2010 R'000** |
|---|---|---|
| Actuarial value of assets | 1 959 558 | 1 995 626 |
| Total accrued liabilities | (1 796 761) | (1 902 613) |
| Solvency reserve | (162 797) | (93 013) |
| **Surplus / (Deficit)** | **-** | **-** |

**Municipal Employees Gratuity Fund**

The last valuation of the Municipal Employees Gratuity Fund was done on 30 June 2012.

The fund is financial sound for the requirements of the Pension Fund Act.

| **Actuarial valuation** | **2012 R'000** | **2011 R'000** |
|---|---|---|
| Value of assets | 12 537 061 | 11 257 721 |
| Reserve account | 273 806 | 198 557 |
| **Value of fund on 30 June 2011** | **12 810 867** | **11 456 278** |

**Municipal Employees Pension Fund**

The last valuation of the Municipal Employees Pension Fund was done on 28 February 2011.

This represents a funding level of 107.9%.

| **Actuarial valuation** | **28 Feb 2011 R'000** | **29 Feb 2008 R'000** |
|---|---|---|
| Assets | 7 544 210 | 5 715 557 |
| Liabilities | (6 991 439) | (4 900 547) |
| Contingency reserves | (739 816) | (382 289) |
| **Surplus / (Deficit)** | **(187 045)** | **432 721** |

| | 2013<br>R | 2012<br>R |
|---|---|---|

**19. Employee benefit obligations (continued)**

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

| | | |
|---|---|---|
| **Carrying value** | | |
| Present value of the defined benefit obligation - Post-employment health care benefit -wholly unfunded | (47 819 496) | (44 563 827) |
| Present value of the defined benefit obligation - Long service award - wholly unfunded | (7 721 047) | (5 588 929) |
| | **(55 540 543)** | **(50 152 756)** |

**Changes in the present value of the defined benefit obligation are as follows:**

| | | |
|---|---|---|
| Opening balance | 50 152 756 | 42 855 153 |
| Benefits paid | (1 643 003) | (1 603 336) |
| Net expense recognised in the statement of financial performance | 7 030 790 | 8 900 939 |
| | **55 540 543** | **50 152 756** |

**Net expense recognised in the statement of financial performance**

| | | |
|---|---|---|
| Current service cost | 3 235 198 | 2 936 349 |
| Interest cost | 3 879 270 | 3 601 898 |
| Actuarial (gains) losses - Post employment health care benefit | (1 561 206) | 1 955 602 |
| Actuarial (gains) losses - Long service awards | 1 477 528 | 407 090 |
| | **7 030 790** | **8 900 939** |

**Calculation of actuarial gains and losses**

| | | |
|---|---|---|
| Actuarial (gains) losses – Obligation | (1 561 206) | 1 955 602 |

**Key assumptions used**

Assumptions used at the reporting date:

| | | |
|---|---|---|
| Discount rates used - Post employment health care benefit | 8.92 % | 8.03 % |
| Health care cost inflation rate | 7.75 % | 6.99 % |
| Net discount rate - Post employment health care benefit | 1.08 % | 0.97 % |
| Discount rates used - Long service awards | 7.21 % | 6.50 % |
| General salary inflation - Long service awards | 6.76 % | 5.97 % |
| Net discount rate - Long service awards | 0.42 % | 0.51 % |

**Defined contribution plan**

**Imatu Retirement Fund**

The above mentioned fund is a defined contribution fund and according to regulation 2 of the Pension Fund of 1956 exempt from the provisions of sections 9A and 16 of the Act.

# NOTES TO THE UNAUDITED ANNUAL FINANCIAL STATEMENTS

| | 2013 R | 2012 R |
|---|---|---|

## 20. Government grants and subsidies

| | | |
|---|---|---|
| Equitable share | 195 684 000 | 167 203 000 |
| National MSIG | 873 798 | 690 200 |
| Neighbourhood Grant | 9 392 003 | 5 702 009 |
| Finance Management Grant | 1 500 000 | 1 250 000 |
| SETA | 24 839 | 271 697 |
| MIG | 67 601 461 | 25 230 782 |
| National - Electrification Grant | 7 142 448 | 6 244 372 |
| EPWP | - | 1 705 000 |
| Department of Minerals and Energy | 897 330 | - |
| | **283 115 879** | **208 297 060** |

### Equitable Share

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

### Drought Relief Programme

| | | |
|---|---|---|
| Balance unspent at beginning of year | 30 702 | 30 702 |
| **Conditions still to be met - transferred to liabilities** | **30 702** | **30 702** |

Conditions still to be met - remain liabilities (see note 17).

The grant is targeting communities without primary potable water, mainly attributed by drought. The aim is to provide primary water to a minimum of 25lt per day in the proposed area.

### SETA

| | | |
|---|---|---|
| Balance unspent at beginning of year | 718 398 | 990 095 |
| Conditions met - transferred to revenue | (24 839) | (271 697) |
| **Conditions still to be met - transferred to liabilities** | **693 559** | **718 398** |

Conditions still to be met - remain liabilities (see note 17).

The grant is used to pay for training courses. It supplement / augment the funds on the training vote. It is used to set off the primary and secondary skills development facilitators when they are out of the office on skills development related matters.

### MIG Grant

| | | |
|---|---|---|
| Balance unspent at beginning of year | 20 570 501 | 1 191 323 |
| Current-year receipts | 56 665 000 | 46 712 000 |
| Conditions met - transferred to revenue | (59 299 527) | (22 132 265) |
| Admin fees | (8 301 934) | (5 200 557) |
| Agent commission | (2 266 600) | - |
| **Conditions still to be met - transferred to liabilities** | **7 367 440** | **20 570 501** |

Conditions still to be met - remain liabilities (see note 17).

MIG funds are used to upgrade and build new infrastructure up to a basic level of service as well as to rehabilitate existing infrastructure for the poorest of the poor.

# NOTES TO THE UNAUDITED ANNUAL FINANCIAL STATEMENTS

| | 2013<br>R | 2012<br>R |
|---|---|---|

## 20. Government grants and subsidies (continued)

### Department of Minerals and Energy

| | | |
|---|---|---|
| Balance unspent at beginning of year | 930 516 | 336 118 |
| Current-year receipts | - | 594 398 |
| Conditions met - transferred to revenue | (897 330) | - |
| **Conditions still to be met - transferred to liabilities** | **33 186** | **930 516** |

Conditions still to be met - remain liabilities (see note 17).

The main aim of this grant was to supply the farmers (workers) with electricity and the funds were used for the electrification of the farmer houses (workers houses) within the Greater Tzaneen Municipality. This was according to the DME (Department of Minerals and Energy) standards.

### National Electrification Grant

| | | |
|---|---|---|
| Balance unspent at beginning of year | 2 975 066 | 4 469 438 |
| Current-year receipts | 13 000 000 | 5 000 000 |
| Conditions met - transferred to revenue | (6 265 305) | (5 477 519) |
| Administration fees | (877 143) | (1 016 853) |
| Agent commission | (650 000) | - |
| **Conditions still to be met - transferred to liabilities** | **8 182 618** | **2 975 066** |

Conditions still to be met - remain liabilities (see note 17).

The grant was used for electrification of farm labour housing and schools.

### Community Based Projects

| | | |
|---|---|---|
| Balance unspent at beginning of year | 356 878 | 413 430 |
| Conditions met - transferred to revenue | - | (56 552) |
| **Conditions still to be met - transferred to liabilities** | **356 878** | **356 878** |

Conditions still to be met - remain liabilities (see note 17).

The funds were used for the training of lead facilitators, ward-based facilitators and community based projects roll out to the wards. This process took place from December 2003 to date.

### EU Grant - Fruit and Nut Cluster

| | | |
|---|---|---|
| Balance unspent at beginning of year | (645 758) | (645 758) |
| **Conditions still to be met - transferred to liabilities** | **(645 758)** | **(645 758)** |

Conditions still to be met - remain liabilities (see note 17).

This grant was used for a hawker feasibility study.

# NOTES TO THE UNAUDITED ANNUAL FINANCIAL STATEMENTS

| | 2013 R | 2012 R |
|---|---|---|

**20. Government grants and subsidies (continued)**

**Neighbourhood Grant**

| | | |
|---|---|---|
| Balance unspent at beginning of year | 14 332 505 | 8 572 359 |
| Current-year receipts | 10 000 000 | 12 000 000 |
| Conditions met - transferred to revenue | (9 392 003) | (6 239 854) |
| **Conditions still to be met - transferred to liabilities** | **14 940 502** | **14 332 505** |

Conditions still to be met - remain liabilities (see note 17).

These funds were used to embellish the entrances of various towns and villages.

**Cleanest Town**

| | | |
|---|---|---|
| Balance unspent at beginning of year | 450 766 | 450 766 |
| **Conditions still to be met - transferred to liabilities** | **450 766** | **450 766** |

Conditions still to be met - remain liabilities (see note 17).

Funds received through the greenest town competition were used to provide schools in villages with refuse removal skips.

**MSIG Establishment Grant**

| | | |
|---|---|---|
| Balance unspent at beginning of year | 99 800 | - |
| Current-year receipts | 800 000 | 790 000 |
| Conditions met - transferred to revenue | (873 798) | (690 200) |
| **Conditions still to be met - transferred to liabilities** | **26 002** | **99 800** |

Conditions still to be met - remain liabilities (see note 17).

The grant is used to upgrade the financial systems of the Municipality and to provide training to officials.

**Upgrade of sport facilities**

| | | |
|---|---|---|
| Balance unspent at beginning of year | 100 623 | 100 623 |
| **Conditions still to be met - transferred to liabilities** | **100 623** | **100 623** |

Conditions still to be met - remain liabilities (see note 17).

This grant was used to upgrade sport facilities in towns and villages.

