

# **GREATER TZANEEN MUNICIPALITY**

**LIMPOPO PROVINCE**



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

**AFS Rounding : To the nearest R1**



# **GREATER TZANEEN MUNICIPALITY**

## **CONTACT INFORMATION**

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**GREATER TZANEEN MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS : 2010/2011**  
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## GENERAL INFORMATION

**Mayor:** Councillor D J Mmetle

### **Members of the Executive Committee:**

Councillor D J Mmetle  
Councillor C Machimana  
Councillor M Mokgomole  
Councillor J Mothiba  
Councillor C Nkhwashu  
Councillor R.R. Selomo  
Councillor S J Nkuna  
Councillor B Sekgotodi  
Councillor S M Maunatlala  
Councillor M R Shingange  
Councillor P Machete - Speaker  
Councillor M N Mboweni - Chief whip

### **Members of the Audit Committee:**

Mr. M.J. Malatji	Chairperson
Mr. O.J.O. Groenewald	Member
Ms. R.M. Phasha	Member
Mr. T.C. Modipane	Member

### **Banker:**

ABSA  
TZANEEN  
0850

## GENERAL INFORMATION (CONTINUES)

<b>Legal form of entity</b>	South African Local Municipality as defined by Municipal Structures Act (Act no 117 of 1998)
<b>Nature of business and principal activities</b>	Greater Tzaneen Municipality is a local municipality performing the functions as set out in the constitution (Act no 105 of 1996)
<b>Physical Address</b>	Greater Tzaneen Municipality Agatha Street Civic Centre Tzaneen 0850
<b>Postal Address</b>	Greater Tzaneen Municipality PO Box 24 Tzaneen 0850
<b>Telephone Number</b>	015 307 8000
<b>Fax Number</b>	015 307 8049
<b>E-Mail Address</b>	conny.mametja@tzaneen.gov.za
<b>Municipal Manager:</b>	Thabitha Constance Mametja
<b>Chief Financial Officer:</b>	Andre J J Le Grange
<b>Grading of Greater Tzannen Municipality :</b>	Grade 4 : High Capacity

**ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED**

**30 June 2011**

**APPROVAL OF FINANCIAL STATEMENTS**

I am responsible for the preparation of these annual financial statements, which are set out on pages 1 to 57 in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 25 of these financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

I have complied with the disclosure requirements in terms of section 122 to 126 of the Municipal Finance Management Act.



T C MAMETJA  
MUNICIPAL MANAGER

DATE: 31 AUGUST 2011

**GREATER TZANEEN MUNICIPALITY**  
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2011

	NOTE	2011 R	2010 R
<b>COMMUNITY WEALTH AND LIABILITIES</b>			
Accumulated Surplus /(Deficit)		1 656 635 262	1 370 854 264
<b>LIABILITIES</b>		<u>294 670 122</u>	<u>216 368 436</u>
<b>Non-Current liabilities</b>		<b>160 515 692</b>	<b>83 944 099</b>
Borrowings	1	111 772 556	46 451 304
Non- current Provisions	4	45 229 289	33 023 445
Financial lease liability	2	3 513 847	4 469 350
<b>Current liabilities</b>		<b>134 154 430</b>	<b>132 424 337</b>
Finance lease liability	2	1 696 566	
Consumer deposits	3	11 574 824	6 658 556
Provisions	5	1 982 059	1 845 782
Accounts Payable	6	79 307 759	90 251 762
VAT Payable	7	19 236 926	6 232 587
Unspent Conditional Grants and Receipts	8	15 909 094	21 677 942
Bank, cash and overdraft balances	19		4 159 424
Current portion of long-term borrowings	1	4 447 202	1 598 284
<b>Total Net Assets and Liabilities</b>		<u><u>1 951 305 384</u></u>	<u><u>1 587 222 700</u></u>
<b>ASSETS</b>			
<b>Non-current assets</b>		<b>1 786 684 821</b>	<b>1 467 173 369</b>
Intangible Assets	9	81 545	
Investment properties	10	305 491 622	
Property, plant and equipment	11	1 460 429 025	1 449 245 834
Held-to-maturity Investments	12	20 682 629	17 927 535
Non-current receivables	13	0	0
<b>Current assets</b>		<b>164 620 563</b>	<b>120 049 331</b>
Inventory	14	11 191 244	8 518 617
Receivables	15	46 593 962	38 634 477
Other receivables	17	81 532 188	70 439 627
Operating lease assets	18	204 632	
Cash and cash equivalents	19	22 198 274	
Current portion of long-term receivables	13	2 900 263	2 456 610
<b>Total Assets</b>		<u><u>1 951 305 384</u></u>	<u><u>1 587 222 700</u></u>

0

0

# GREATER TZANEEN MUNICIPALITY

## STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30th JUNE 2011

	NOTE	ACTUAL	
		2011	2010
<b>REVENUE</b>		<b>R</b>	<b>R</b>
Property rates	20	44 684 769	36 309 586
Property rates - penalties imposed and collection charges		3 254 284	2 902 462
Service charges	21	266 937 445	219 760 736
Rental of facilities and equipment		578 984	1 072 738
Interest earned - external investments		2 307 906	2 144 762
Interest earned - outstanding receivables		14 062 262	9 188 053
Fines		3 110 380	862 821
Licences and permits		413 695	376 846
Income for agency services		8 878 626	10 307 858
Government grants and subsidies	22	193 660 678	178 774 116
Other income	23	5 369 070	11 673 275
Public contributions, donated and contributed property, plant & equipment			
		<b>543 258 099</b>	<b>473 373 253</b>
<b>EXPENDITURE</b>			
Employee related costs	24	91 435 963	102 415 113
Remuneration of Councillors	25	15 227 957	14 723 432
Bad debts		21 565 129	32 993 337
Collection costs		599 575	820 138
Loss on Inventory		162 676	-48 799
Depreciation		96 764 663	88 045 172
Repairs and maintenance	26	100 981 820	77 541 280
Finance cost	27	7 783 516	7 096 748
Impairment of assets		0	0
Bulk purchases	28	176 451 428	125 623 411
Contracted services	29	26 644 676	25 217 455
Grants and subsidies paid	30	29 898 457	32 272 604
General expenses	31	40 015 485	33 366 693
<b>Total Expenditure</b>		<b>607 531 345</b>	<b>540 066 584</b>
Gain/(loss) on sale of assets	33		440 920
<b>NET SURPLUS / (DEFICIT) FOR THE YEAR</b>		<b>-64 273 246</b>	<b>-67 134 251</b>



**GREATER TZANEEN MUNICIPALITY**  
STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2011

	<b>Accumulated Surplus/ (Deficit)</b>
	R
<b>2010</b>	
<b>Balance at 30 June 2010</b>	<b>1 422 526 531</b>
Changes in accounting policy	0
Correction of prior period error	0
<b>Restated balance</b>	<b>1 422 526 531</b>
Surplus/(Deficit) on revaluation of PPE	81 780 588
Other items	
Transfers to / from accumulated surplus/(deficit)	-67 134 251
Surplus/(deficit) for the period	<b>1 437 172 868</b>
<b>Balance at 30 June 2010</b>	<b>1 437 172 868</b>
Surplus/(deficit) on revaluation of PPE	547 360
Other items	-66 865 964
Transfers to / from accumulated surplus/(deficit)	
Surplus/(deficit) for the period	-66 865 964
<b>Balance at 30 JUNE 2010</b>	<b>1 370 854 264</b>
<b>2011</b>	
	<b>Accumulated Surplus/ (Deficit)</b>
	R
<b>Balance at 30 June 2010</b>	<b>1 370 854 264</b>
Changes in accounting policy	201 743 412
Correction of prior period error 2010	0
<b>Restated balance</b>	<b>1 572 597 676</b>
Surplus/(Deficit) on revaluation of PPE	87 197 183
Depreciation on take-on assets	
Transfers to / from accumulated surplus/(deficit)	-64 273 246
Surplus/(deficit) for the period	<b>1 595 521 613</b>
<b>Balance at 30 June</b>	<b>1 595 521 613</b>
Surplus/(deficit) on revaluation of PPE	537 039
Appropriations	60 576 610
Transfers to / from accumulated surplus/(deficit)	
Surplus/(deficit) for the period	60 576 610
<b>Balance at 30 JUNE 2011</b>	<b>1 656 635 262</b>

**GREATER TZANEEN MUNICIPALITY**  
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2011

	NOTE	2011 R	2010 R
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Cash receipts from ratepayers, government and other		524 206 053	445 920 000
Cash paid to suppliers and employees		-514 388 160	-381 282 659
Cash generated from operations	32	9 817 893	64 637 341
Interest received		16 370 168	11 332 815
Interest paid		-7 783 516	-7 096 748
<b>NET CASH FROM OPERATING ACTIVITIES</b>		<b>18 404 545</b>	<b>68 873 408</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		-62 378 191	-84 646 163
Proceeds on disposal of property plant & equipment		0	0
Increase/(Decrease) in non-current receivables		0	34 549
Increase/(Decrease) in non current investments		-2 755 094	7 937 814
<b>NET CASH FROM INVESTING ACTIVITIES</b>		<b>-65 133 285</b>	<b>-76 673 800</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
New loans raised / (repaid)		68 170 170	2 878 186
Increase in consumer deposits		4 916 268	505 697
<b>NET CASH FROM FINANCING ACTIVITIES</b>		<b>73 086 438</b>	<b>3 383 883</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>26 357 698</b>	<b>-4 416 509</b>
Cash and cash equivalents at the beginning of the year		-4 159 424	257 085
Cash and cash equivalents at the end of the year	17	22 198 274	-4 159 424

# **GREATER TZANEEN MUNICIPALITY**

## **ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

The principal accounting policies adopted in the preparation of these financial statements are set out below and are consistent with those of the previous financial year.

### **1 BASIS OF ACCOUNTING**

#### **1.1 BASIS OF PRESENTATION**

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

The Annual 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)

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

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

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

#### **1.2 PRESENTATION CURRENCY**

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

#### **1.3 GOING CONCERN ASSUMPTION**

The annual financial statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months. (Refer to note 44 for managements assessment of going concern).

#### **1.4 COMPARITIVE INFORMATION**

##### **1.4.1 Current Year Comparatives**

Budgeted amounts have been included in the annual financial statements for the current financial year only.

##### **1.4.2 Prior Year Comparatives**

When the presentation or classification of items in the annual financial statements are amended, prior period comparative amounts are reclassified.

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

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

GRAP 8 Interests in Joint Ventures - issued August 2006

GRAP 18 Segment Reporting - issued March 2005

GRAP 21 Impairment of non-cash generating assets

GRAP 23 Revenue from Non-Exchange Transactions (Taxes and Transfers) - issued February 2008

GRAP 24 Presentation of Budget Information in Financial Statements - issued November 2007

GRAP 26 Impairment of cash generating assets

GRAP 103 Heritage Assets - issued July 2008

### **2 PROPERTY, PLANT AND EQUIPMENT**

#### **2.1 Initial Recognition**

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary cost of dismantling and removing the asset and restoring the site on which it is located.

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

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

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

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery of the asset are enhanced in excess of the originally assessed standard of performance. If expenditure only restores the originally assessed standard of performance, then it is regarded as repairs and maintenance and is expensed. The enhancement of an existing asset so that its use is expanded or the further development of an asset so that its original life is extended are examples of subsequent expenditure which should be capitalised.

**2.3 Depreciation and impairment losses**

- 2.3.1 Depreciation is calculated on cost, using the straight-line method, over the estimated useful lives of the assets. The annual depreciation rates are based on the following estimated useful lives.