**Finance Management Grant**

| | | |
|---|---|---|
| Current-year receipts | 1 500 000 | - |
| Conditions met - transferred to revenue | (1 500 000) | - |
| **Conditions still to be met - transferred to liabilities** | **-** | **-** |

**Changes in level of government grants**

Based on the allocations set out in the Division of Revenue Act, no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

No grant destined for the Municipality in terms of the annual Division of Revenue Act were delayed or withheld during the current financial year.

# NOTES TO THE UNAUDITED ANNUAL FINANCIAL STATEMENTS

| | 2013<br>R | 2012<br>R |
|---|---|---|

## 21. Other income

| | | |
|---|---|---|
| Library services | 6 688 | 16 621 |
| Insurance claims | 2 877 989 | 1 039 837 |
| Valuation certificates | 39 820 | 24 165 |
| Environmental health services | 31 359 | 38 627 |
| Non-refundable deposit | 117 506 | 3 750 |
| Sundry income | 6 323 228 | 6 043 071 |
| | **9 396 590** | **7 166 071** |

## 22. Property rates

### Rates received

| | | |
|---|---|---|
| Residential | 24 480 693 | 21 608 568 |
| Commercial | 20 336 657 | 17 992 058 |
| State | 5 643 955 | 5 281 074 |
| Other | 10 598 293 | 10 846 250 |
| | 61 059 598 | 55 727 950 |
| Property rates - penalties imposed and collection charges | 4 216 707 | 3 106 571 |
| | **65 276 305** | **58 834 521** |

### Valuations

| | **R'000** | **R'000** |
|---|---|---|
| Residential | 3 371 273 | 3 484 735 |
| Commercial | 1 912 855 | 2 035 411 |
| State | 1 000 150 | 1 000 270 |
| Municipal | 310 439 | 254 914 |
| Agriculture | 4 326 007 | 4 029 496 |
| Other | 58 551 | 5 816 |
| | **10 979 275** | **10 810 642** |

Valuations on land and buildings are performed every four years. The last valuation came into effect on 1 July 2008. Interim valuations are processed on a monthly basis to take into account changes in individual property values due to alterations and subdivisions. The same rate is applied on different categories of property and improvement valuations to determine assessment rates. Rebates are granted on various categories of properties. Interest at prime rate plus 1% is levied on outstanding rates and the prime rate of ABSA applies. The valuation roll has been extended for one year and new valuations will be effective from 1 July 2013.

## 23. Service charges

| | | |
|---|---|---|
| Sale of electricity | 330 591 700 | 307 269 216 |
| Indigent charges | 144 242 | 212 382 |
| Refuse removal | 24 501 603 | 21 229 834 |
| Other service charges | 930 568 | 595 029 |
| | **356 168 113** | **329 306 461** |

Greater Tzaneen Municipality acts as service provider for the Mopani District Municipality with regard to the water and sewer services. Mopani District Municipality is the water and sewer service authority and those services reflect in their records.

## 24. Bulk purchases

| | | |
|---|---|---|
| Electricity | 233 343 443 | 204 802 906 |

| | 2013<br>R | 2012<br>R |
|---|---|---|

## 25. Contracted services

| | | |
|---|---|---|
| Valuation roll | 2 744 357 | 1 906 522 |
| Security services | 8 519 412 | 8 494 752 |
| Refuse removal | 8 965 223 | 7 248 067 |
| Cleaning services | 10 693 888 | 7 920 955 |
| Other contracted services | 9 749 133 | 3 322 292 |
| | **40 672 013** | **28 892 588** |

Included in other contracted services are:

| | |
|---|---|
| Information technology | R391 649 (2012: R391 223) |
| Meter reading | R1 652 764 (2012: R1 780 633) |
| Town planning | R314 260 (2012: R350 166) |
| Aerodrum | R13 189 (2012: R107 833) |
| EPWP | R1 846 032 (2012: R692 437) |
| Other | R5 531 239 (2012: R0) |

## 26. Finance costs

| | | |
|---|---|---|
| Finance leases | 783 544 | 711 823 |
| Other financial liabilities | 15 547 218 | 12 054 685 |
| | **16 330 762** | **12 766 508** |

## 27. General expenses

| | | |
|---|---|---|
| Auditor's remuneration | 1 810 012 | 2 329 249 |
| Conferences and seminars | 3 579 | - |
| Consulting fees | 7 689 870 | 6 858 860 |
| Consumables | 734 434 | 663 089 |
| Fuel and oil | 5 774 672 | 4 037 191 |
| Gifts | 397 | - |
| Insurance | 2 442 590 | 2 772 959 |
| Insurance claims - Own expenditure | 3 781 680 | 7 260 780 |
| Lease rentals on operating lease | 825 472 | 380 060 |
| Membership fees - Salga | 1 280 968 | 1 189 262 |
| Other expenses | 11 380 922 | 14 155 674 |
| Postage and courier | 1 033 580 | 904 265 |
| Printing and stationery | 1 213 632 | 1 427 452 |
| Protective clothing | 480 272 | 563 944 |
| Public education and training | 44 380 | 48 986 |
| Rent - Computer | 573 455 | 575 991 |
| Rent - Telephone exchange | 899 534 | 535 077 |
| Small tools and equipment | 246 593 | 1 604 056 |
| Telephone and fax | 1 606 775 | 1 890 069 |
| Training | 775 674 | 1 133 108 |
| Travel - local | 5 947 620 | 5 769 772 |
| | **48 546 111** | **54 099 844** |

| | 2013 R | 2012 R |
|---|---|---|

## 28. Grants and subsidies paid

| | 2013 R | 2012 R |
|---|---|---|
| HPH | 6 052 016 | 6 239 854 |
| Other grants | 10 378 594 | 14 760 031 |
| Eskom EBSST | 4 823 978 | 2 836 792 |
| Mayor bursary account | 331 000 | 147 450 |
| SPCA | 90 000 | 90 000 |
| Sport Council | 106 644 | 106 644 |
| SETA (Training) | 24 839 | 271 697 |
| Department of Trade and Mineral | 897 330 | (594 398) |
| MSIG | 738 488 | 690 200 |
| Mayor special account | 38 150 | 12 701 |
| | **23 481 039** | **24 560 971** |

## 29. Employee related costs

| | 2013 R | 2012 R |
|---|---|---|
| Salaries and wages | 133 851 778 | 101 908 806 |
| Performance bonus | 273 482 | 497 425 |
| Social contributions | 34 928 545 | 30 106 659 |
| Travel allowances | 7 387 591 | 6 038 988 |
| Overtime payments | 20 143 040 | 11 955 797 |
| Housing allowances | 1 753 235 | 1 331 040 |
| Less: Employee costs included in other expenses | (70 536 819) | (54 101 566) |
| | **127 800 852** | **97 737 149** |

### Remuneration of municipal manager

| | 2013 R | 2012 R |
|---|---|---|
| Annual remuneration | 700 000 | 954 138 |
| Performance bonuses | - | 51 407 |
| | **700 000** | **1 005 545** |

The municipal manager was appointed on 1 December 2012.

### Remuneration of chief finance officer

| | 2013 R | 2012 R |
|---|---|---|
| Annual remuneration | 990 000 | 913 863 |

The chief finance officer was appointed on 1 August 2012.

### Remuneration of individual directors

| | 2013 R | 2012 R |
|---|---|---|
| Community services | 548 585 | 903 997 |
| Electrical engineering | 950 448 | 909 934 |
| Planning and economic development | 811 516 | 906 397 |
| Civil engineering | 892 668 | - |
| | **3 203 217** | **2 720 328** |

The position of Director Corporate Services was vacant during the current financial year.

The increase in employee related costs from the previous year is as a result of benchmarking with other municipalities.

No advances were made to employees during the year.

# NOTES TO THE UNAUDITED ANNUAL FINANCIAL STATEMENTS

| | 2013<br>R | 2012<br>R |
|---|---|---|

## 30. Remuneration of councillors

| | | |
|---|---|---|
| Mayor | 694 350 | 658 262 |
| Executive committee allowances | 1 454 391 | 1 478 577 |
| Speaker and full time councillors' allowances | 3 689 523 | 3 327 001 |
| Other councillors' allowances | 11 723 022 | 11 191 304 |
| | **17 561 286** | **16 655 144** |

### In-kind benefits

The Mayor, Speaker and five Councillors are full-time employees. Each is provided with an office at the cost of the Council.

The Mayor has use of a Council owned vehicle for official duties.

The Mayor has one full-time secretary, one personal assistant and a special project assistant, who is responsible for EPWP, gender, youth and disability programmes.

The allowances and benifits of councillors of the Municipality, whether financial or in-kind, are within the upper limits of the framework envisage in section 219 of the Constitution.

## 31. Repairs and maintenance

| | | |
|---|---|---|
| Machinery and equipment | 179 418 | 187 839 |
| Lawnmowers | 3 184 840 | 2 462 212 |
| Distribution networks | 28 920 630 | 24 984 628 |
| Stormwater, drainage and bridges | 7 631 939 | 7 012 149 |
| Tarred roads | 5 292 923 | 12 504 513 |
| Gravel roads | 6 607 215 | 11 886 591 |
| Sidewalks and pavements | 5 025 852 | 3 436 099 |
| Streetlights | 779 376 | 694 930 |
| Council-owned land | 7 462 144 | 8 240 397 |
| Council-owned buildings | 7 563 823 | 6 685 774 |
| Council-owned vehicles | 17 795 064 | 11 743 118 |
| Non-council-owned assets (Contractors) | 174 819 | 164 762 |
| Other | 1 249 307 | 815 679 |
| | **91 867 350** | **90 818 691** |

# NOTES TO THE UNAUDITED ANNUAL FINANCIAL STATEMENTS

| | 2013 R | 2012 R |
|---|---|---|

## 32. Cash generated from operations

| | 2013 R | 2012 R |
|---|---|---|
| Deficit | (10 786 051) | (88 743 730) |
| **Adjustments for:** | | |
| Depreciation and amortisation | 105 229 808 | 99 936 375 |
| Gain on sale of assets and liabilities | 25 233 385 | 3 503 |
| Finance costs - Finance leases | - | 711 823 |
| Impairment deficit | - | 96 882 830 |
| Debt impairment | 50 680 062 | 12 496 142 |
| Movements in operating lease assets and accruals | 17 631 | 27 678 |
| Movements in retirement benefit assets and liabilities | 5 387 787 | 7 297 603 |
| Movements in provisions | (1 604 749) | 394 746 |
| Appropriations and transfers | 37 342 946 | (78 426 434) |
| Other non-cash items | - | 426 730 |
| **Changes in working capital:** | | |
| Inventories | (22 267 848) | (248 000) |
| Other receivables from non-exchange transactions | (94 314 904) | 12 000 422 |
| Consumer debtors | (53 475 799) | (20 465 091) |
| Accounts payable | 32 134 199 | 9 625 328 |
| VAT | (2 009 069) | 6 501 163 |
| Unspent conditional grants and receipts | (8 383 479) | 24 010 903 |
| Consumer deposits | (2 324 732) | 6 979 288 |
| | **60 859 187** | **89 411 279** |

## 33. Auditor's remuneration

| | 2013 R | 2012 R |
|---|---|---|
| Fees | 1 810 012 | 2 329 249 |

## 34. Revenue

| | 2013 R | 2012 R |
|---|---|---|
| Property rates | 61 059 598 | 55 727 950 |
| Property rates – Penalties imposed and collection charges | 4 216 707 | 3 106 571 |
| Service charges | 356 168 113 | 329 306 461 |
| Rental of facilities and equipment | 1 292 420 | 393 210 |
| Interest received – outstanding receivables | 8 731 739 | 13 943 143 |
| Income from agency services | 14 598 636 | 20 929 065 |
| Fines | 5 864 717 | 7 009 597 |
| Licences and permits | 543 903 | 498 951 |
| Government grants and subsidies | 283 115 879 | 208 297 060 |
| | **735 591 712** | **639 212 008** |

**The amount included in revenue arising from exchanges of goods or services are as follows:**

| | 2013 R | 2012 R |
|---|---|---|
| Service charges | 356 168 113 | 329 306 461 |
| Rental of facilities and equipment | 1 292 420 | 393 210 |
| Interest received – outstanding receivables | 8 731 739 | 13 943 143 |
| Income from agency services | 14 598 636 | 20 929 065 |
| Licences and permits | 543 903 | 498 951 |
| | **381 334 811** | **365 070 830** |

# NOTES TO THE UNAUDITED ANNUAL FINANCIAL STATEMENTS

| | 2013 R | 2012 R |
|---|---|---|

## 34. Revenue (continued)

| | 2013 R | 2012 R |
|---|---|---|
| **The amount included in revenue arising from non-exchange transactions is as follows:** | | |
| **Taxation revenue** | | |
| Property rates | 61 059 598 | 55 727 950 |
| Property rates – Penalties imposed and collection charges | 4 216 707 | 3 106 571 |
| **Transfer revenue** | | |
| Government grants and subsidies | 283 115 879 | 208 297 060 |
| Fines | 5 864 717 | 7 009 597 |
| | **354 256 901** | **274 141 178** |

## 35. Commitments

**Authorised expenditure**

| | 2013 R | 2012 R |
|---|---|---|
| **Already contracted for but not provided for** | | |
| • Infrastructure | 92 138 855 | - |
| • Other commitments | 1 344 000 | - |
| | **93 482 855** | **-** |
| **Not yet contracted for and authorised by accounting officer** | | |
| • Infrastructure | - | 105 464 828 |
| • Community | - | 5 335 000 |
| • Other | - | 7 855 000 |
| | **-** | **118 654 828** |
| **The expenditure will be financed by:** | | |
| - Internal advances | 12 688 928 | 29 128 748 |
| - External loans | - | 30 000 000 |
| - Government grants | 20 279 816 | 5 000 000 |
| - MIG grants | 60 514 111 | 54 526 080 |
| | **93 482 855** | **118 654 828** |

# NOTES TO THE UNAUDITED ANNUAL FINANCIAL STATEMENTS

## 36. Contingencies

| | 2013 R | 2012 R |
|---|---|---|
| A letter of demand regarding the non-payment of services for the valuation roll performed by Thlaola Dynamics (Pty) Ltd. | 769 069 | - |
| A letter of demand from Makasana Construction CC regarding the termination of SLA resulting from the awarding of tenders. The amount under dispute could not yet be reliably determined. | | |
| A letter of demand from Makgets Construction CC regarding the termination of SLA resulting from the awarding of tenders. | 15 776 459 | - |
| A notice of action regarding the repair of parking slots and the maintenance thereof from Gypsey Queen Properties 12. The amount under dispute could not yet be reliably determined | | |
| A notice of action regarding negligence to extinguish a fire which gutted Bedrock Mining Support property. | 1 500 000 | - |
| Application to the High Court with regard to the unfair dismissal of the previous CFO Mr Andre le Grange. The amount under dispute could not yet be reliably determined | | |
| Paper guarantees housing loan (ABSA) A paper guaranty of R1 million has been negotiated with ABSA on behalf of officials in respect of housing loans. No collateral is needed by ABSA on housing loans. | 1 000 000 | 1 000 000 |
| The municipality is being sued by Thabo Molepo for unlawful arrest by the traffic officers of the municipality. The matter is still in the North Gauteng High Court. | 1 000 000 | 1 000 000 |
| An adjustment of R11 085 243.49 was made by SARS on the municipality's VAT account after an audit was conducted on water related transactions. A dispute is currently in process. | 11 085 243 | - |
| A High Court case between Telegenix and the municipality, where the municipality sold land but the purchaser failed to honour payments. | 12 000 000 | 12 000 000 |
| A disciplinary hearing regarding allegations of misconduct between Adv Phatudi and the municipality was conducted and the parties reached a settlement agreement for the amount of R3 281 436.50, in terms of which Adv. Phatudi was compensated an amount of R500 000 and left the employment of the council. An amount of R2 500 000 was paid during July 2013 and the balance of R281 436.50 during August 2013. | 2 781 436 | 1 000 000 |
| A disciplinary hearing regarding allegations of miscoduct between Thabo Ramokgano and the municipality was resolved whereby Thabo Ramokgano was reassigned from his position as Manager Supply Chain Management to Manager Assets. | - | 1 000 000 |

# NOTES TO THE UNAUDITED ANNUAL FINANCIAL STATEMENTS

| | 2013 R | 2012 R |
|---|---|---|

### 36. Contingencies (continued)

**Contingent assets**

The estimated amount of recoverable traffic fines for 2013 is R7 393 515 (2012: R4 029 538), being 40% (2012: 35%) of all the traffic fines amounting to R17 223 200 (2012: R7 080 208) issued but not yet recovered at year end. An amount of R504 235 is included in the estimated recoverable traffic fines, which represents warrants.

### 37. Related parties

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 dicisions.

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. Refer to notes 29 and 30 for detail.

There are no share based payments.

### 38. 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.

**Liquidity risk**

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities. The municipality's policy on counterpart credit exposures ensures that only counterparties of a high credit standing are used for the investments of any excess cash.

The table below analyses the municipality's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

| At 30 June 2013 | Less than 1 year | Between 1 and 2 years | Between 2 and 5 years | Over 5 years |
|---|---|---|---|---|
| Other financial liabilities | 10 815 912 | - | - | - |
| Finance lease obligation | 3 078 820 | 2 138 569 | 549 914 | - |
| Trade and other payables | 32 602 655 | - | - | - |
| Bank overdraft | 35 253 776 | - | - | - |

| At 30 June 2012 | Less than 1 year | Between 1 and 2 years | Between 2 and 5 years | Over 5 years |
|---|---|---|---|---|
| Other financial liabilities | 9 573 601 | - | - | - |
| Finance lease obligation | 2 753 768 | - | - | - |
| Trade and other payables | 88 933 087 | - | - | - |

# NOTES TO THE UNAUDITED ANNUAL FINANCIAL STATEMENTS

| | 2013 R | 2012 R |
|---|---|---|

**38. Risk management (continued)**

**Interest rate risk**

The municipality is exposed to interest rate risk on its investments and long term borrowings.

This risk is managed by investing in investments with different maturity dates. This enables the municipality to re-allocate some of the investments in the event of major fluctuations in interest rates. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk. Borrowings at fixed rates expose the municipality to fair value interest rate risk.

**Credit risk**

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

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

| Financial instrument | 2013 | 2012 |
|---|---|---|
| Investments - BOE | - | 19 890 828 |
| Investments - Liberty | 4 953 416 | 3 786 347 |
| Loans and receivables | 539 730 | 170 566 |
| Bank balances | 10 876 224 | 50 277 604 |
| Consumer debtors | 57 358 648 | 54 562 911 |
| Other receivables | 198 902 409 | 104 587 505 |

**Currency risk**

The municipality does not have currency risk as in terms of section 163 of the Municipal Finance Management Act, No. 56 of 2003, no municipality may incur a liability or risk payable in a foreign currency.

**39. Unauthorised expenditure**

| | | |
|---|---|---|
| Unauthorised expenditure for the year | 59 533 493 | - |
| Rehabilitation of Claude Wheatley street | 4 207 502 | - |
| **Unauthorised expenditure awaiting authorisation** | **63 740 995** | **-** |

Unauthorised expenditure for the year is as a result of overspending of the approved budget.

No criminal or disciplinary steps have been taken as a consequence of above expenditure.

**40. Fruitless and wasteful expenditure**

| | | |
|---|---|---|
| Opening balance | 169 212 | - |
| Fruitless and wasteful expenditure | 4 879 974 | 169 212 |
| Less: Amounts condoned by Council | (5 049 186) | - |
| **Fruitless and wasteful expenditure awaiting condonement** | **-** | **169 212** |

Included in fruitless and wasteful expenditure for the current year is interest paid as a result of late payment of audit fees and electricity and telephone accounts and costs incurred for road construction, which where paid to contractors after their contracts have been terminated by the Municipality, while a legal process was still in progress.