A more appropriate useful life can also be motivated by the department purchasing the asset, and the useful life is approved by the Financial Manager

<b>INFRASTRUCTURE</b>	<b>YEARS</b>
Roads and Paving	30
Pedestrian Malls	30
Electricity	20 - 30
Water	15 - 20
Sewerage	15 - 20
Housing	30
 <b>COMMUNITY</b>	
Improvements	30
Recreational Facilities	20 - 30
Security	5
 <b>OTHER</b>	
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 an equipment	10 - 15
Other items of plant and equipment	2 - 5

- 2.3.2 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.

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

**2.4 Derecognition**

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

**3 Intangible Assts**

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 accumulated 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. 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

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.

#### **Investment property**

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

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

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

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

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

Where investment property is acquired 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.

#### **Cost model**

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

Depreciation is provided to write down the cost, less estimated residual value other method - describe over the useful life of the property, which is as follows:

#### **Item Useful life**

Property - Land indefinite

Property - Buildings 30 years

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

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

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

## **4 FINANCIAL INSTRUMENTS**

### **4.1 Initial Recognition**

Financial Instruments are initially recognised at fair value.

### **4.2 Subsequent Measurement**

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

#### **4.2.1 Investments**

Investments, which may include listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks, are categorised as either held-to-maturity where the criteria for that categorisation are met, or as loans and receivables, and are measured at amortised cost. Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. Impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the Instrument.

#### **4.2.2 Trade and other Receivables**

Trade and other receivables are categorised as financial assets. Loans and receivables are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. An estimate is made for doubtful receivables based on all outstanding amounts of 120 days and longer at year-end. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within 12 months from the reporting date are classified as current. The carrying amount of trade and other receivables is a reasonable approximation of fair value.

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

#### **4.2.3 Trade Payables and Borrowings**

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

### **4 FINANCIAL INSTRUMENT**

#### **4.2 Subsequent Measurement**

##### **4.2.4 Cash and Cash Equivalents**

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

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

### **5 UNAUTHORISED EXPENDITURE**

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act 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.

### **6 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), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### **7 FRUITLESS AND WASTEFUL EXPENDITURE**

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### **8 PROVISIONS**

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

### **9 LEASES**

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

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

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are accrued on a straight-line basis over the term of the relevant lease.

Property, plant and equipment subject to finance lease agreements are capitalised at their cash equivalent and the corresponding liabilities are raised. The cost of the item of property, plant and equipment is depreciated at appropriate rates on the straight-line basis over its estimated useful life.

## 10 REVENUE RECOGNITION

### 10.1 Revenue from exchange transactions

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

- 10.1.1 Revenue arising from the application of the approved tariff of changes is recognised when the relevant service is rendered by applying the relevant authorised tariff. This includes the issuing of licenses and permits.
- 10.1.2 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.
- 10.1.3 Service charges relating to solid waste, sanitation and sewerage are levied monthly in terms of the approved tariffs.
- 10.1.4 Interest earned on investments is recognised in the Statement of Financial Performance on a time proportionate basis that takes into account the effective yield on the investment.
- 10.1.5 Dividends are recognized when the Municipality's right to receive payment is established.
- 10.1.6 Revenue from the sale of goods is recognized when all the following conditions have been satisfied:
  - The Municipality has transferred to the buyer 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.

### 10.2 Revenue from non-exchange transactions

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

- 10.2.1 Revenue from rates is recognized when the legal entitlement to this revenue arises. Collection charges are recognized when such amounts are legally enforceable. Interest on unpaid rates is recognized on a time proportion basis with reference to the principal amount receivable and effective interest rate applicable.

The same rate is charged to all categories. Rebates are granted to certain categories of ratepayers and are deducted from revenue.
- 10.2.2 Fines constitute both spot fines and summonses. Revenue from spot fines is recognised when payment is received, together with an estimate of spot fines and summonses that will be received based on past experience of amounts collected.
- 10.2.3 Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality. Where public contributions have been received but the municipality has not met the related conditions, a deferred income (liability) is recognised.



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

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

## **11 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.

Cost of inventories comprises all costs of purchase, cost 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.

## **12 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 all 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.

## **13 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.

## **14 VALUE ADDED TAX**

The Municipality accounts for Value Added Tax on the payment basis.

## **15 EMPLOYEES BENEFITS**

### **15.1 Retirement Funds**

The Municipality provides retirement benefits for its Employees and Councillors. The contribution to fund obligations for the payment of retirement benefits are charged against income in the year they become payable.

### **15.2 Medical Aid: Continued Members**

The Municipality provides post retirement benefits by subsidising the medical aid contribution of certain retired staff. According to the rules of the medical aid funds, with which the Municipality is associated, a member (who is on the current conditions of service), on retirement, is entitled to remain a continued member of such medical aid fund, in which case the member is liable for 30% of the medical aid membership fee, and the Municipality for the remaining 70%.

These contributions are charged to the operating account when paid.

### **15.3 Accrued Leave Pay**

Liabilities for annual leave are recognised as they accrue to employees. Accrual is based on the total accrued leave days at year-end.

## 16. CONTINGENCIES

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in Note 42.

## 17 IMPAIRMENT OF ASSETS

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

Irrespective of whether there is any indication of impairment, the municipality also:

- test intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

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

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An impairment loss is recognised for cash-generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.D274

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

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 had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalue asset is treated as a revaluation increase.

# GREATER TZANEEN MUNICIPALITY

## New standards and interpretations

### 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 2010 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 not 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.

The effective date of the standard is for years beginning on or after 01 April 2011.

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

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

#### GRAP 23: Revenue from Non-exchange Transactions

Revenue from non-exchange transactions arises when an entity receives value from another entity without directly giving approximately equal value in exchange. An asset acquired through a non-exchange transaction shall initially be measured at its fair value as at the date of acquisition.

This revenue will be measured at the amount of increase in net assets recognised by the municipality.

An inflow of resources from a non-exchange transaction recognised as an asset shall be recognised as revenue, except to the extent that a liability is recognised for the same inflow. As an entity 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 will reduce the carrying amount of the liability recognised as recognise an amount equal to that reduction.

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 standard is approved but not yet effective

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

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

#### **GRAP 24: Presentation of Budget Information in the Financial Statements**

Subject to the requirements of paragraph .19, an entity shall present a comparison of the budget amounts for which it is held publicly accountable and actual amounts either as a separate additional financial statement or as additional budget columns in the financial statements currently presented in accordance with Standards of GRAP. The comparison of budget and actual amounts shall present separately for each level of legislative oversight:

- the approved and final budget amounts;
- the actual amounts on a comparable basis; and
- by way of note disclosure, an explanation of material differences between the budget for which the municipality is held publicly accountable and actual amounts, unless such explanation is included in other public documents issued in conjunction with the financial statements, and a cross reference to those documents is made in the notes.

Where an entity prepares its budget and annual financial statements on a comparable basis, it includes the comparison as an additional column in the primary annual financial statements. Where the budget and annual financial statements are not prepared on a comparable basis, a separate statement is prepared called the 'Statement of Comparison of Budget and Actual Amounts'. This statement compares the budget amounts with the amounts in the annual financial statements adjusted to be comparable to the budget.

A comparable basis means that the budget and annual financial statements:

- are prepared using the same basis of accounting i.e. either cash or accrual;
- include the same activities and entities;
- use the same classification system; and
- are prepared for the same period.

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 standard is approved but not yet effective

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

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

#### **GRAP 103: Heritage Assets**

Grp 103 defines heritage assets as assets which have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

Certain heritage assets are described as inalienable items thus assets which are retained indefinitely and cannot be disposed of without consent as required by law or otherwise.

A heritage asset should be recognised as an asset only if:

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

The standard required judgment in applying the initial recognition criteria to the specific circumstances surrounding the entity and the assets.

Grp 103 states that a heritage asset should be measured at its cost unless it is acquired through a non-exchange transaction which

should then be measured at its fair value as at the date of acquisition.

In terms of the standard, an entity has a choice between the cost and revaluation model as accounting policy for subsequent recognition and should apply the chosen policy to an entire class of heritage assets.

The cost model requires a class of heritage assets to be carried at its cost less any accumulated impairment losses.

The revaluation model required a class of heritage assets to be carried at its fair value at the date of the revaluation less any subsequent impairment losses. The standard also states that a restriction on the disposal of a heritage asset does not preclude the entity from determining the fair value.

Grap 103 prescribes that when determining the fair value of a heritage asset that has more than one purpose, the fair value should reflect both the asset's heritage value and the value obtained from its use in the production or supply of goods or services or for administrative purposes.

If a heritage asset's carrying amount is increased as a result of a revaluation, the increase should be credited directly to a revaluation surplus. However, the increase should be recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in surplus or deficit. If a heritage asset's carrying amount is decreased as a result of a revaluation, the decrease should be recognised in surplus or deficit. However, the decrease should be debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

Grap 103 states that a heritage asset should not be depreciated but an entity should assess at each reporting date whether there is an indication that it may be impaired.

In terms of the standard, compensation from third parties for heritage assets that have been impaired, lost or given up, should be included in surplus or deficit when the compensation becomes receivable.

For a transfer from heritage assets carried at a revalued amount to property, plant and equipment, investment property, inventories or intangible assets, the asset's deemed cost for subsequent accounting should be its revalued amount at the date of transfer. The entity should treat any difference at that date between the carrying amount of the heritage asset and its fair value in the same way as a revaluation in accordance with this Standard. If an item of property, plant and equipment or an intangible asset carried at a revalued amount, or investment property carried at fair value is reclassified as a heritage asset carried at a revalued amount, the entity applies the applicable Standard of GRAP to that asset up to the date of change. The entity treats any difference at that date between the carrying amount of the asset and its fair value in accordance with the applicable Standard of GRAP relating to that asset. For a transfer from investment property carried at fair value, or inventories to heritage assets at a revalued amount, any difference between the fair value of the asset at that date and its previous carrying amount should be recognised in surplus or deficit.

The carrying amount of a heritage asset should be derecognised:

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

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

The standard is approved but not yet effective

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

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

#### **GRAP 21: Impairment of non-cash-generating assets**

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

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

A 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, an entity estimates the recoverable service amount of the asset.

The present value of the remaining service potential of a non-cash-generating asset is determined using one of the following approaches:

- 1. Depreciated replacement cost approach
- 2. Restoration cost approach
- 3. Service units approach

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.

A municipality assesses 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, an entity estimates the recoverable service amount of that asset.

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.

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 standard is approved but not yet effective

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

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

#### **GRAP 26: Impairment of cash-generating assets**

Cash-generating assets are those assets held by a 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.

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

An entity assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, a municipality estimates the recoverable amount of the asset. When estimating the value in use of an asset, a municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and a municipality applies the appropriate discount rate to those future cash flows.

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss. An impairment loss is recognised immediately in surplus or deficit. Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

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, a 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, an entity uses 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.

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.

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.

A municipality assesses 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, a municipality estimates the recoverable amount of that asset.

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.

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 standard is approved but not yet effective

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

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

#### **GRAP 25: Employee benefits**

The objective of GRAP25 is to prescribe the accounting and disclosure for employee benefits. The Standard requires a 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 a 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 a municipality in exchange for service rendered by employees;
- Defined contribution plans as post-employment benefit plans under which a 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;
- 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 a 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.
- 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 2011.