No criminal or disciplinary steps have been taken as a consequence of above expenditure.

| | 2013 R | 2012 R |
|---|---|---|

## 41. Irregular expenditure

| | 2013 R | 2012 R |
|---|---|---|
| Opening balance | 79 411 888 | - |
| Add: Irregular Expenditure - current year | 34 972 401 | 79 411 888 |
| Add: Non-adherence to supply chain regulations | 9 968 230 | - |
| Less: Amounts condoned | (114 384 289) | - |
| **Irregular expenditure awaiting condonement** | **9 968 230** | **79 411 888** |

**Details of irregular expenditure – current year**

| | Disciplinary steps taken/criminal proceedings | |
|---|---|---|
| Training | None - Condoned during the year | 254 904 |
| Spouse in service of State | None - Condoned during the year | 101 842 |
| Strategic planning workshop | None - Condoned during the year | 127 600 |
| Uniform purchase | None - Condoned during the year | 57 699 |
| Purchase of stormwater pipes | None - Condoned during the year | 140 700 |
| Legal fees paid | None - Condoned during the year | 7 596 701 |
| Loud haling | None - Condoned during the year | 29 980 |
| Expired contracts | None - Condoned during the year | 26 641 448 |
| Jazz festival | None - Condoned during the year | 7 500 |
| 2012 Women Caucus | None - Condoned during the year | 5 363 |
| Asset barcoding | None - Condoned during the year | 8 664 |
| Non-adherence to supply chain regulations | Still in progress | 9 968 230 |
| | | **44 940 631** |

## 42. Additional disclosure in terms of Municipal Finance Management Act

**Contributions to SALGA**

| | 2013 R | 2012 R |
|---|---|---|
| Current year subscription fee | 1 280 968 | 1 189 262 |
| Amount paid - current year | (1 280 968) | (1 189 262) |
| | - | - |

**Skills Development Levy**

| | 2013 R | 2012 R |
|---|---|---|
| Current year levy | 1 567 458 | 1 418 252 |
| Amount paid - current year | (1 567 458) | (1 418 252) |
| | - | - |

**Audit fees**

| | 2013 R | 2012 R |
|---|---|---|
| Current year audit fee | 1 810 012 | 2 329 249 |
| Amount paid - current year | (1 810 012) | (2 329 249) |
| | - | - |

**PAYE and UIF**

| | 2013 R | 2012 R |
|---|---|---|
| Current year payroll deductions | 36 658 111 | 23 797 485 |
| Amount paid - current year | (36 658 111) | (23 797 485) |
| | - | - |

# NOTES TO THE UNAUDITED ANNUAL FINANCIAL STATEMENTS

| | 2013 R | 2012 R |
|---|---|---|

## 42. Additional disclosure in terms of Municipal Finance Management Act (continued)

**Pension and Medical Aid Deductions**

| | 2013 R | 2012 R |
|---|---|---|
| Control contributions | 46 310 931 | 32 131 196 |
| Amount paid - current year | (46 310 931) | (32 131 196) |
| | - | - |

**Bargaining Council Levy**

| | 2013 R | 2012 R |
|---|---|---|
| Current year levy fee | 41 717 | 64 214 |
| Amount paid - current year | (41 717) | (64 214) |
| | - | - |

**VAT**

| | 2013 R | 2012 R |
|---|---|---|
| VAT payable | 23 729 020 | 25 738 089 |

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

All VAT returns have been submitted by the due date throughout the year.

**Councillors' arrear consumer accounts**

30 June 2013

There were no Councilors' arrear accounts outstanding for more than 90 days at 30 June 2013.

| 30 June 2012 | Outstanding less than 90 days R | Outstanding more than 90 days R | Total R |
|---|---|---|---|
| Councillor ME Ramolefo | 2 351 | - | 2 351 |
| Councillor RE Pohl | 3 870 | - | 3 870 |
| Councillor MG Mushwana | 1 010 | 31 504 | 32 514 |
| | **7 231** | **31 504** | **38 735** |

30 June 2013

There were no Councilors' arrear accounts outstanding for more than 90 days at 30 June 2013.

| 30 June 2012 | Highest outstanding amount | Aging (in days) |
|---|---|---|
| Councillor MG Mushwana | 31 504 | 120 |

# NOTES TO THE UNAUDITED ANNUAL FINANCIAL STATEMENTS

| | 2013 R | 2012 R |
|---|---|---|

## 42. Additional disclosure in terms of Municipal Finance Management Act (continued)

**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 Council and includes a note to the Annual Financial Statements.

Deviations from supply chain management regulations did occur. A detailed deviation register is available at the Municipality for inspection.

## 43. Utilisation of Long-term liabilities reconciliation

| | 2013 R | 2012 R |
|---|---|---|
| Long-term liabilities raised | 130 469 988 | 151 904 163 |
| Used to finance property, plant and equipment | - | (40 282 776) |
| | 130 469 988 | 111 621 387 |
| Cash set aside for the repayment of long-term liabilities | (24 532 794) | (23 677 175) |
| | **105 937 194** | **87 944 212** |

External loans have been utilized in accordance with the Municipal Finance Management Act. Sufficient cash has been set aside to ensure that external loans can be repaid on redemption date. Refer to note 12 for more detail regarding long-term borrowings.

## 44. Financial assistance

GTEDA is a municipal agency performing the functions consistant with that of an agency and not that of an entity. Greater Tzaneen Municipality did not have an entity during the year. The Council resolved that GTEDA will be an entity with effect from 1 July 2013.

## 45. Comparison with the budget

The comparison of the municipality's actual financial performance with that budgeted is set out in Annexure E(1) and E(2).

## 46. Comparative figures

Certain comparative figures have been reclassified.

The effects of the reclassification are as follows:

| | 2013 R | 2012 R |
|---|---|---|
| **Statement of financial position** | | |
| Current portion of long term receivables | (539 730) | (170 566) |
| Other financial assets (current assets) | 539 730 | 170 566 |
| Held to maturity investments | (4 953 416) | (23 677 175) |
| Other financial assets (non-current assets) | 4 953 416 | 23 677 175 |
| Borrowings | 119 654 076 | 142 330 562 |
| Other financial liabilities (non-current liabilities) | (119 654 076) | (142 330 562) |
| Current portion of long-term borrowings | 10 815 912 | 9 573 601 |
| Other financial liabilities (current liabilities) | (10 815 912) | (9 573 601) |

## 47. Going concern

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

| | 2013 R | 2012 R |
|---|---|---|

### 47. Going concern (continued)

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality.

### 48. Prior period errors

Items of property, plant and equipment were identified during the year that were never accounted for in the municipality's accounting records.

An item of investment properties to the value of R20 000 was removed from the accounting records as it was duplicated.

An item of land was restated to a value of R157 014 as it was incorrectly stated at a zero value.

Additions to work in progress of R343 856 was subsequently determined to be repairs and maintenance.

It was determined that an item of work in progress to the value of R11 893 should be transferred to completed infrastructure.

The correction of the errors results in adjustments as follows:

| | 2013 R | 2012 R |
|---|---|---|
| **Statement of Financial Position** | | |
| Property, plant and equipment | - | 5 090 339 |
| Investment Property | - | (20 000) |
| Opening Accumulated Surplus or Deficit | - | (5 174 711) |
| **Statement of Financial Performance** | | |
| Repairs and maintenance | - | 104 372 |
| **Cash flow statement** | | |
| **Cash flow from operating activities** | | |
| Deficit | - | (104 372) |
| **Cash flow from investing activities** | | |
| Purchase of property, plant and equipment | - | 104 372 |

# Greater Tzaneen Muncipality
## Appendix A
June 2013

## Schedule of external loans as at 30 June 2013

| | Balance at 30 June 2012 Rand | Received during the period Rand | Redeemed written off during the period Rand | Balance at 30 June 2013 Rand | Carrying Value of Property, Plant & Equip Rand | Other Costs in accordance with the MFMA Rand |
|---|---|---|---|---|---|---|
| **Loan Stock** | | | | | | |
| Development Bank of South Africa | 15 000 000 | - | - | 15 000 000 | - | - |
| | **15 000 000** | **-** | **-** | **15 000 000** | **-** | **-** |
| **Annuity loans** | | | | | | |
| Standard Bank | 21 011 252 | - | 2 019 656 | 18 991 596 | - | - |
| Standard Bank | 13 281 875 | - | 2 121 918 | 11 159 957 | - | - |
| Development Bank of South Africa | 40 373 579 | - | 1 247 240 | 39 126 339 | - | - |
| ABSA | 32 527 144 | - | 2 498 154 | 30 028 990 | - | - |
| INCA | 18 110 312 | - | 1 947 206 | 16 163 106 | - | - |
| | **125 304 162** | **-** | **9 834 174** | **115 469 988** | **-** | **-** |
| **Sinking Fund** | | | | | | |
| ABSA | 11 600 000 | - | 11 600 000 | - | - | - |
| | **11 600 000** | **-** | **11 600 000** | **-** | **-** | **-** |
| **Total external loans** | | | | | | |
| Loan Stock | 15 000 000 | - | - | 15 000 000 | - | - |
| Annuity loans | 125 304 162 | - | 9 834 174 | 115 469 988 | - | - |
| Sinking Fund | 11 600 000 | - | 11 600 000 | - | - | - |
| | **151 904 162** | **-** | **21 434 174** | **130 469 988** | **-** | **-** |

# Greater Tzaneen Muncipality
# Appendix B
June 2013

## Analysis of property, plant and equipment as at 30 June 2013

| | Cost/Revaluation | | | | | | | Accumulated depreciation | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **Opening Balance Rand** | **Additions Rand** | **Disposals Rand** | **Transfers Rand** | **Revaluations Rand** | **Other changes, movements Rand** | **Closing Balance Rand** | **Opening Balance Rand** | **Disposals Rand** | **Transfers Rand** | **Depreciation Rand** | **Impairment loss Rand** | **Closing Balance Rand** | **Carrying value Rand** |
| **Land and buildings** | | | | | | | | | | | | | | |
| Land | 142 172 785 | - | (3 438 974) | (4 141 618) | - | **-** | **134 592 193** | - | - | - | - | - | **-** | 134 592 193 |
| | **142 172 785** | **-** | **(3 438 974)** | **(4 141 618)** | **-** | **-** | **134 592 193** | **-** | **-** | **-** | **-** | **-** | **-** | **134 592 193** |
| **Infrastructure** | | | | | | | | | | | | | | |
| Roads | 744 090 559 | 1 291 760 | - | - | - | **-** | **745 382 319** | (236 350 404) | - | - | (48 147 039) | - | **(284 497 443)** | 460 884 876 |
| Storm water | 41 532 409 | - | - | - | - | **-** | **41 532 409** | (14 642 416) | - | - | (2 824 457) | - | **(17 466 873)** | 24 065 536 |
| Solid waste | 1 577 142 | - | - | - | - | **-** | **1 577 142** | (121 219) | - | - | (60 444) | - | **(181 663)** | 1 395 479 |
| Buildings | 142 080 | 232 211 | - | - | - | **-** | **374 291** | (37 499) | - | - | (30 346) | - | **(67 845)** | 306 446 |
| Reticulation | 9 352 702 | - | - | - | - | **-** | **9 352 702** | (916 240) | - | - | (368 251) | - | **(1 284 491)** | 8 068 211 |
| Refuse sites | 44 413 261 | - | - | - | - | **-** | **44 413 261** | (2 890 377) | - | - | (1 577 466) | - | **(4 467 843)** | 39 945 418 |
| Airports | - | 191 751 | - | - | - | **-** | **191 751** | - | - | - | (53) | - | **(53)** | 191 698 |
| Plant and machinery | - | 203 695 | - | - | - | **-** | **203 695** | - | - | - | (10 261) | - | **(10 261)** | 193 434 |
| Traffic | 347 170 | - | - | - | - | **-** | **347 170** | (115 702) | - | - | (23 102) | - | **(138 804)** | 208 366 |
| Water | - | 198 000 | - | - | - | **-** | **198 000** | - | - | - | (54) | - | **(54)** | 197 946 |
| Electricity | 809 785 863 | 2 589 087 | - | - | - | **-** | **812 374 950** | (185 999 413) | - | - | (34 318 589) | - | **(220 318 002)** | 592 056 948 |
| Land and buildings | 14 652 367 | - | - | - | - | **-** | **14 652 367** | (6 345 840) | - | - | (1 246 775) | - | **(7 592 615)** | 7 059 752 |
| | **1 665 893 553** | **4 706 504** | **-** | **-** | **-** | **-** | **1 670 600 057** | **(447 419 110)** | **-** | **-** | **(88 606 837)** | **-** | **(536 025 947)** | **1 134 574 110** |
| **Community Assets** | | | | | | | | | | | | | | |
| Parks & gardens | 29 302 500 | - | (933 000) | - | - | **-** | **28 369 500** | (1 118 571) | - | - | (223 347) | - | **(1 341 918)** | 27 027 582 |
| Fencing | 41 929 | - | - | - | - | **-** | **41 929** | (8 403) | - | - | (4 190) | - | **(12 593)** | 29 336 |
| Roads | 11 301 760 | - | - | - | - | **-** | **11 301 760** | (1 858 008) | - | - | (381 966) | - | **(2 239 974)** | 9 061 786 |
| Municipal offices | 15 375 000 | - | - | - | - | **-** | **15 375 000** | (4 691 992) | - | - | (936 858) | - | **(5 628 850)** | 9 746 150 |
| Libraries | 7 350 000 | - | - | - | - | **-** | **7 350 000** | (500 479) | - | - | (99 932) | - | **(600 411)** | 6 749 589 |
| Traffic centre | 862 000 | - | - | - | - | **-** | **862 000** | (31 030) | - | - | (6 196) | - | **(37 226)** | 824 774 |
| Museums | 1 300 000 | - | - | - | - | **-** | **1 300 000** | (150 144) | - | - | (29 979) | - | **(180 123)** | 1 119 877 |
| Airports | 128 586 | - | - | - | - | **-** | **128 586** | (128 586) | - | - | - | - | **(128 586)** | - |
| Recreational facilities | 8 430 667 | - | - | - | - | **-** | **8 430 667** | (3 848 231) | - | - | (739 235) | - | **(4 587 466)** | 3 843 201 |
| Cemeteries | 3 702 000 | - | - | - | - | **-** | **3 702 000** | (189 181) | - | - | (37 774) | - | **(226 955)** | 3 475 045 |
| Road and subgrade | 597 216 | - | - | - | - | **-** | **597 216** | (119 688) | - | - | (59 681) | - | **(179 369)** | 417 847 |
| Buildings | 522 515 | 602 292 | - | - | - | **-** | **1 124 807** | (104 719) | - | - | (104 251) | - | **(208 970)** | 915 837 |
| Land and buildings | 2 016 000 | - | - | - | - | **-** | **2 016 000** | - | - | - | - | - | **-** | 2 016 000 |
| | **80 930 173** | **602 292** | **(933 000)** | **-** | **-** | **-** | **80 599 465** | **(12 749 032)** | **-** | **-** | **(2 623 409)** | **-** | **(15 372 441)** | **65 227 024** |

# Greater Tzaneen Muncipality
# Appendix B
June 2013

## Analysis of property, plant and equipment as at 30 June 2013

| | Cost/Revaluation | | | | | | | Accumulated depreciation | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Opening Balance Rand | Additions Rand | Disposals Rand | Transfers Rand | Revaluations Rand | Other changes, movements Rand | Closing Balance Rand | Opening Balance Rand | Disposals Rand | Transfers Rand | Depreciation Rand | Impairment loss Rand | Closing Balance Rand | Carrying value Rand |
| **Work in progress** | | | | | | | | | | | | | | |
| Work in progress | 83 742 397 | 89 784 582 | - | (3 862 725) | - | - | **169 664 254** | - | - | - | - | - | - | 169 664 254 |
| | **83 742 397** | **89 784 582** | **-** | **(3 862 725)** | **-** | **-** | **169 664 254** | **-** | **-** | **-** | **-** | **-** | **-** | **169 664 254** |
| **Leased assets** | | | | | | | | | | | | | | |
| Leased assets | 14 415 429 | 2 571 867 | (1 869 621) | - | - | - | **15 117 675** | (7 376 791) | 1 463 130 | - | (3 400 740) | - | **(9 314 401)** | 5 803 274 |
| | **14 415 429** | **2 571 867** | **(1 869 621)** | **-** | **-** | **-** | **15 117 675** | **(7 376 791)** | **1 463 130** | **-** | **(3 400 740)** | **-** | **(9 314 401)** | **5 803 274** |
| **Other assets** | | | | | | | | | | | | | | |
| Computer Equipment | 4 462 763 | 2 022 100 | (206 301) | - | - | - | **6 278 562** | (2 445 072) | 193 078 | - | (707 642) | - | **(2 959 636)** | 3 318 926 |
| Furniture & Fittings | 1 451 088 | 188 206 | (40 702) | - | - | - | **1 598 592** | (760 418) | 40 082 | - | (207 516) | - | **(927 852)** | 670 740 |
| Office Equipment | 3 100 360 | 230 759 | (98 835) | - | - | - | **3 232 284** | (1 704 856) | 91 762 | - | (387 901) | - | **(2 000 995)** | 1 231 289 |
| Electricity | 56 299 | - | - | - | - | - | **56 299** | (23 486) | - | - | (4 689) | - | **(28 175)** | 28 124 |
| Plant and machinery | 9 030 618 | 245 364 | (181 532) | - | - | - | **9 094 450** | (3 274 401) | 147 766 | - | (1 009 347) | - | **(4 135 982)** | 4 958 468 |
| Health equipment | 229 366 | - | (1 457) | - | - | - | **227 909** | (136 907) | 1 457 | - | (36 175) | - | **(171 625)** | 56 284 |
| Parks | 30 718 | - | - | - | - | - | **30 718** | (7 687) | - | - | (1 535) | - | **(9 222)** | 21 496 |
| Buildings | 5 416 005 | - | - | - | - | - | **5 416 005** | (1 468 632) | - | - | (293 244) | - | **(1 761 876)** | 3 654 129 |
| Security measures | 600 428 | - | - | - | - | - | **600 428** | (402 634) | - | - | (80 395) | - | **(483 029)** | 117 399 |
| Weapons | 87 657 | - | - | - | - | - | **87 657** | (40 139) | - | - | (9 174) | - | **(49 313)** | 38 344 |
| Motor vehicles | 45 689 206 | 3 062 608 | (444 429) | - | - | - | **48 307 385** | (12 961 292) | 403 127 | - | (7 807 553) | - | **(20 365 718)** | 27 941 667 |
| Land | 4 788 | - | - | - | - | - | **4 788** | (4 522) | - | - | (266) | - | **(4 788)** | - |
| | **70 159 296** | **5 749 037** | **(973 256)** | **-** | **-** | **-** | **74 935 077** | **(23 230 046)** | **877 272** | **-** | **(10 545 437)** | **-** | **(32 898 211)** | **42 036 866** |