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations. It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

#### **GRAP 104: Financial Instruments**

The standard prescribes recognition, measurement, presentation and disclosure requirements for financial instruments. Financial instruments are defined as those contracts that results in a financial asset in one municipality and a financial liability or residual interest in another municipality. A key distinguishing factor between financial assets and financial liabilities and other assets and liabilities, is that they are settled in cash or by exchanging financial instruments rather than through the provision of goods or services.

One of the key considerations in initially recognising financial instruments is the distinction, by the issuers of those instruments, between financial assets, financial liabilities and residual interests. Financial assets and financial liabilities are distinguished from residual interests because they involve a contractual right or obligation to receive or pay cash or another financial instrument. Residual interests entitle a municipality to a portion of another municipality's net assets in the event of liquidation and, to dividends or similar distributions paid at management's discretion.

In determining whether a financial instrument is a financial asset, financial liability or a residual interest, a municipality considers the substance of the contract and not just the legal form.

Where a single instrument contains both a liability and a residual interest component, the issuer allocates the instrument into its component parts. The issuer recognises the liability component at its fair value and recognises the residual interest as the difference between the carrying amount of the instrument and the fair value of the liability component. No gain or loss is recognised by separating the instrument into its component parts.

Financial assets and financial liabilities are initially recognised at fair value. Where a municipality subsequently measures financial assets and financial liabilities at amortised cost or cost, transactions costs are included in the cost of the asset or liability.

The transaction price usually equals the fair value at initial recognition, except in certain circumstances, for example, where interest free credit is granted or where credit is granted at a below market rate of interest.

Concessionary loans are loans either received by or granted to another municipality on concessionary terms, e.g. at low interest rates and flexible repayment terms. On initial recognition, the fair value of a concessionary loan is the present value of the agreed contractual cash flows, discounted using a market related rate of interest for a similar transaction. The difference between the proceeds either received or paid and the present value of the contractual cash flows is accounted for as non-exchange revenue by the recipient of a concessionary loan in accordance with Standard of GRAP on Revenue from Non-exchange Revenue Transactions (Taxes and Transfers), and using the Framework for the Preparation and Presentation of Financial Statements (usually as an expense) by the grantor of the loan.

Financial assets and financial liabilities are subsequently measured either at fair value or, amortised cost or cost. A municipality measures a financial instrument at fair value if it is:

- 1) a derivative;
- 2) a combined instrument designated at fair value, i.e. an instrument that includes a derivative and a non-derivative host contract; held-for-trading;
- 3) a non-derivative instrument with fixed or determinable payments that is designated at initial recognition to be measured at fair value;
- 4) an investment in a residual interest for which fair value can be measured reliably; and
- 5) other instruments that do not meet the definition of financial instruments at amortised cost or cost.

Derivatives are measured at fair value. Combined instruments that include a derivative and non-derivative host contract are accounted for as follows:

- 1) Where an embedded derivative is included in a host contract which is a financial instrument within the scope of this Standard, an entity can designate the entire contract to be measured at fair value or, it can account for the host contract and embedded derivative separately using GRAP 104. A municipality is however required to measure the entire instrument at fair value if the fair value of the derivative cannot be measured reliably.

Where the host contract is not a financial instrument within the scope of this Standard, the host contract and embedded derivative are accounted for separately using GRAP 104 and the relevant Standard of GRAP.

Financial assets and financial liabilities that are non-derivative instruments with fixed or determinable payments, for example deposits with banks, receivables and payables, are measured at amortised cost. At initial recognition, a municipality can however designate such an instrument to be measured at fair value.

A municipality can only measure investments in residual interests at cost where the fair value of the interest cannot be determined reliably.

Once a municipality has classified a financial asset or a financial liability either at fair value or amortised cost or cost, it is only allowed to reclassify such instruments in limited instances.

An entity derecognises a financial asset, or the specifically identified cash flows of an asset, when:

- the cash flows from the asset expire, are settled or waived;
- significant risks and rewards are transferred to another party; or
- despite having retained significant risks and rewards, a municipality has transferred control of the asset to another municipality.

A municipality derecognises a financial liability when the obligation is extinguished. Exchanges of debt instruments between a borrower and a lender are treated as the extinguishment of an existing liability and the recognition of a new financial liability. Where a municipality modifies the term of an existing financial liability, it is also treated as the extinguishment of an existing liability and the recognition of a new liability.

A municipality cannot offset financial assets and financial liabilities in the statement of financial position unless a legal right of set-off exists, and the parties intend to settle on a net basis.

GRAP 104 requires extensive disclosures on the significance of financial instruments for a municipality's statement of financial position and statement of financial performance, as well as the nature and extent of the risks that a municipality is exposed to as a result of its annual financial statements. Some disclosures, for example the disclosure of fair values for instruments measured at amortised cost or cost and the preparation of a sensitivity analysis, are encouraged rather than required.

GRAP 104 does not prescribe principles for hedge accounting. A municipality is permitted to apply hedge accounting, as long as the principles in IAS 39 are applied.

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 2011.

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

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

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

<b>1 BORROWINGS</b>	<b>2011</b>	<b>2010</b>
<b>Held at amortised cost</b>		
Annuity Loan DBSA	35 010 350	0
Annuity Loans ABSA	34 780 000	91 617
Annuity Loan INCA	19 829 408	21 357 971
Sinking Fund ABSA	11 600 000	11 600 000
DBSA Local Registered Stock Loan	15 000 000	15 000 000
Sub-total	<u>116 219 758</u>	<u>48 049 588</u>
Less : Current portion transferred to current liabilities	<b>4 447 202</b>	<b>1 598 284</b>
Annuity Loans ABSA	2 187 262	69 621
Annuity Loan INCA	1 719 096	1 528 663
Annuity Loan DBSA	540 844	
	<u>111 772 556</u>	<u>46 451 304</u>

**Total External Loans**

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

**Annuity Loan DBSA**

a loan of R 41 million 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 Loans ABSA**

This loan has been split into two allocations of R25,140 million and R9,640 million 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.

The comparative amount of R91 617 bears interest at rates between 0% and 16,15% per annum and have been fully redeemed on 31 December 2010.

**Annuity Loans INCA**

Bear interest at a rate of 12,5% per annum and will be fully redeemed on 31 December 2018.

This loan has been taken up to finance the purchase of land.

**Excelsior 1000 Investment**

An investment of R855 619 has been made with Liberty to repay a loan of R15 million on maturity date. The loan bears interest on variable rate and the value of the investment amounts to R2 777 098.

**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 on a variable rate and the value of the investment amounts to R17 905 531. The BOE investment has been ceded to ABSA

None of the loans are secured by any fixed or movable asset 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 borrowings were re-negotiated.

## 2 FINANCE LEASE LIABILITY

	Minimum lease payment R	Future finance charges R	Present value of minimum lease payment R
30 June 2011			
Within one year	2 121 024		1 696 566
Within two to five years	3 990 363		3 513 847
	<u>6 111 387</u>	<u>900 973</u>	<u>5 210 413</u>
Current Liabilities			1 696 566
Non-Current Liabilities			<u>3 513 847</u>
			<u><b>5 210 413</b></u>

The lease terms are between 3 years and 5 years. Interest rates are fixed at the contract date. Some leases have fixed repayment terms and others escalate. No arrangement has been entered into for contingent rent. Obligations under finance leases are secured by the lessor's title to 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.

	Minimum lease payment R	Future finance charges R	Present value of minimum lease payment R
30 June 2010			
Within one year	2 881 807		2 269 408
Within two to five years	2 407 835		2 199 942
	<u>5 289 642</u>	<u>-57 529</u>	<u>4 469 350</u>
Less: Amount due for settlement within 12 months			<u>0</u>
			<u><b>4 469 350</b></u>

The lease terms are between 3 years and 5 years. Interest rates are fixed at the contract date. Some leases have fixed repayment terms and others escalate. No arrangement has been entered into for contingent rent. Obligations under finance leases are secured by the lessor's title to 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.

	2011 R	2010 R
<b>3 CONSUMER DEPOSITS</b>		
Electricity	11 574 824	6 658 556
<b>Total Consumer Deposits</b>	<u><b>11 574 824</b></u>	<u><b>6 658 556</b></u>
<b>Guarantees held in lieu of Electricity and Water Deposits</b>	<u><b>2 892 630</b></u>	<u><b>2 897 230</b></u>

## 4 NON-CURRENT PROVISIONS

<b>Non-current provision</b>	<u><b>45 229 289</b></u>	<u><b>33 023 445</b></u>
Provision for rehabilitation of landfill site	<u><b>2 374 136</b></u>	<u><b>2 158 305</b></u>
Balance at beginning of the year	2 158 305	1 962 096
Contributions to provision	215 831	196 209
<b>Balance at end of the year</b>	<u><b>2 374 136</b></u>	<u><b>2 158 305</b></u>

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 long service awards	<b>4 720 463</b>	<b>4 299 221</b>
Current -service cost	647 144	548 082
Interest cost	349 855	323 376
Actuarial (gain)/loss recognised in P&L	234 627	243 590
Net periodic cost recognised in P&L	<b>1 231 626</b>	<b>1 115 048</b>
Expected employer benefit vestings	-810 384	-719 794
Transitional liability recognised outside P&L	4 299 221	3 903 967
<b>Closing Balance</b>	<b>4 720 463</b>	<b>4 299 221</b>

Long service awards relates to the legal obligation to provide for long service leave awards. An actuarial valuation has been performed on all 661 employees that are entitled to long service leave awards on 30 June 2011. The long service leave awards liability is not a funded arrangement, i.e no separate assets have been set aside to meet this liability.

Provision for post - employment health care benefits	<b>38 134 690</b>	<b>26 565 919</b>
Current -service cost	1 693 663	1 618 573
Interest cost	2 411 292	2 249 829
Actuarial (gain)/loss recognised in P&L	8 310 134	-1 718 930
Net periodic cost recognised in P&L	<b>12 415 089</b>	<b>2 149 472</b>
Expected employer benefit payments	-846 318	-767 480
Transitional liability recognised outside P&L	26 565 919	25 183 927
<b>Closing Balance</b>	<b>38 134 690</b>	<b>26 565 919</b>

The post-employment health care benefits valuation considers all employees,retired employees and their dependants who participate in the health care arrangements and are entitled to a post-employment medical scheme subsidy.The post-employment health care liability is not a funded arrangement, i.e no separate assets have been set aside to meet this liability. The effective date of the valuation is 30 June 2011.

Summary of the eligible in -service membership. (Post-employment health care benefits)

	Female	Male	Total
Number of principal members	115	143	258
Number of Eligible Non-Members	125	283	408
Average age	39.5	45.4	43.2
Average past service	6.2	11.4	9.5
Average no. of dependants	1.7	1.9	1.8

Summary of continuation membership. (Post-employment health care benefit)

	Female	male	Total
Number of principal members	17	23.0	40.0
Average age of members	68.9	69.4	69.2
Average no. of dependants	0.2	0.8	0.5
Average employer contribution	R 2 041	R 2 954	R 2 566

In-service members will receive a post-employment subsidy of 60% of the contribution payable. Continuation members receive either a 60% subsidy or a 70% subsidy. Upon a member's death-in-service or death-in-retirement, the surviving dependants will continue to receive the same percentage subsidy

Summary of the key financial assumptions. (Post-employment health care benefit)

Assumption	Value p.a
Discount rate	8.67%
Health care cost inflation rate	7.32%
Net effective discount rate	1.26%

	2011	2010
	R	R
<b>5 CURRENT PROVISIONS</b>		
Performance bonus	1 982 059	1 845 782
	<u>1 982 059</u>	<u>1 845 782</u>

Performance bonuses accrue to Section 57 Managers and HOD's on annual basis subject to certain conditions. The provision is an estimate of the amount due at the reporting date to staff.