# Greater Tzaneen Muncipality
# Appendix B
June 2013

## Analysis of property, plant and equipment as at 30 June 2013

| | Cost/Revaluation | | | | | | | Accumulated depreciation | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Opening Balance Rand | Additions Rand | Disposals Rand | Transfers Rand | Revaluations Rand | Other changes, movements Rand | Closing Balance Rand | Opening Balance Rand | Disposals Rand | Transfers Rand | Depreciation Rand | Impairment loss Rand | Closing Balance Rand | Carrying value Rand |
| **Total property plant and equipment** | | | | | | | | | | | | | | |
| Land and buildings | 142 172 785 | - | (3 438 974) | (4 141 618) | - | - | **134 592 193** | - | - | - | - | - | **-** | 134 592 193 |
| Infrastructure | 1 665 893 553 | 4 706 504 | - | - | - | - | **1 670 600 057** | (447 419 110) | - | - | (88 606 837) | - | **(536 025 947)** | 1 134 574 110 |
| Community Assets | 80 930 173 | 602 292 | (933 000) | - | - | - | **80 599 465** | (12 749 032) | - | - | (2 623 409) | - | **(15 372 441)** | 65 227 024 |
| Work in progress | 83 742 397 | 89 784 582 | - | (3 862 725) | - | - | **169 664 254** | - | - | - | - | - | **-** | 169 664 254 |
| Leased assets | 14 415 429 | 2 571 867 | (1 869 621) | - | - | - | **15 117 675** | (7 376 791) | 1 463 130 | - | (3 400 740) | - | **(9 314 401)** | 5 803 274 |
| Other assets | 70 159 296 | 5 749 037 | (973 256) | - | - | - | **74 935 077** | (23 230 046) | 877 272 | - | (10 545 437) | - | **(32 898 211)** | 42 036 866 |
| | **2 057 313 633** | **103 414 282** | **(7 214 851)** | **(8 004 343)** | **-** | **-** | **2 145 508 721** | **(490 774 979)** | **2 340 402** | **-** | **(105 176 423)** | **-** | **(593 611 000)** | **1 551 897 721** |
| **Intangible assets** | | | | | | | | | | | | | | |
| Computers - software | 99 467 | 135 310 | - | - | - | - | **234 777** | (49 822) | - | - | (53 385) | - | **(103 207)** | 131 570 |
| | **99 467** | **135 310** | **-** | **-** | **-** | **-** | **234 777** | **(49 822)** | **-** | **-** | **(53 385)** | **-** | **(103 207)** | **131 570** |
| **Investment properties** | | | | | | | | | | | | | | |
| Investment property | 208 588 792 | - | (19 645 000) | - | - | - | **188 943 792** | - | - | - | - | - | **-** | 188 943 792 |
| | **208 588 792** | **-** | **(19 645 000)** | **-** | **-** | **-** | **188 943 792** | **-** | **-** | **-** | **-** | **-** | **-** | **188 943 792** |
| **Total** | | | | | | | | | | | | | | |
| Land and buildings | 142 172 785 | - | (3 438 974) | (4 141 618) | - | - | **134 592 193** | - | - | - | - | - | **-** | 134 592 193 |
| Infrastructure | 1 665 893 553 | 4 706 504 | - | - | - | - | **1 670 600 057** | (447 419 110) | - | - | (88 606 837) | - | **(536 025 947)** | 1 134 574 110 |
| Community Assets | 80 930 173 | 602 292 | (933 000) | - | - | - | **80 599 465** | (12 749 032) | - | - | (2 623 409) | - | **(15 372 441)** | 65 227 024 |
| Work in progress | 83 742 397 | 89 784 582 | - | (3 862 725) | - | - | **169 664 254** | - | - | - | - | - | **-** | 169 664 254 |
| Leased assets | 14 415 429 | 2 571 867 | (1 869 621) | - | - | - | **15 117 675** | (7 376 791) | 1 463 130 | - | (3 400 740) | - | **(9 314 401)** | 5 803 274 |
| Other assets | 70 159 296 | 5 749 037 | (973 256) | - | - | - | **74 935 077** | (23 230 046) | 877 272 | - | (10 545 437) | - | **(32 898 211)** | 42 036 866 |
| Intangible assets | 99 467 | 135 310 | - | - | - | - | **234 777** | (49 822) | - | - | (53 385) | - | **(103 207)** | 131 570 |
| Investment properties | 208 588 792 | - | (19 645 000) | - | - | - | **188 943 792** | - | - | - | - | - | **-** | 188 943 792 |
| | **2 266 001 892** | **103 549 592** | **(26 859 851)** | **(8 004 343)** | **-** | **-** | **2 334 687 290** | **(490 824 801)** | **2 340 402** | **-** | **(105 229 808)** | **-** | **(593 714 207)** | **1 740 973 083** |

# Greater Tzaneen Muncipality
# Appendix B

## Analysis of property, plant and equipment as at 30 June 2012

| | Cost/Revaluation | | | | | | | Accumulated depreciation | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Opening Balance Rand | Additions Rand | Disposals Rand | Transfers Rand | Revaluations Rand | Other changes, movements Rand | Closing Balance Rand | Opening Balance Rand | Disposals Rand | Transfers Rand | Depreciation Rand | Impairment loss Rand | Closing Balance Rand | Carrying value Rand |
| **Land and buildings** | | | | | | | | | | | | | | |
| Land | 142 172 785 | - | - | - | - | **-** | **142 172 785** | - | - | - | - | - | **-** | 142 172 785 |
| | **142 172 785** | **-** | **-** | **-** | **-** | **-** | **142 172 785** | **-** | **-** | **-** | **-** | **-** | **-** | **142 172 785** |
| **Infrastructure** | | | | | | | | | | | | | | |
| Roads | 742 150 562 | 1 939 998 | - | - | - | **-** | **744 090 560** | (188 107 510) | - | - | (48 242 890) | - | **(236 350 400)** | 507 740 160 |
| Storm water | 41 532 409 | - | - | - | - | **-** | **41 532 409** | (11 507 782) | - | - | (3 134 634) | - | **(14 642 416)** | 26 889 993 |
| Solild waste | 1 339 730 | 237 413 | - | - | - | **-** | **1 577 143** | (60 609) | - | - | (60 609) | - | **(121 218)** | 1 455 925 |
| Buildings | 142 080 | - | - | - | - | **-** | **142 080** | (9 025) | - | - | (28 474) | - | **(37 499)** | 104 581 |
| Reticulation | 5 293 208 | 4 059 494 | - | - | - | **-** | **9 352 702** | (669 734) | - | - | (246 506) | - | **(916 240)** | 8 436 462 |
| Refuse sites | 44 357 483 | 55 778 | - | - | - | **-** | **44 413 261** | (1 308 833) | - | - | (1 581 544) | - | **(2 890 377)** | 41 522 884 |
| Traffic | 347 170 | - | - | - | - | **-** | **347 170** | (92 536) | - | - | (23 166) | - | **(115 702)** | 231 468 |
| Electricity | 802 457 636 | 7 328 226 | - | - | - | **-** | **809 785 862** | (151 855 092) | - | - | (34 144 327) | - | **(185 999 419)** | 623 786 443 |
| Land and buildings | 14 652 367 | - | - | - | - | **-** | **14 652 367** | (4 979 867) | - | - | (1 365 973) | - | **(6 345 840)** | 8 306 527 |
| | **1 652 272 645** | **13 620 909** | **-** | **-** | **-** | **-** | **1 665 893 554** | **(358 590 988)** | **-** | **-** | **(88 828 123)** | **-** | **(447 419 111)** | **1 218 474 443** |
| **Community Assets** | | | | | | | | | | | | | | |
| Parks & gardens | 29 302 500 | - | - | - | - | **-** | **29 302 500** | (894 612) | - | - | (223 959) | - | **(1 118 571)** | 28 183 929 |
| Fencing | 41 929 | - | - | - | - | **-** | **41 929** | (4 201) | - | - | (4 201) | - | **(8 402)** | 33 527 |
| Roads | 11 301 760 | - | - | - | - | **-** | **11 301 760** | (1 474 995) | - | - | (383 012) | - | **(1 858 007)** | 9 443 753 |
| Municipal offices | 15 375 000 | - | - | - | - | **-** | **15 375 000** | (3 752 567) | - | - | (939 425) | - | **(4 691 992)** | 10 683 008 |
| Libraries | 7 350 000 | - | - | - | - | **-** | **7 350 000** | (400 274) | - | - | (100 205) | - | **(500 479)** | 6 849 521 |
| Traffic centre | 862 000 | - | - | - | - | **-** | **862 000** | (24 817) | - | - | (6 213) | - | **(31 030)** | 830 970 |
| Museums | 1 300 000 | - | - | - | - | **-** | **1 300 000** | (120 082) | - | - | (30 062) | - | **(150 144)** | 1 149 856 |
| Airports | 128 586 | - | - | - | - | **-** | **128 586** | (128 586) | - | - | - | - | **(128 586)** | - |
| Recreational facilities | 8 430 667 | - | - | - | - | **-** | **8 430 667** | (3 093 413) | - | - | (754 819) | - | **(3 848 232)** | 4 582 435 |
| Cemeteries | 3 702 000 | - | - | - | - | **-** | **3 702 000** | (151 303) | - | - | (37 878) | - | **(189 181)** | 3 512 819 |
| Road and subgrade | 597 216 | - | - | - | - | **-** | **597 216** | (59 845) | - | - | (59 845) | - | **(119 690)** | 477 526 |
| Buildings | 522 515 | - | - | - | - | **-** | **522 515** | (52 359) | - | - | (52 359) | - | **(104 718)** | 417 797 |
| Land and buildings | 2 016 000 | - | - | - | - | **-** | **2 016 000** | - | - | - | - | - | **-** | 2 016 000 |
| | **80 930 173** | **-** | **-** | **-** | **-** | **-** | **80 930 173** | **(10 157 054)** | **-** | **-** | **(2 591 978)** | **-** | **(12 749 032)** | **68 181 141** |

# Greater Tzaneen Muncipality
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June 2013

## Analysis of property, plant and equipment as at 30 June 2012

| | Cost/Revaluation | | | | | | | Accumulated depreciation | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Opening Balance Rand | Additions Rand | Disposals Rand | Transfers Rand | Revaluations Rand | Other changes, movements Rand | Closing Balance Rand | Opening Balance Rand | Disposals Rand | Transfers Rand | Depreciation Rand | Impairment loss Rand | Closing Balance Rand | Carrying value Rand |
| **Work in progress** | | | | | | | | | | | | | | |
| Work in progress | 31 399 756 | 65 801 964 | - | (13 459 323) | - | - | **83 742 397** | - | - | - | - | - | - | 83 742 397 |
| | **31 399 756** | **65 801 964** | **-** | **(13 459 323)** | **-** | **-** | **83 742 397** | **-** | **-** | **-** | **-** | **-** | **-** | **83 742 397** |
| **Leased assets** | | | | | | | | | | | | | | |
| Leased assets | 18 555 686 | 4 213 992 | (8 354 249) | - | - | - | **14 415 429** | (11 643 849) | 8 354 249 | - | (4 087 191) | - | **(7 376 791)** | 7 038 638 |
| | **18 555 686** | **4 213 992** | **(8 354 249)** | **-** | **-** | **-** | **14 415 429** | **(11 643 849)** | **8 354 249** | **-** | **(4 087 191)** | **-** | **(7 376 791)** | **7 038 638** |
| **Other assets** | | | | | | | | | | | | | | |
| Computer Equipment | 4 021 022 | 463 931 | (22 190) | - | - | - | **4 462 763** | (1 913 684) | 18 687 | - | (550 072) | - | **(2 445 069)** | 2 017 694 |
| Furniture & Fittings | 1 410 067 | 41 021 | - | - | - | - | **1 451 088** | (595 564) | - | - | (164 854) | - | **(760 418)** | 690 670 |
| Office Equipment | 3 090 308 | 10 052 | - | - | - | - | **3 100 360** | (1 440 352) | - | - | (264 504) | - | **(1 704 856)** | 1 395 504 |
| Electricity | 56 299 | - | - | - | - | - | **56 299** | (18 784) | - | - | (4 702) | - | **(23 486)** | 32 813 |
| Plant and machinery | 8 123 052 | 907 566 | - | - | - | - | **9 030 618** | (2 459 292) | - | - | (815 109) | - | **(3 274 401)** | 5 756 217 |
| Health equipment | 229 366 | - | - | - | - | - | **229 366** | (111 270) | - | - | (25 637) | - | **(136 907)** | 92 459 |
| Parks | 30 718 | - | - | - | - | - | **30 718** | (6 148) | - | - | (1 539) | - | **(7 687)** | 23 031 |
| Buildings | 5 416 005 | - | - | - | - | - | **5 416 005** | (1 189 081) | - | - | (279 551) | - | **(1 468 632)** | 3 947 373 |
| Security measures | 600 428 | - | - | - | - | - | **600 428** | (380 040) | - | - | (22 594) | - | **(402 634)** | 197 794 |
| Weapons | 87 656 | - | - | - | - | - | **87 656** | (31 441) | - | - | (8 698) | - | **(40 139)** | 47 517 |
| Motor vehicles | 19 768 820 | 25 920 386 | - | - | - | - | **45 689 206** | (10 593 025) | - | - | (2 368 269) | - | **(12 961 294)** | 32 727 912 |
| Land | 4 788 | - | - | - | - | - | **4 788** | (4 522) | - | - | - | - | **(4 522)** | 266 |
| | **42 838 529** | **27 342 956** | **(22 190)** | **-** | **-** | **-** | **70 159 295** | **(18 743 203)** | **18 687** | **-** | **(4 505 529)** | **-** | **(23 230 045)** | **46 929 250** |

# Greater Tzaneen Muncipality
# Appendix B
June 2013

## Analysis of property, plant and equipment as at 30 June 2012

| | Cost/Revaluation | | | | | | | Accumulated depreciation | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Opening Balance Rand | Additions Rand | Disposals Rand | Transfers Rand | Revaluations Rand | Other changes, movements Rand | Closing Balance Rand | Opening Balance Rand | Disposals Rand | Transfers Rand | Depreciation Rand | Impairment loss Rand | Closing Balance Rand | Carrying value Rand |
| **Total property plant and equipment** | | | | | | | | | | | | | | |
| Land and buildings | 142 172 785 | - | - | - | - | **-** | **142 172 785** | - | - | - | - | - | **-** | 142 172 785 |
| Infrastructure | 1 652 272 645 | 13 620 909 | - | - | - | **-** | **1 665 893 554** | (358 590 988) | - | - | (88 828 123) | - | **(447 419 111)** | 1 218 474 443 |
| Community Assets | 80 930 173 | - | - | - | - | **-** | **80 930 173** | (10 157 054) | - | - | (2 591 978) | - | **(12 749 032)** | 68 181 141 |
| Work in progress | 31 399 756 | 65 801 964 | - | (13 459 323) | - | **-** | **83 742 397** | - | - | - | - | - | **-** | 83 742 397 |
| Leased assets | 18 555 686 | 4 213 992 | (8 354 249) | - | - | **-** | **14 415 429** | (11 643 849) | 8 354 249 | - | (4 087 191) | - | **(7 376 791)** | 7 038 638 |
| Other assets | 42 838 529 | 27 342 956 | (22 190) | - | - | **-** | **70 159 295** | (18 743 203) | 18 687 | - | (4 505 529) | - | **(23 230 045)** | 46 929 250 |
| | **1 968 169 574** | **110 979 821** | **(8 376 439)** | **(13 459 323)** | **-** | **-** | **2 057 313 633** | **(399 135 094)** | **8 372 936** | **-** | **(100 012 821)** | **-** | **(490 774 979)** | **1 566 538 654** |
| **Intangible assets** | | | | | | | | | | | | | | |
| Computers - software | 98 184 | 1 283 | - | - | - | **-** | **99 467** | (16 638) | - | - | (33 184) | - | **(49 822)** | 49 645 |
| | **98 184** | **1 283** | **-** | **-** | **-** | **-** | **99 467** | **(16 638)** | **-** | **-** | **(33 184)** | **-** | **(49 822)** | **49 645** |
| **Investment properties** | | | | | | | | | | | | | | |
| Investment property | 305 471 622 | - | (96 882 830) | - | - | **-** | **208 588 792** | - | - | - | - | - | **-** | 208 588 792 |
| | **305 471 622** | **-** | **(96 882 830)** | **-** | **-** | **-** | **208 588 792** | **-** | **-** | **-** | **-** | **-** | **-** | **208 588 792** |
| **Total** | | | | | | | | | | | | | | |
| Land and buildings | 142 172 785 | - | - | - | - | **-** | **142 172 785** | - | - | - | - | - | **-** | 142 172 785 |
| Infrastructure | 1 652 272 645 | 13 620 909 | - | - | - | **-** | **1 665 893 554** | (358 590 988) | - | - | (88 828 123) | - | **(447 419 111)** | 1 218 474 443 |
| Community Assets | 80 930 173 | - | - | - | - | **-** | **80 930 173** | (10 157 054) | - | - | (2 591 978) | - | **(12 749 032)** | 68 181 141 |
| Work in progress | 31 399 756 | 65 801 964 | - | (13 459 323) | - | **-** | **83 742 397** | - | - | - | - | - | **-** | 83 742 397 |
| Leased assets | 18 555 686 | 4 213 992 | (8 354 249) | - | - | **-** | **14 415 429** | (11 643 849) | 8 354 249 | - | (4 087 191) | - | **(7 376 791)** | 7 038 638 |
| Other assets | 42 838 529 | 27 342 956 | (22 190) | - | - | **-** | **70 159 295** | (18 743 203) | 18 687 | - | (4 505 529) | - | **(23 230 045)** | 46 929 250 |
| Intangible assets | 98 184 | 1 283 | - | - | - | **-** | **99 467** | (16 638) | - | - | (33 184) | - | **(49 822)** | 49 645 |
| Investment properties | 305 471 622 | - | (96 882 830) | - | - | **-** | **208 588 792** | - | - | - | - | - | **-** | 208 588 792 |
| | **2 273 739 380** | **110 981 104** | **(105 259 269)** | **(13 459 323)** | **-** | **-** | **2 266 001 892** | **(399 151 732)** | **8 372 936** | **-** | **(100 046 005)** | **-** | **(490 824 801)** | **1 775 177 091** |