Performance bonuses are paid one year in arrears as the assessment of eligible employees had not taken place at the end of the reporting period.

Performance bonuses 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.

	<u>Performance Bonus</u>	<u>Performance Bonus</u>
Balance at beginning of year	1 845 782	1 547 258
Performance bonuses paid	-39 062	-42 632
Contributions to provision	175 339	341 156
<b>Balance at the end of year</b>	<u>1 982 059</u>	<u>1 845 782</u>

#### 6 ACCOUNTS PAYABLE

Trade creditors	53 849 097	70 474 666
Payments received in advance	4 850 007	3 498 329
13th Cheque	3 022 961	3 225 779
Staff leave	4 864 468	4 399 414
Retention	8 922 094	6 187 509
Unknown direct deposits	3 228 586	2 327 165
Other creditors	570 546	138 900
<b>Total Creditors</b>	<u>79 307 759</u>	<u>90 251 762</u>

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

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

#### 7 VAT

Net VAT payables	<u>19 236 926</u>	<u>6 232 587</u>
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VAT is payable on the payments basis. Only once payment is received from debtors and payments made to suppliers, is VAT paid over to SARS.

#### 8 UNSPENT CONDITIONAL GRANTS AND RECEIPTS

<b>Conditional Grants from other spheres of Government</b>	<u>15 909 094</u>	<u>21 677 942</u>
Finance Management Support	0	17 380
IDP Donations	0	0
Municipal System Upgrade	0	0
Grants RSC & Other	15 909 094	21 660 562
<b>Total Conditional Grants and Receipts</b>	<u>15 909 094</u>	<u>21 677 942</u>

These amounts are invested in a ring-fenced short-term deposits until utilised.

Refer to note 22 for a detailed breakdown of all unspent conditional grants.

**GREATER TZANEEN MUNICIPALITY**  
**Annual Financial Statements for the year ended 30 June 2011**

**Note 9**

**Intangible Assets**

		2 011		2 010	
	Cost / Valuation	Accumulated amortisation	Carrying value	Cost / Valuation	Accumulated amortisation
Computer software	81 545	0	81 545	0	0
					Carrying value
					0

**Reconciliation of Intangible Assets – 2011**

	Opening balance	Additions	Disposals	Transfers	Amortisation	Total
Computer software	0	98 184	0	0	-16 639	81 545

**Reconciliation of Intangible Assets – 2010**

	Opening balance	Additions	Disposals	Transfers	Amortisation	Total
Computer software	1 508 176	0	-1 508 176	0	0	0

**GREATER TZANEEN MUNICIPALITY**  
**Annual Financial Statements for the year ended 30 June 2011**

**Note 10**  
**Investment property**

	2 011		2 010	
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation
Investment property	305 491 622	0	305 491 622	158 016 830
				Accumulated depreciation
				0
				Carrying value
				158 016 830

**Reconciliation of investment property – 2011**

	Opening balance	Unbundling of land	Disposals	Transfers	Total
Investment property	158 016 830	147 474 792	0	0	305 491 622

**Reconciliation of investment property – 2010**

	Opening balance	Unbundling of land	Disposals	Transfers	Total
Investment property	158 016 830	0	0	0	158 016 830

	2 011		2 010	
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation
Fair value of investment properties	305 491 622			158 016 830

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 GTM valuation is based on the valuation roll and is reviewed every four years.



**GREATER TZANEEN MUNICIPALITY  
PROPERTY, PLANT AND EQUIPMENT**

Note 11

	COST				ACCUMULATED DEPRECIATION				CLOSING BALANCE	TRANSFERRED OUT	DISPOSALS	TRANSFERRED OUT	CLOSING BALANCE	CARRYING VALUE	BUDGET ADDITIONS 2011	
	OPENING BALANCE	ADDITIONS	ADDITIONS UNDER CONSTRUCTION 2011	BALANCE UNDER CONSTRUCTION 2011	DISPOSALS	TRANSFERRED OUT	CLOSING BALANCE	OPENING BALANCE								ADDITIONS
<b>2011</b>																
Infrastructure	1 384 250 715	59 051 055	0	0	0	2 981 235	0	1 650 320 536	263 106 999	87 955 482	198 885	0	350 827 511	1 299 458 026	119 887 000	
Community Assets	67 489 753	977 000	0	0	0	0	68 466 753	6 478 738	2 986 916	0	0	0	8 565 654	59 991 099	0	
Other Assets	46 371 850	1 301 872	0	0	0	691 071	46 371 850	26 507 414	7 385 970	0	0	0	10 395 440	46 371 850	0	
Finance Lease Assets	13 200 440	3 397 466	0	0	0	83 200	15 355 996	7 854 427	3 789 487	0	65	0	11 648 849	15 111 973	1 176 000	
<b>Total carried forward</b>	<b>1 748 819 032</b>	<b>66 567 413</b>	<b>0</b>	<b>0</b>	<b>3 765 506</b>	<b>0</b>	<b>2 123 271 684</b>	<b>266 032 834</b>	<b>98 748 083</b>	<b>303 279</b>	<b>0</b>	<b>0</b>	<b>381 452 465</b>	<b>1 458 766 786</b>	<b>120 063 000</b>	
Work in Progress	31 639 240	0	0	0	0	0	31 639 240	0	0	0	0	0	0	31 639 240	0	
<b>Total carried forward</b>	<b>1 748 819 032</b>	<b>98 206 653</b>	<b>0</b>	<b>0</b>	<b>3 765 506</b>	<b>0</b>	<b>2 154 910 924</b>	<b>266 032 834</b>	<b>98 748 083</b>	<b>303 279</b>	<b>0</b>	<b>0</b>	<b>381 452 465</b>	<b>1 490 406 026</b>	<b>120 063 000</b>	

	COST				ACCUMULATED DEPRECIATION				CLOSING BALANCE	TRANSFERRED OUT	DISPOSALS	TRANSFERRED OUT	CLOSING BALANCE	CARRYING VALUE	BUDGET ADDITIONS 2010	
	OPENING BALANCE	ADDITIONS	ADDITIONS UNDER CONSTRUCTION 2010	BALANCE UNDER CONSTRUCTION 2010	DISPOSALS	TRANSFERRED OUT	CLOSING BALANCE	OPENING BALANCE								ADDITIONS
<b>2010</b>																
Infrastructure	1 279 332 814	79 627 391	0	0	120 000	0	1 558 840 205	159 957 835	80 349 732	120 000	0	0	240 187 567	1 218 652 638	133 705 000	
Community Assets	67 496 018	0	0	0	40 465	0	67 455 553	4 430 383	2 985 956	40 465	0	0	6 475 884	60 979 669	0	
Other Assets	46 371 850	0	0	0	0	0	46 371 850	20 737 088	5 621 235	0	0	0	13 456 588	46 371 850	0	
Investment Properties	45 078 311	2 391 373	2 427 399	0	11 331 063	65 774	38 698 246	11 611	10 890 144	0	0	0	23 241 678	1 000 000		
Finance Lease Assets	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
<b>Total carried forward</b>	<b>2 451 554 820</b>	<b>65 951 613</b>	<b>2 427 399</b>	<b>0</b>	<b>9 804 012</b>	<b>66 224</b>	<b>2 565 748 290</b>	<b>1 023 951 820</b>	<b>98 028 394</b>	<b>3 966 868</b>	<b>0</b>	<b>0</b>	<b>1 110 608 598</b>	<b>1 448 246 698</b>	<b>134 705 000</b>	

12 INVESTMENTS	2011	2010
	R	R
<b>Unlisted</b>		
<b><u>Held-to-maturity investments</u></b>		
Fixed Deposits	20 682 629	17 927 535
Total Cash Investments	<u>20 682 629</u>	<u>17 927 535</u>
<b>Councils' valuation of unlisted investments</b>		
Liberty	2 777 098	1 809 149
BOE (Sinking Fund)	17 905 531	16 118 386
	<u>20 682 629</u>	<u>17 927 535</u>

Investments have been made for the redemption of long - term loan liabilities. Refer to note 1 for more detail on long - term loans.

Fair value of investments are at quoted book value as at 30 June 2011.

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

### 13 LONG-TERM RECEIVABLES

Other Loans	4 313 190	4 835 412
Electrical Connection	469	469
Stand Loans	1 933 589	2 456 141
Other Debtors (El Gondor)	966 205	966 205
Debtor Arrangements	1 412 927	1 412 597
<b>LESS: Current portion transferred to current receivables</b>	<b>2 900 263</b>	<b>2 456 610</b>
Other Loans	2 900 263	2 456 610
Electrical Connection	469	469
Stand Loans	2 899 794	2 456 141
Debtor Arrangements		
Less :Provision for bad debt	1 412 927	2 378 802
<b>Total</b>	<b><u>0</u></b>	<b><u>0</u></b>
<b>Reconciliation of provision for bad debt</b>		
Balance at beginning of year	2 378 803	4 635 770
Contributions to provision	-965 875	-2 083 030
Bad debts written off	0	-173 937
<b>Balance at end of year</b>	<b><u>1 412 928</u></b>	<b><u>2 378 803</u></b>

No security is held for any of the long-term receivables.

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

No portion of the long-term receivables was pledged as security for any financial liabilities.

No portion is past due or impaired.

### LOANS TO STAFF AND THE PUBLIC

To comply with the requirements of the MFMA no loan has been made after 1 March 2004.

### OTHER LOANS

#### Electricity Connection

To encourage tenants to connect to the electricity service, a subsidy of 50% per connection were granted to finance the cost to consumers ,with interest rates between 20% and 21%. These loans are repayable over a maximum period of five years and were granted before the implementation of the MFMA.

#### Stand Loans

Loans were made to enable people to purchase stands from Council. These loans are repayable over 6 years 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.

14 INVENTORY	2011	2010
	R	R
Consumable stores	9 006 924	8 033 617
Water	0	0
Stands	2 184 320	485 000
	<u>11 191 244</u>	<u>8 518 617</u>
Inventory (Write downs)	0	
<b>Total Inventory</b>	<u><u>11 191 244</u></u>	<u><u>8 518 617</u></u>

Carrying value of stock is disclosed at cost.

### Inventory Pledged as Security

No inventory was pledged as security.

15 RECEIVABLES	Gross Balance	Provision for	Net Balance
	R	Bad Debts	R
	R	R	R
<b>As at 30 June 2011</b>			
Service debtors			
Rates	49 226 699	39 210 866	10 015 833
Electricity	47 164 627	15 012 363	32 152 264
Water	0	0	0
Sewer	0	0	0
Refuse	30 523 189	26 097 324	4 425 865
<b>Total</b>	<u><u>126 914 515</u></u>	<u><u>80 320 553</u></u>	<u><u>46 593 962</u></u>

	Gross Balance	Provision for	Net Balance
	R	Bad Debts	R
	R	R	R
<b>As at 30 June 2010</b>			
Service debtors			
Rates	36 522 302	28 227 014	8 295 288
Electricity	35 381 080	9 829 912	25 551 168
Water	0	0	0
Sewer	0	0	0
Refuse	24 814 922	20 026 901	4 788 021
<b>Total</b>	<u><u>96 718 304</u></u>	<u><u>58 083 827</u></u>	<u><u>38 634 477</u></u>

	2011	2010
	R	R
<b>Rates: Ageing</b>		
Current (0 - 30 days)	3 989 146	3 277 351
31 - 60 Days	2 130 833	1 619 835
61 - 90 Days	2 210 989	1 208 682
91 - 120 Days	1 684 866	1 179 467
121 Days and longer	39 210 865	29 236 967
<b>Total</b>	<u><u>49 226 699</u></u>	<u><u>36 522 302</u></u>

	2011	2010
	R	R
<b>Electricity: Ageing</b>		
(Current 0 - 30 Days)	23 096 833	18 646 734
31 - 60 Days	5 670 314	3 707 279
61 - 90 Days	2 110 440	1 542 913
91 - 120 Days	1 274 675	935 139
121 Days and longer	15 012 364	10 549 015
<b>Total</b>	<u><u>47 164 626</u></u>	<u><u>35 381 080</u></u>

	2011	2010
	R	R
<b>Refuse removal: Ageing</b>		
(Current 0 - 30 Days)	1 912 869	1 746 909
31 - 60 Days	958 226	963 226
61 - 90 Days	808 269	725 568
91 - 120 Days	746 501	693 530
121 Days and longer	26 097 324	20 685 689
<b>Total</b>	<u><u>30 523 189</u></u>	<u><u>24 814 922</u></u>

**Water: Ageing**

(Current 0 - 30 Days)

31 - 60 Days

61 - 90 Days

91 - 120 Days

121Days and longer

**Total**

0                      0

**Sewerage: Ageing**

(Current 0 - 30 Days)

31 - 60 Days

61 - 90 Days

91 - 120 Days

121Days and longer

**Total**

0                      0

Summary of Debtors by Customer Classification including other debtors

**Residential Property: Ageing**

Current (0 - 30 days)

9 608 715

31 - 60 Days

4 467 881

61 - 90 Days

2 298 565

91 - 120 Days

2 061 983

121Days and longer

59 595 475

**Total**

78 032 619                      0

**Industrial/commercial: Ageing**

(Current 0 - 30 Days)

19 239 509

31 - 60 Days

4 885 694

61 - 90 Days

1 586 246

91 - 120 Days

1 190 173

121Days and longer

25 938 186

**Total**

52 839 808                      0

**National and Provincial: Ageing**

(Current 0 - 30 Days)

1 015 848

31 - 60 Days

398 126

61 - 90 Days

358 126

91 - 120 Days

323 162

121Days and longer

8 108 249

**Total**

10 203 511                      0

**Other: Ageing**

(Current 0 - 30 Days)

2 137 394

31 - 60 Days

497 600

61 - 90 Days

610 849

91 - 120 Days

295 875

121Days and longer

8 710 571

Indigent charge & Development cost

12 252 289

**Total**

12 252 289                      0

**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 nor due impaired can be assessed by reference to historical information about counter party default rates. Although credit quality can be assessed the Municipality did not apply any methods to evaluate the credit quality.

**Consumers Debtors**

No security is held for any of the accounts receivable.

### Consumer Debtors Impaired

As at 30 June 2011, Consumer Debtors of R 80 320 553 (2010: R58 083 827) were impaired and provided for.

Amounts totalling R 1 980 82 (2010 R4 304 085) 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 if any collateral held or other credit enhancements.

No portion is past due or impaired.

### 16 RECONCILIATION OF DOUBTFUL DEBT PROVISION

Balance at beginning of the year	58 083 827	38 844 534
Contributions to provision	24 119 494	23 543 378
Doubtful debts written off against provision	-1 882 768	-4 304 085
Balance at end of year	<u>80 320 553</u>	<u>58 083 827</u>

The fair value of trade and other receivables approximates their carrying amounts.

### 17 OTHER RECEIVABLES

	2011	2010
	R	R
Other debtors	95 506 609	86 623 709
Payments made in advance	4 850 007	3 498 329
Bursary Loans	64 318	397 268
Deposit Petrol	9 808	9 808
Year end debtors	38 021 019	46 563 449
Other	52 561 457	36 154 855
Less : Provision for bad debt	13 974 421	16 184 082
Total Other Debtors	<u>81 532 188</u>	<u>70 439 627</u>

	2011	2010
	R	R
<b>Reconciliation of provision for bad debt</b>		
Balance at beginning of year	16 184 082	13 423 717
Contributions/ (Reversal) to provision	-1 995 328	3 725 227
Bad debts written off	-214 333	-964 862
Balance at end of year	<u>13 974 421</u>	<u>16 184 082</u>

### 18 Operating lease assets (accrual)

Current assets	<u>204 632</u>	
	<u>204 632</u>	

Correction of prior year: refer to note 31

#### Municipality as lessor: Operating leases minimum future receivables

Not later than one year	103 760	94 960
Later than one year no later than 5 years	369 791	403 669
Later than 5 years	426 451	496 333

### 19 BANK, CASH AND OVERDRAFT BALANCES

The Municipality has the following bank accounts:

#### Current bank account ( Primary bank account)

ABSA Bank - Tzaneen Branch  
Account number - 1260850527

Cash book balance at beginning of year	-4 159 424	257 085
Cash book balance at end of year	22 198 274	-4 159 424

**EFF Bank Acc**

ABSA Bank - Tzaneen Branch  
Account number - 4056018122

Bank statement balance at beginning of year	941	62 925
Bank statement balance at end of year	0	941

**AFF Bank Acc**

ABSA Bank - Tzaneen Branch  
Account number - 4056017980

Bank statement balance at beginning of year	941	4 765
Bank statement balance at end of year	0	941

**Rates & General**

ABSA Bank - Tzaneen Branch  
Account number - 4051444332

Bank statement balance at beginning of year	0	0
Bank statement balance at end of year	0	0

**Grants Account**

ABSA Bank - Tzaneen Branch  
Account number - 9093767307

Bank statement balance at beginning of year	8 308	247 660
Bank statement balance at end of year	0	8 308

ABSA Bank - Tzaneen Branch  
Account number - 4056018237

Bank statement balance at beginning of year	941	24 711
Bank statement balance at end of year	0	941

ABSA Bank - Tzaneen Branch  
Account number - 4048964222

Bank statement balance at beginning of year	1 668 841	1 791 037
Bank statement balance at end of year	32 338 697	1 668 841

ABSA Bank - Tzaneen Branch  
Account number - 9081974990

Bank statement balance at beginning of year	19	10 612
Bank statement balance at end of year	150 942	19

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

No restrictions exist regarding the use of cash.

No portion is past due or impaired.

**20 PROPERTY RATES**

	2011 R	2010 R
<b>Actual</b>		
Residential	17 808 282	13 920 694
Commercial	14 450 403	13 144 527
State	5 140 257	4 448 115
Other	7 285 827	4 796 250
<b>Total Assessment Rates</b>	<b>44 684 769</b>	<b>36 309 586</b>

**Valuations**

	July 2011 R000's	July 2010 R000's
Residential	3 393 917	3 515 258
Commercial	2 130 355	2 046 875
State	603 394	559 694
Municipal	286 861	221 591
Agriculture	4 801 837	4 577 226
Other	247 309	857 606
<b>Total Property valuations</b>	<b>11 463 673</b>	<b>11 778 250</b>

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.

## 21 SERVICE CHARGES

Sale of water	0	0
Sewer charges	0	0
Sale of electricity	248 402 412	201 348 457
Refuse removal	17 579 913	17 310 373
Indigent Charges	206 799	16 292
Other	748 320	1 085 614
<b>Total Service Charges</b>	<b><u>266 937 444</u></b>	<b><u>219 760 736</u></b>

## 22 GOVERNMENT GRANTS AND SUBSIDIES

Free Basic Water	0	0
National MSIG	750 000	
Provincial Local Government	4 975 648	9 733 701
Private Sector		
Development Bank of SA	1 017 381	1 471 922
Finance Management Grant	141 860 986	121 186 930
Equitable share	53 754	25 916
SETA	38 533 057	42 845 046
MIG		
Grant: Department of Trade & Mineral	6 469 852	3 510 601
National - Electrification Grant	<b><u>193 660 678</u></b>	<b><u>178 774 116</u></b>

### Tours Hydroponis Project

Balance unspent at beginning of year	0	0
Current year receipts		
Transfers		
Conditions met - transferred to revenue	<u>0</u>	<u>0</u>
Conditions still to be met - transferred to liabilities	<u>0</u>	<u>0</u>

This Grant is used to alleviate poverty and ensure that services are rendered to the community and that no one is denied access to water supply because they are unable to pay. The fund helps with providing free basic water equivalent to 12 kiloliters free per month.

### Provincial Local Government

Balance unspent at beginning of year	0	-690 329
Current year receipts		690 329
Conditions met - transferred to revenue	<u>0</u>	<u>0</u>
Conditions still to be met - transferred to liabilities	<u>0</u>	<u>0</u>

The funds are used to provide services such as: upgrading of sporting facilities, Cattle Pounding, PHP Housing Projects and Fruit and nuts.

### Drought Relief Programme

Balance unspent at beginning of year	30 702	30 702
Current year receipts		
Conditions met - transferred to revenue	<u>30 702</u>	<u>30 702</u>
Conditions still to be met - transferred to liabilities	<u>0</u>	<u>0</u>

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.

### MFMG

Balance unspent at beginning of year	17 381	739 303
Current year receipts	1 000 000	750 000
Conditions met - transferred to revenue	<u>-1 017 381</u>	<u>-1 471 922</u>
Conditions still to be met - transferred to liabilities	<u>0</u>	<u>17 381</u>

MFMG funds are used to facilitate GRAP and MFMA. To capacitate employees by having programmes such as: The Municipal Finance Management Internship Programme

#### Equitable Share

In terms of the constitution this is an unconditional grant used to subsidise the provision of basic services to the indigent community households

#### SETA

Balance unspent at beginning of year	1 043 849	1 413 958
Current year receipts	0	0
Transfers	0	-344 193
Conditions met - transferred to revenue	-53 754	-25 916
Conditions still to be met - transferred to liabilities	<u>990 095</u>	<u>1 043 849</u>

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	12 056 580	5 934 261
Current year receipts	17 934 916	48 967 365
Admin fees	-1 456 200	
Conditions met - transferred to revenue	-27 343 973	-42 845 046
Conditions still to be met - transferred to liabilities	<u>1 191 323</u>	<u>12 056 580</u>

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.

#### Department of Trade & Mineral

Balance unspent at beginning of year	743 047	2 722 388
Current year receipts	0	1 253 622
Conditions met - transferred to revenue	-406 929	-3 232 963
Conditions still to be met - transferred to liabilities	<u>336 118</u>	<u>743 047</u>

The main aim of this grant was to supply the farmers(workers) with electricity and the funds were used for the electrification of the farmers houses (the workers house) within the GTM these was according to the DME (Department of minerals and Energy standards).

#### National Electrification Grant

Balance unspent at beginning of year	4 128 246	13 598 480
Current year receipts	10 000 000	8 332 000
Conditions met - transferred to revenue	-9 158 808	-16 680 734
Administration fees	-500 000	-1 121 500
Conditions still to be met - transferred to liabilities	<u>4 469 438</u>	<u>4 128 246</u>

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

#### Community Based Projects

Balance unspent at beginning of year	413 430	413 430
Current year receipts		
Conditions met - transferred to revenue		
Conditions still to be met - transferred to liabilities	<u>413 430</u>	<u>413 430</u>

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

#### Umsombovu Youth Fund

Balance unspent at beginning of year	49 767	9 808
Current year receipts		39 960
Conditions met - transferred to revenue	-49 767	
Conditions still to be met - transferred to liabilities	<u>0</u>	<u>49 768</u>



The funds are used for the lunching of the project, also to pay for the insurance and the graduation of the Youth that are in the project.