## Segmental analysis of property, plant and equipment as at 30 June 2013

| | Cost/Revaluation | | | | | | | Accumulated Depreciation | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Opening Balance Rand | Additions Rand | Disposals Rand | Transfers Rand | Capitalised WIP Rand | Other changes, movements Rand | Closing Balance Rand | Opening Balance Rand | Disposals Rand | Transfers Rand | Depreciation Rand | Impairment deficit Rand | Closing Balance Rand | Carrying value Rand |
| **Municipality** | | | | | | | | | | | | | | |
| Executive and Council | 3 429 940 | - | (12 436) | - | - | **-** | **3 417 504** | (960 926) | 12 436 | - | (185 894) | - | **(1 134 384)** | 2 283 120 |
| Finance and Admin | 55 749 684 | 7 088 224 | (2 272 840) | - | - | **-** | **60 565 068** | (16 974 970) | 1 805 689 | - | (9 444 584) | - | **(24 613 865)** | 35 951 203 |
| Planning and Development | 142 260 615 | - | (3 447 288) | (4 141 618) | - | **-** | **134 671 709** | (66 736) | 7 959 | - | (9 162) | - | **(67 939)** | 134 603 770 |
| Health | 122 781 | - | - | - | - | **-** | **122 781** | (47 208) | - | - | (6 289) | - | **(53 497)** | 69 284 |
| Community and Social Services | 9 118 085 | - | (989 401) | - | - | **-** | **8 128 684** | (2 767 451) | 53 521 | - | (560 741) | - | **(3 274 671)** | 4 854 013 |
| Housing | 247 233 999 | - | (19 646 741) | - | - | **-** | **227 587 258** | (11 524 218) | 1 741 | - | (2 184 850) | - | **(13 707 327)** | 213 879 931 |
| Public Safety | 10 481 666 | - | (52 322) | - | - | **-** | **10 429 344** | (3 729 207) | 52 322 | - | (2 297 074) | - | **(5 973 959)** | 4 455 385 |
| Sport and Recreation | 57 074 208 | - | (9 897) | - | - | **-** | **57 064 311** | (7 530 914) | 9 897 | - | (1 474 120) | - | **(8 995 137)** | 48 069 174 |
| Community Services | 55 778 | 3 572 990 | - | - | - | **-** | **3 628 768** | (1 619) | - | - | (74 674) | - | **(76 293)** | 3 552 475 |
| Waste Management | 14 797 160 | - | (40 659) | - | - | **-** | **14 756 501** | (4 961 388) | 40 139 | - | (1 167 156) | - | **(6 088 405)** | 8 668 096 |
| Road Transport | 774 857 650 | 89 876 342 | (158 637) | - | (3 862 750) | **-** | **860 712 605** | (250 615 920) | 158 092 | - | (51 181 972) | - | **(301 639 800)** | 559 072 805 |
| Water | 244 678 | 198 000 | - | - | - | **-** | **442 678** | (152 588) | - | - | (30 888) | - | **(183 476)** | 259 202 |
| Electricity | 950 200 638 | 2 814 031 | (229 631) | - | - | **-** | **952 785 038** | (191 466 252) | 198 606 | - | (36 587 417) | - | **(227 855 063)** | 724 929 975 |
| Water and Sanitation | 375 038 | - | - | - | - | **-** | **375 038** | (25 403) | - | - | (24 985) | - | **(50 388)** | 324 650 |
| | **2 266 001 920** | **103 549 587** | **(26 859 852)** | **(4 141 618)** | **(3 862 750)** | **-** | **2 334 687 287** | **(490 824 800)** | **2 340 402** | **-** | **(105 229 806)** | **-** | **(593 714 204)** | **1 740 973 083** |
| **Total** | | | | | | | | | | | | | | |
| Municipality | 2 266 001 920 | 103 549 587 | (26 859 852) | (4 141 618) | (3 862 750) | **-** | **2 334 687 287** | (490 824 800) | 2 340 402 | - | (105 229 806) | - | **(593 714 204)** | 1 740 973 083 |
| | **2 266 001 920** | **103 549 587** | **(26 859 852)** | **(4 141 618)** | **(3 862 750)** | **-** | **2 334 687 287** | **(490 824 800)** | **2 340 402** | **-** | **(105 229 806)** | **-** | **(593 714 204)** | **1 740 973 083** |

## Greater Tzaneen Muncipality
## Appendix D
June 2013

### Segmental Statement of Financial Performance for the year ended

| Prior Year | | | | Current Year | | |
|---|---|---|---|---|---|---|
| **Actual Income Rand** | **Actual Expenditure Rand** | **Surplus /(Deficit) Rand** | | **Actual Income Rand** | **Actual Expenditure Rand** | **Surplus /(Deficit) Rand** |
| | | | **Municipality** | | | |
| - | 23 708 787 | (23 708 787) | Executive & Council/Mayor and Council | - | 26 953 789 | (26 953 789) |
| 256 546 336 | 204 665 811 | 51 880 525 | Finance & Admin/Finance | 279 126 298 | 139 152 441 | 139 973 857 |
| 5 803 749 | 18 616 734 | (12 812 985) | Planning and Development/Economic Development/Plan | 10 412 433 | 18 208 701 | (7 796 268) |
| 38 627 | 4 203 327 | (4 164 700) | Health/Clinics | 31 359 | 6 617 823 | (6 586 464) |
| 103 289 | 3 376 497 | (3 273 208) | Comm. & Social/Libraries and archives | 79 586 | 4 762 403 | (4 682 817) |
| 752 122 | 10 118 882 | (9 366 760) | Housing | 1 661 968 | 14 155 120 | (12 493 152) |
| 6 170 926 | 18 952 376 | (12 781 450) | Public Safety/Police | 5 559 479 | 25 346 965 | (19 787 486) |
| 36 719 | 13 583 392 | (13 546 673) | Sport and Recreation | 66 609 | 17 809 671 | (17 743 062) |
| 22 934 834 | 34 060 665 | (11 125 831) | Waste Water Management/Sewerage | 31 642 298 | 58 111 069 | (26 468 771) |
| 71 587 793 | 134 142 157 | (62 554 364) | Road Transport/Roads | 81 217 869 | 109 532 287 | (28 314 418) |
| - | 2 775 690 | (2 775 690) | Water/Water Distribution | - | - | - |
| 313 513 588 | 298 027 395 | 15 486 193 | Electricity /Electricity Distribution | 339 091 466 | 339 025 147 | 66 319 |
| **677 487 983** | **766 231 713** | **(88 743 730)** | | **748 889 365** | **759 675 416** | **(10 786 051)** |

# Greater Tzaneen Muncipality
## Appendix E(1)
June 2013

## Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2013

| | Current year 2013 Act. Bal. Rand | Current year 2013 Bud. Amt Rand | Variance Rand | Var | Explanation of Significant Variances greater than 10% versus Budget |
|---|---|---|---|---|---|
| Revenue | | | | | |
| Property rates | 61 059 598 | 44 020 000 | 17 039 598 | 38.7 | Valuation roll lead to discovery of new premises that were not in the deed's office. |
| Service charges | 356 168 113 | 363 641 700 | (7 473 587) | (2.1) | |
| Property rates - penalties imposed and collection charges | 4 216 707 | 3 200 000 | 1 016 707 | 31.8 | Increase in revenue due to the appointment of revenue enhancement contractors. |
| Rental of facilities and equipment | 1 292 420 | 259 100 | 1 033 320 | 398.8 | Increase in Pusela lease agreement. |
| Interest received (trading) | 8 731 739 | 16 000 000 | (7 268 261) | (45.4) | Interest of R7 million on water account was taken out. |
| Income from agency services | 14 598 636 | 44 448 250 | (29 849 614) | (67.2) | |
| Fines | 5 864 717 | 3 210 136 | 2 654 581 | 82.7 | Cameras used for traffic control. |
| Licences and permits | 543 903 | 345 000 | 198 903 | 57.7 | Increase as a result of permits building plan approved. |
| Government grants & subsidies | 283 115 879 | 278 658 000 | 4 457 879 | 1.6 | |
| Other income | 9 396 590 | 5 203 203 | 4 193 387 | 80.6 | Increase in insurance claims paid to council. |
| Interest received - investment | 3 901 063 | 1 001 000 | 2 900 063 | 289.7 | More interest on investment was received due to the availability of cash. |
| Interest received - other | - | - | - | - | |
| | 748 889 365 | 759 986 389 | (11 097 024) | (1.5) | |
| Expenses | | | | | |
| Personnel | (127 800 852) | (92 505 854) | (35 294 998) | 38.2 | An increase to employee related costs due to benchmarking. |
| Remuneration of councillors | (17 561 286) | (18 036 148) | 474 862 | (2.6) | |
| Loss on inventory | 164 010 | - | 164 010 | - | |
| Depreciation | (105 229 808) | (106 120 308) | 890 500 | (0.8) | |
| Impairments | 21 560 018 | - | 21 560 018 | - | |
| Finance costs | (16 330 762) | (23 884 373) | 7 553 611 | (31.6) | Due to loan budgeted for not taken up. |
| Debt impairment | (50 680 062) | (9 004 000) | (41 676 062) | 462.9 | Result of revenue enhancement contractor appointed. |
| Collection costs | (653 333) | (200 000) | (453 333) | 226.7 | More money was paid for legal serivces than recovered. |
| Repairs and maintenance | (91 867 350) | (101 210 743) | 9 343 393 | (9.2) | |
| Bulk purchases | (233 343 443) | (231 845 047) | (1 498 396) | 0.6 | |
| Contracted Services | (40 672 013) | (39 803 872) | (868 141) | 2.2 | |
| Grants and subsidies paid | (23 481 039) | (42 573 184) | 19 092 145 | (44.8) | Due to re-advert of tenders which delayed the process. |
| General Expenses | (48 546 111) | (88 943 402) | 40 397 291 | (45.4) | |
| | (734 442 031) | (754 126 931) | 19 684 900 | (2.6) | |
| Other revenue and costs | | | | | |
| Gain or loss on disposal of assets and liabilities | (25 233 385) | 2 300 000 | (27 533 385) | 197.1) | |
| | (25 233 385) | 2 300 000 | (27 533 385) | 197.1) | |
| Net surplus/ (deficit) for the year | (10 786 051) | 8 159 458 | (18 945 509) | (232.2) | |

**Greater Tzaneen Muncipality**
**Appendix E(2)**
June 2013

## Budget Analysis of Capital Expenditure as at 30 June 2013

| | Additions | Revised Budget | Variance | Variance | Explanation of significant variances from budget |
|---|---|---|---|---|---|
| | Rand | Rand | Rand | % | |
| **Municipality** | | | | | |
| Executive & Council | - | 500 000 | 500 000 | **100** | |
| Finance & Admin | 7 088 224 | 1 500 000 | (5 588 224) | **(373)** | |
| Planning & Development | - | 10 500 000 | 10 500 000 | **100** | |
| Community & Social | 3 572 990 | 165 000 | (3 407 990) | **(2 065)** | |
| Housing | - | 1 384 932 | 1 384 932 | **100** | |
| Public Safety | - | 135 000 | 135 000 | **100** | |
| Sport & Recreation | - | 100 000 | 100 000 | **100** | |
| Water | 198 000 | 100 000 | (98 000) | **(98)** | |
| Road Transport | 89 876 342 | 85 954 828 | (3 921 514) | **(5)** | |
| Electricity | 2 814 031 | 14 751 302 | 11 937 271 | **81** | |
| | **103 549 587** | **115 091 062** | **11 541 475** | **10** | |