#### EU GRANT

##### FRUIT & NUT CLUSTER

Balance unspent at beginning of year	-695 525	-992 582
Current year receipts	49 767	297 057
Conditions met - transferred to revenue		
Conditions still to be met - transferred to liabilities	<u>-645 758</u>	<u>-695 525</u>

This grant was used for a hawker feasibility study

##### NEIGHBOURHOOD GRANT

Balance unspent at beginning of year	3 190 481	3 000 000
Current year receipts	10 620 000	6 033 324
Conditions met - transferred to revenue	-5 238 122	-5 842 843
Conditions still to be met - transferred to liabilities	<u>8 572 359</u>	<u>3 190 481</u>

These funds were used to embellish the enterances of varuise towns and villages

##### CLEANEST TOWN

Balance unspent at beginning of year	450 766	150 766
Current year receipts		300 000
Conditions met - transferred to revenue		
Conditions still to be met - transferred to liabilities	<u>450 766</u>	<u>450 766</u>

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	148 595	406 490
Current year receipts	750 000	400 000
Conditions met - transferred to revenue	-898 595	-657 895
Conditions still to be met - transferred to liabilities	<u>0</u>	<u>148 595</u>

##### CATTLE POUND

Balance unspent at beginning of year	0	-24 313
Current year receipts		24 313
Conditions met - transferred to revenue		
Conditions still to be met - transferred to liabilities	<u>0</u>	<u>0</u>

This grant was used for the establishment and maintenance of a cattle pound.

##### UPGRADING SPORT FACILITIES

Balance unspent at beginning of year	100 623	100 623
Current year receipts		
Conditions met - transferred to revenue		
Conditions still to be met - transferred to liabilities	<u>100 623</u>	<u>100 623</u>

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

#### CHANGES IN LEVELS OF GOVERNMENT GRANTS

2011	2010
R	R

Based on the allocation 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

#### 23 OTHER INCOME

Sale of Investment properties	0	0
Insurance claims	1 264 941	1 818 071
Valuation certificates	19 351	20 169
Non Refundable deposits	3 110	137 942
Environmental health services	51 755	0
Library service	19 188	0
Other income	4 010 725	9 697 093
Total other Income	<u>5 369 070</u>	<u>11 673 275</u>

## 24 EMPLOYEE RELATED COSTS

Employee related costs - Salaries and Wages	99 076 747	92 953 742
Employee related costs - Social contributions	33 207 804	49 639 768
Travel allowance	4 911 581	4 076 389
Housing allowance	1 050 254	879 540
Overtime payments	9 294 563	6 381 725
Performance bonus	410 091	636 482
Long service awards	0	0
Less: Employee costs capitalised to Property, Plant and Equip	0	0
Less: Employee costs included in other expenses	56 825 896	52 152 533
<b>Total Employee Related Costs</b>	<b>91 125 144</b>	<b>102 415 113</b>

There were no advances to employees.

### Remuneration of the Municipal Manager

Annual Remuneration	634 370	971 114
Performance Bonuses	0	140 541
<b>Total</b>	<b>634 370</b>	<b>1 111 655</b>

### Remuneration of the Chief Finance Officer

Annual Remuneration	909 095	416 972
Performance Bonuses	0	0
<b>Total</b>	<b>909 095</b>	<b>416 972</b>

Remuneration of Individual Directors	Technical Services	Corporate Services	Community Services
	R	R	R
30 June 2011			
Annual Remuneration	1 492 915	659 145	1 513 536
Performance Bonuses	0	0	0
<b>Total</b>	<b>1 492 915</b>	<b>659 145</b>	<b>1 513 536</b>

Remuneration of Individual Directors	Technical Services	Corporate Services	Community Services
	R	R	R
30 June 2010			
Annual Remuneration	1 231 437	446 755	1 429 618
Performance Bonuses	163 133	0	576 926
<b>Total</b>	<b>1 394 570</b>	<b>446 755</b>	<b>2 006 544</b>

## 25 REMUNERATION OF COUNCILLORS

	2011	2010
	R	R
Mayor	605 596	593 375
Councillors Allowances	10 716 651	10 141 448
Executive Committee Allowances	1 419 566	1 253 539
Speaker Allowances	499 431	482 036
Full Time Councillors	1 986 713	2 253 034
Medical Fund Contributions		
	<b>15 227 957</b>	<b>14 723 432</b>

### In-kind Benefits

The Mayor, Speaker and five Councillor are full-time. Each is provided with an office and secretarial support 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 and one pa.

<b>26 Repairs &amp; Maintenance</b>		
Machinery & Equipment	164 990	202 303
Lawnmowers	2 497 536	2 617 817
Distribution Networks	22 690 258	20 347 611
Stormwater Drainage & Bridges	7 543 859	6 092 803
Tarred Roads	21 219 943	9 041 234
Gravel Roads	13 471 993	6 997 831
Sidewalks & Pavements	4 106 724	3 727 511
Streetlights	713 741	667 099
Council-Owned Land	8 728 619	6 765 532
Council-Owned Buildings	6 309 634	6 647 210
Council-Owned Vehicles	11 626 182	12 895 803
Non-Council-Owned Assets - Contractors	285 104	293 666
Others	1 623 237	1 244 860
<b>Total Repairs &amp; Maintenance</b>	<b>100 981 820</b>	<b>77 541 280</b>

#### 27 INTEREST ON EXTERNAL BORROWINGS

Long term liabilities	7 232 422	7 096 748
Finance leases	551 094	
Bank overdrafts		
<b>Total Interest on External Borrowings</b>	<b>7 783 516</b>	<b>7 096 748</b>

#### 28 BULK PURCHASES

	2011	2010
	R	R
Water	0	0
Electricity	176 451 428	125 623 411
<b>Total Bulk Purchases</b>	<b>176 451 428</b>	<b>125 623 411</b>

#### 29 CONTRACTED SERVICES

Contracted services for:		
Information Technology	433 915	1 763 705
Meter reading	1 738 055	1 726 659
Security Services	7 318 141	4 130 062
Refuse removal	8 875 316	12 061 901
Cleaning Services	6 917 687	4 457 715
Valuation roll	1 165 403	896 790
Town Planning	30 527	10 482
Aerodrum	165 632	170 141
GTM Agency Services	0	0
Water Supply	0	0
	<b>26 644 676</b>	<b>25 217 455</b>

#### 30 GRANTS & SUBSIDIES PAID

Sport Council	106 644	106 644
SPCA	90 000	37 770
Mayor Special Account	59 242	35 508
Mayor Bursary Account	174 890	26 214
Eskom EBSST	2 622 667	3 032 696
NDPG		5 842 843
Seta (Training)	53 754	25 916
Department of Trade & Mineral	406 929	3 232 963
HPH	3 877 302	0
MSIG	750 000	
Other grants	21 757 029	19 932 050
	<b>29 898 457</b>	<b>32 272 604</b>

<b>31 GENERAL EXPENDITUE</b>	<b>2011</b>	<b>2010</b>
	<b>R</b>	<b>R</b>
Auditors Fees	1 650 022	1 600 000
Consumable Domestic Items	525 082	452 280
Fuel - Vehicles	3 234 470	2 723 847
Insurance	3 480 559	3 791 769
Insurance Claims Own Expenditure	6 784 892	3 854 695
Leases - Photocopiers	0	-289 540
Membership Fees - Saiga	732 385	1 008 404
Non-Capital Tools & Equipment	216 440	338 756
Postage & Courier Fees	752 368	811 943
Printing & Stationery	1 229 623	1 250 829
Prodiba Share - Drivers Licence Fee	2 648 600	2 118 307
Protective Clothing	525 162	486 891
Provincial Share - Vehicle Licence Fee		
Public Education And Training	96 928	151 949
Rent - Telephone Exchange	353 710	949 686
Rental Computer	416 096	693 181
Subsistence & Travelling Expenses	5 627 691	1 648 817
Telephone	2 006 800	1 556 103
Training Costs	781 384	613 307
Others	8 953 273	9 605 469
<b>Total General Expenses</b>	<b><u>40 015 485</u></b>	<b><u>33 366 693</u></b>

### 32 CORRECTION OF PRIOR PERIOD ERRORS

During the year ended 30 June 2011, take-on balances were restated. The comparative amounts have been restated as follows:

During the year ended 30 June 2011, all assets of the municipality were unbundled, verified and the take-on balances were restated. The comparative amounts have been restated as follows:

Correction of PPE attributed to the 2010 Financial Year	197 684 651
Correction of Direct Deposits	51 807
Correction of National Electrification Grant :VAT	3 188 955
Correction of NDPG :VAT	817 999
	<b><u>201 743 412</u></b>

### 33 GAIN / (LOSS) ON SALE OF ASSETS

Property plant and equipment	440 920	440 920
Other financial assets	-440 920	
<b>Total Gain / (Loss) on sale of assets</b>	<b><u>0</u></b>	<b><u>440 920</u></b>

### 34 CASH GENERATED BY OPERATIONS

Net surplus for the year	-64 273 246	-67 134 251
Adjustments for:		
Depreciation	96 764 663	88 045 172
Gain on disposal of property plant & equipment		11 998 222
Contributions to Provisions - non- current	12 205 844	31 061 349
Contributions to Provisions current	136 277	652 192
Transfers	-833 134	4 992 835
Interest received	-16 370 168	-11 332 815
Interest Paid	7 783 516	7 096 748
<b>Operational surplus before working capital changes</b>	<b><u>35 413 752</u></b>	<b><u>65 379 452</u></b>
Increase in inventories	-2 835 303	-407 283
Increase in Debtors	-7 959 485	69 396
Decrease in other debtors	-11 092 561	-27 081 729
Increase in Conditional Grants	-5 768 846	-5 135 040
Increase in Creditors	2 060 336	31 812 545
<b>Cash generated by operations</b>	<b><u>9 817 893</u></b>	<b><u>64 637 341</u></b>

35 CASH AND CASH EQUIVALENTS	2011	2010
	R	R
Balance at the end of the year	-4 416 509	-4 159 424
Balance at the beginning of the year	<u>26 562 976</u>	<u>257 085</u>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b><u>22 146 467</u></b>	<b><u>-4 416 509</u></b>

### 36 UTILISATION ON LONG-TERM LIABILITIES RECONCILIATION

Long term liabilities	116 219 758	48 049 588
Used to finance property, Plant and equipment	<u>69 790 350</u>	<u>48 049 588</u>
Sub-Total	46 429 408	48 049 588
Cash set aside for the repayment of loans		
Cash invested for repayment of loans	<u>20 682 629</u>	<u>1 809 149</u>
<b>Cash invested for repayment of external loans</b>	<b><u>67 112 037</u></b>	<b><u>49 858 737</u></b>

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. See note 1 for more detail

### 37 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

#### Unauthorised expenditure

	2011	2010
	R	R
Reconciliation of unauthorised expenditure		
Opening Balance	21 677 942	26 812 982
Unauthorised expenditure for the year	0	
Approved by council	<u>-21 677 942</u>	<u>-5 135 040</u>
Closing balance	<b><u>0</u></b>	<b><u>21 677 942</u></b>

#### Incident

Conditional Grants were not cash backed

#### Disciplinary steps / Criminal proceedings

None

Irregular fruitless and wasteful expenditure	2011	2010
	R	R
<b>Reconciliation of fruitless and wasteful expenditure</b>		
Opening balance	0	
Fruitless and wasteful expenditure	168 166	
Loss of cash due to fraud	0	0
Transfer to Statement of Financial Performance	<u>0</u>	<u>0</u>
Closing balance	<b><u>168 166</u></b>	<b><u>0</u></b>

#### Incident

The Municipality had to pay interest charges on late payments to ESKOM of R 168 166.00 due to a shortfall in cash which resulted from the equitable share allocation received late in August.

#### Disciplinary steps / Criminal proceedings

none

Reconciliation of irregular expenditure	2011	2010
	R	R
Opening balance		
Irregular expenditure	1 251 503	
Transfer to Statement of Financial Performance		
Closing balance	<b><u>1 251 503</u></b>	<b><u>0</u></b>

#### Incident

Increase in contract price of R 1 251 503 after contract was awarded to Kgosi Monene

**Disciplinary steps / Criminal proceedings**

None

**38 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE  
MANAGEMENT ACT**

**Contributions to SALGA**

Opening balance		0
Council subscriptions	732 385	1 008 404
Amount paid - current year	<u>-732 385</u>	<u>-1 008 404</u>
<b>Balance unpaid (included in creditors)</b>	<b><u>0</u></b>	<b><u>0</u></b>

**Audit Fees**

Opening balance	0	0
Current year audit fee	1 650 022	1 600 000
Amount paid - Current year	<u>-1 650 022</u>	<u>-1 600 000</u>
<b>Balance unpaid (included in creditors)</b>	<b><u>0</u></b>	<b><u>0</u></b>

<b>VAT</b>	<b>2011</b>	<b>2010</b>
	<b>R</b>	<b>R</b>

VAT is shown in notes 7. All VAT returns have been submitted by the due date throughout the year.

**PAYE AND UIF**

Opening balance	0	0
Current year payroll deductions	23 788 706	19 252 675
Amount paid - current year	<u>-23 788 706</u>	<u>-19 252 675</u>
<b>Balance unpaid (included in creditors)</b>	<b><u>0</u></b>	<b><u>0</u></b>

**Pension and Medical Aid Deductions**

Opening balance	0	0
Current year payroll deductions and Control Contributions	30 787 032	27 785 016
Amount paid - Current year	<u>-30 787 032</u>	<u>-27 785 016</u>
<b>Balance unpaid (included in creditors)</b>	<b><u>0</u></b>	<b><u>0</u></b>

The balance represents pension and medical aid contributions deducted from employees in the June 2011 payroll as well as Council's contribution to pension and medical aid funds. These amounts were paid during July 2011

**Councillor's arrear consumer accounts**

The following Councillors had arrear accounts outstanding for more than 90 days as at:

30th June 2011	Total R	Outstanding less than 90 days R	Outstanding more than 90 days R
Councillor : C Machimana	237	17	220
Councillor : OJ Mushwana	2 229	2 229	
Councillor : MJ Mothiba	2 576	1 260	1 316
Councillor : JHS Mbhalati	7 938	522	7 416
Councillor : ME Ramolefo	1 579	1 199	381
Councillor : MC Nkhwashu	3 200	729	2 471
Councillor : RE Pohl	2 748	2 748	
Councillor : PJ Mkhabele	1 294	1 294	
Councillor : MG Mushwana	34 103	1 053	33 050
Councillor : MS Mboweni	7 693	1 153	6 540
Councillor : MB Malekutu	424	424	
Councillor : MS Mailula	811	811	
Councillor : MM Mogobofo	323	323	
Councillor : MB Mnisi	627	627	
Councillor : G Baloyi	808	808	
Councillor : P McGaffin	1 701	1 701	
<b>Total Councillor Arrear Consumer Account</b>	<b><u>68 292</u></b>	<b><u>16 897</u></b>	<b><u>51 395</u></b>

30th June 2010	Total R	Outstanding less than 90 days R	Outstanding more than 90 days R
Councillor G Baloyi	149	149	
Total Councillor Arrear Consumer Account	<u>149</u>	<u>149</u>	<u>0</u>

During the Year the following Councillors had arrear accounts outstanding for more than 90 days

30th June 2011	Highest Amount Outstanding R	Ageing R
Councillor : C Machimana	220	120 Days
Councillor : MJ Mothiba	1 316	120 Days
Councillor : JHS Mbhalati	7 416	120 Days
Councillor : ME Ramolefo	381	120 Days
Councillor : MC Nkhwashu	2 471	120 Days
Councillor : MG Mushwana	33 050	120 Days
Councillor : MS Mboweni	6 540	120 Days

30th June 2010	Highest Amount Outstanding	Ageing
Councillor (No councillor outstanding more than 90 days)		120 Days

### 39 NON-COMPLIANCE WITH CHAPTER 11 OF THE MUNICIPAL FINANCE MANAGEMENT ACT

#### Deviation from Supply Chain Management Regulation

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.

Please refer to Schedule 1 for a detailed schedule of the deviations from the Supply Chain Regulations.

40 CAPITAL COMMITMENTS	2011 R	2010 R
Commitments in respect of capital expenditure:		
- Approved and contracted for	39 500 000	0
Infrastructure	39 500 000	
Community		
Heritage		
Other		
Housing Development Fund		
Investment Properties		
- Approved but not yet contracted for	76 976 400	120 662 736
Infrastructure	66 631 400	93 140 000
Community	5 880 000	12 897 050
Heritage		
Other	4 465 000	14 625 686
Housing Development Fund		
Investment Properties		
<b>Total</b>	<b><u>116 476 400</u></b>	<b><u>120 662 736</u></b>

This expenditure will be financed from:

- Internal Advances	17 100 000	15 000 000
- External Loans	50 000 000	43 765 686
- Capital Replacement Reserve		
- Government Grants	49 376 400	61 897 050
- Electronic Project Grant		
- MIG Grants		
	<u>116 476 400</u>	<u>120 662 736</u>

#### 41 RETIREMENT BENEFIT INFORMATION

##### Joint Municipal Pension Fund

The last valuations of the Joint Municipal Pension Fund was done on 30 September 2009.

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

<b>Actuarial Valuation</b>	<b>2009</b>	<b>2008</b>
	<b>R'000</b>	<b>R'000</b>
Actuarial value of Assets	1 956 314	1 942 228
Total accrued liabilities	1 845 529	1 794 944
Solvency reserve	110 785	147 284
Surplus / (Deficit)	<u>0</u>	<u>0</u>

Funding level (including solvency) 100.0%

##### Municipal Employees Gratuity Fund

The last valuation of the Municipal Employees Gratuity Fund was done on 30 June 2010

<b>Actuarial Valuation</b>	<b>2010</b>	<b>2009</b>
	<b>R'000</b>	<b>R'000</b>
Share account	9 544 376	8 074 049
Reserve Account	229 798	174 719
Value of Fund 30 June 2007	<u>9 774 174</u>	<u>8 248 768</u>

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

##### Municipal Employees Pension Fund

The last valuation of the MEPF was done on 29 February 2008

<b>Actuarial Valuation</b>	<b>29/02/2008</b>	<b>28/02/2005</b>
	<b>R'000</b>	<b>R'000</b>
Assets	5 715 557	3 046 791
Liabilities	4 900 548	2 654 108
Contingency Reserves	382 289	196 571
Surplus/(Deficit)	<u>432 720</u>	<u>196 112</u>

This represents a funding level of 108.2%.

##### 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.

#### 42 CONTINGENT LIABILITY

	<b>2011</b>	<b>2010</b>
	<b>R</b>	<b>R</b>
Paper guarantees housing loan (ABSA)	<u>1 000 000</u>	<u>1 000 000</u>



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.

The municipality is being sued by a member of the public for R708 446.78 for unlawfull arrest, detained,assaulted and publicly degraded by a Traffic Officer

<u>708 446</u>	<u>708 446</u>
----------------	----------------

The Municipality is being sued by 2 members of the public for R100 000 each for unlawful prosecution by our traffic department.

<u>200 000</u>	<u>200 000</u>
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The municipality is being sued by Daily Double cc and others for civil liability viz loss of earnings, profit and general financial loss

<u>23 000 000</u>	<u>0</u>
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#### 43 RELATED PARTIES

Refer to Schedule 2 attached for detailed information.

##### Key management personnel information

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

During the 2010/2011 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.

No remuneration was paid to family or key personnel.

There are no share based payments.

There are no post-employment benefit for key personnel.

#### 44 FINANCIAL INSTRUMENTS

The main risks of the Municipality are interest rate risk,liquidity risk, credit risk and the fair value of financial instruments.

##### 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 the interest rates. Borrowings issued at variable rates expose the group to cash flow interest rate risk. Borrowings at fixed rates expose the municipality to fair value interest rate risk.

##### 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.

##### Liquidity risk

The Municipality's risk to liquidity is a result of the funds available to cover future commitments. 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.

## Credit risk

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

The utilisation of credit limits is regularly monitored.

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

Long term liabilities - ABSA	-11 600 000	-11 600 000
Long term liabilities - INCA	-19 829 408	-21 357 971
Long term liabilities - DBSA	34 780 000	91 617
Local registered stock : DBSA	-15 000 000	-15 000 000
Finance lease liability	-5 210 413	-4 469 350
Investments - BOE	17 905 531	16 118 386
Investments - Liberty	2 777 098	1 809 149
Non-current receivables	2 900 263	2 456 610
Trade and other receivables	46 593 962	38 634 477
Other receivables	81 532 188	70 439 627
Cash and cash equivalents	22 198 274	-4 159 424
Trade and other payables	-79 307 759	-90 251 762
Consumer deposits	11 574 824	6 658 556
VAT payable	-19 236 926	-6 232 587
Unspent conditional grants and receipts	-15 909 094	-21 677 942
	<u>54 168 540</u>	<u>-38 540 614</u>

These balances represent the maximum exposure to credit risk

## Counterparties

The Municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counterparty. The Municipality has no significant concentration of credit risk with any single counterparty or a group of counterparties.

## 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)

**GREATER TZANEEN MUNICIPALITY**  
Annual Financial Statements for the year ended 30 June 2011

**SCHEDULE 1**

Deviations of supply chain management processes

Description of bids	Bid number	Relevant Section	BEC recommendation	BAC recommendation	Awarded to	Amount of award
Actuarial Services	Quotation	Financ : Expenditure	N/A	N/A	ARCH Actuarial Consulting	R 33 060.00
Fire Detection System Servicing	Quotation	Building and Maintenance : ESM	N/A	N/A	QD Fire Systems cc	R 37 843.00
Building of Transformers of 2x20 MVA 66/11KVA OLTC Trfs	Closed Bid /Quotation	Electrical Engineering	N/A	N/A	Actom Power Transformers	R 10 264 370.00

**GREATER TZANEEN MUNICIPALITY**  
Annual Financial Statements for the year ended 30 June 2010

**SCHEDULE 1**

Deviations of supply chain management processes

Description of bids	Bid number	Relevant Section	BEC recommendation	BAC recommendation	Awarded to	Amount of award
EXTENSION: All the extensions are attached.						
DEVIATION: 1) Sound, stage and screen for public viewing area at Nkawkowa Stadium	Quotation	PED	N/A	N/A	Blue Raindrop	R 729 400.00
DEVIATION: 2) Promotion materials for public viewing area at Nkawkowa Stadium. (FIFA WORLD CUP)	Quotation	PED	N/A	N/A	LEBP Printers	R 251 598.00
DEVIATION: 3) Promotion materials for public viewing area at Nkawkowa Stadium. (FIFA WORLD CUP)	Quotation	PED	N/A	N/A	Mahuma Promotions	R 229 949.40

**GREATER TZANEEN MUNICIPALITY**  
Annual Financial Statements for the year ended 30 June 2011

**SCHEDULE 2**

**RELATED PARTIES**  
**2010/2011 Financial Year**

During the 2010/2011 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.

**RELATED PARTIES**  
**2009/2010 Financial Year**

Related party transactions awarded to Councillors or Officials in service of State

Name of person	Capacity in which person is in service	Successful tenderer	Contract No	Amount of award
MS Matuleke	Law enforcement Officer	Universal Vision Building Construction Business Enterprise		R 27 875
JH Nkwini	Councillor Chief Whip	Vhila Vhila Construction		R 770 748

**APPENDIX A  
GREATER TZANEEN MUNICIPALITY**

**SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2011**

<b>EXTERNAL LOANS</b>	<b>Loan Number</b>	<b>Redeemable</b>	<b>Balance at 30-06-2010</b>	<b>Received during the period</b>	<b>Redeemed written off during the period</b>	<b>Balance at 30-06-2011</b>	<b>Carrying Value of Property Plant &amp; Equip</b>	<b>Other Costs in accordance with the MFMA</b>
<b>LONG-TERM LOANS : STOCK</b>								
DBSA			15 000 000	0	0	15 000 000		
<b>TOTAL LONG-TERM LOANS</b>			15 000 000	0	0	15 000 000	0	0
<b>ANNUITY LOAN LOANS</b>								
ANNUITY LOAN DBSA				35 010 350		35 010 350		
ANNUITY LOAN ABSA				34 780 000		34 780 000		
ANNUITY LOAN INCA			21 449 588	0	1 620 180	19 829 408		
<b>TOTAL ANNUITY LOANS</b>			21 449 588	69 790 350	1 620 180	89 619 758	0	0
<b>SINKING FUND</b>								
SINKING FUND ABSA			11 600 000			11 600 000		
<b>TOTAL SINKING FUND</b>			11 600 000	0	0	11 600 000	0	0
<b>TOTAL EXTERNAL LOANS</b>			48 049 588	69 790 350	1 620 180	116 219 758	0	0

**Appendix B**

**Greater Tzaneen Municipality**

Analysis of Property Plant and Equipment as at 30 June 2011

Categories	Opening Cost		Cost		Disposals		Closing Cost		Depreciation		Closing Dep.		NBV
	Additions	FWY Additions	FWY Additions	Disposals	Disposals	Disposals	Opening Dep.	YTD Dep.	Disposal Dep.	Disposal Dep.	Disposal Dep.	Disposal Dep.	
<b>Community Assets</b>													
Airports	128 986.00	0.00	0.00	0.00	0.00	128 986.00	0.00	0.00	0.00	0.00	128 986.00	0.00	0.00
Cemeteries	3 702 000.00	0.00	0.00	0.00	0.00	3 702 000.00	3 774.13	0.00	0.00	151 303.46	3 550 696.51	0.00	3 550 696.51
Land & Buildings	2 016 000.00	0.00	0.00	0.00	0.00	2 016 000.00	0.00	0.00	0.00	0.00	2 016 000.00	0.00	2 016 000.00
Library	7 350 000.00	0.00	0.00	0.00	0.00	7 350 000.00	300 342.23	69 931.56	0.00	400 273.79	6 949 726.21	0.00	6 949 726.21
Municipal Offices	15 375 000.00	0.00	0.00	0.00	0.00	15 375 000.00	2 815 738.42	698 656.32	0.00	3 752 394.74	11 622 605.26	0.00	11 622 605.26
Museums	1 300 000.00	0.00	0.00	0.00	0.00	1 300 000.00	80 102.87	29 978.47	0.00	120 081.34	1 179 918.66	0.00	1 179 918.66
Parks	29 325 500.00	977 000.00	0.00	0.00	0.00	29 302 500.00	671 264.86	233 347.02	0.00	894 611.81	28 407 888.09	0.00	28 407 888.09
Recreational Facilities	8 430 666.92	0.00	0.00	0.00	0.00	8 430 666.92	2 340 833.23	752 679.56	0.00	3 083 412.79	5 337 254.13	0.00	5 337 254.13
Traffic Centres	665 000.00	0.00	0.00	0.00	0.00	665 000.00	18 921.22	6 185.76	0.00	24 816.97	637 183.03	0.00	637 183.03
<b>Sub Total</b>	<b>87 489 752.92</b>	<b>977 000.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>86 445 752.92</b>	<b>6 679 718.01</b>	<b>2 066 916.00</b>	<b>0.00</b>	<b>8 686 633.92</b>	<b>89 901 096.10</b>	<b>0.00</b>	<b>89 901 096.10</b>
<b>Infrastructure</b>													
Buildings	0.00	142 060.00	0.00	0.00	0.00	142 060.00	0.00	9 024.86	0.00	9 024.86	133 035.14	0.00	133 035.14
Electricity	763 113 468.78	5 644 850.71	0.00	0.00	0.00	768 758 319.50	112 877 008.71	32 064 020.74	0.00	144 941 029.45	623 817 290.05	0.00	623 817 290.05
Electricals/Plant/Peripherals	4 037 173.17	1 710 231.34	0.00	0.00	0.00	5 747 404.51	499 472.03	166 287.59	0.00	665 759.62	4 581 644.89	0.00	4 581 644.89
Land & Buildings	14 652 366.52	0.00	0.00	0.00	0.00	14 652 366.52	3 617 077.41	1 302 798.49	0.00	4 919 875.90	9 672 490.62	0.00	9 672 490.62
Refuse sites	15 428 874.72	31 929 843.09	0.00	0.00	2 881 234.62	44 357 483.25	893 489.11	614 239.23	186 856.00	1 508 633.33	43 048 649.92	0.00	43 048 649.92
Roads	766 907 106.14	20 724 010.36	0.00	0.00	0.00	787 631 116.50	145 950 329.71	53 655 567 666	0.00	199 605 897.27	588 025 219.23	0.00	588 025 219.23
Solid Waste	1 814 558.01	0.00	0.00	0.00	0.00	1 814 558.01	165.86	80 443.87	0.00	80 609.73	1 733 948.28	0.00	1 733 948.28
Traffic (ls)	347 170.00	0.00	0.00	0.00	0.00	347 170.00	89 424.00	23 102.47	0.00	112 526.47	234 643.53	0.00	234 643.53
<b>Sub Total</b>	<b>1 584 250 716.38</b>	<b>59 051 056.48</b>	<b>0.00</b>	<b>2 881 234.62</b>	<b>1 665 320 536.32</b>	<b>263 105 995.56</b>	<b>87 996 461.89</b>	<b>186 665.00</b>	<b>0.00</b>	<b>359 667 516.60</b>	<b>1 289 483 025.71</b>	<b>0.00</b>	<b>1 289 483 025.71</b>
<b>Investment Property</b>													
Land	158 019 830.00	147 414 792.20	0.00	0.00	0.00	305 434 622.20	0.00	0.00	0.00	0.00	305 434 622.20	0.00	305 434 622.20
<b>Sub Total</b>	<b>158 019 830.00</b>	<b>147 414 792.20</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>305 434 622.20</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>305 434 622.20</b>	<b>0.00</b>	<b>305 434 622.20</b>
<b>Land</b>	<b>46 371 850.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>46 371 850.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>46 371 850.00</b>	<b>0.00</b>	<b>46 371 850.00</b>
<b>Sub Total</b>	<b>46 371 850.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>46 371 850.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>46 371 850.00</b>	<b>0.00</b>	<b>46 371 850.00</b>
<b>Other Assets</b>													
Buildings	5 463 044.68	0.00	0.00	47 039.47	5 416 005.21	5 416 005.21	840 541.44	280 687.94	7 632.09	1 116 677.20	4 299 328.02	0.00	4 299 328.02
Computer Equipment	1 674 140.53	593 325.04	208 004.54	53 965.98	2 410 655.02	2 410 655.02	830 359.75	423 783.53	26 995.18	1 330 598.11	1 080 056.91	0.00	1 080 056.91
Electricity	39 298.29	0.00	0.00	0.00	39 298.29	39 298.29	14 094.10	4 689.47	0.00	19 783.56	37 515.73	0.00	37 515.73
Furniture & Fixings	73 592.52	128 178.80	139 861.74	56 787.54	838 255.52	838 255.52	364 679.47	144 357.47	10 373.72	496 063.21	439 892.31	0.00	439 892.31
Health Equipment	39 220.83	0.00	39 467.25	2 408.47	69 278.72	69 278.72	16 681 086	7 478.96	864.64	23 197.00	46 081.72	0.00	46 081.72
Land	4 786.00	0.00	0.00	0.00	4 786.00	4 786.00	0.00	0.00	0.00	0.00	4 786.00	0.00	4 786.00
Motor Vehicles	9 225 445.08	0.00	0.00	83 200.00	9 142 245.08	9 142 245.08	3 594 985.13	1 381 233.15	65.09	4 826 143.20	4 286 102.48	0.00	4 286 102.48
Office Equipment	1 104 855.91	25 136.00	81 077.17	372 577.17	2 082 911.90	2 082 911.90	140 414.56	17 650.76	17 650.76	452 684.46	395 216.84	0.00	395 216.84
Parks	30 711.80	0.00	0.00	0.00	30 711.80	30 711.80	4 673.26	1 534.66	0.00	6 148.21	24 563.59	0.00	24 563.59
Plant & Machinery	6 471 983.64	488 232.30	139 400.65	78 851.74	6 978 468.33	6 978 468.33	1 417 064.91	524 531.43	39 246.63	2 003 349.49	4 965 118.84	0.00	4 965 118.84
Security Measures	800 044.79	0.00	0.00	0.00	800 044.79	800 044.79	67 720.04	22 537.19	0.00	90 257.23	697 787.56	0.00	697 787.56
Warehouses	0.00	0.00	0.00	7 287.27	7 287.27	7 287.27	0.00	3.56	0.00	3.56	7 283.71	0.00	7 283.71
<b>Sub Total</b>	<b>26 468 313.86</b>	<b>1 281 072.14</b>	<b>691 266.62</b>	<b>681 077.08</b>	<b>28 607 415.66</b>	<b>28 607 415.66</b>	<b>7 683 670.46</b>	<b>2 816 186.11</b>	<b>104 428.34</b>	<b>10 395 440.22</b>	<b>16 111 973.33</b>	<b>0.00</b>	<b>16 111 973.33</b>
<b>Software</b>													
Software	0.00	98 164.30	0.00	0.00	98 164.30	98 164.30	0.00	16 639.30	0.00	16 639.30	81 525.00	0.00	81 525.00
<b>Sub Total</b>	<b>0.00</b>	<b>98 164.30</b>	<b>0.00</b>	<b>0.00</b>	<b>98 164.30</b>	<b>98 164.30</b>	<b>0.00</b>	<b>16 639.30</b>	<b>0.00</b>	<b>16 639.30</b>	<b>81 525.00</b>	<b>0.00</b>	<b>81 525.00</b>
<b>Leased Assets</b>													
Leased Assets	13 307 400.00	5 337 455.50	0.00	83 200.00	18 667 055.50	18 667 055.50	7 684 427.11	3 789 496.70	65.09	11 543 648.73	6 911 836.86	0.00	6 911 836.86
<b>Sub Total</b>	<b>13 307 400.00</b>	<b>5 337 455.50</b>	<b>0.00</b>	<b>83 200.00</b>	<b>18 667 055.50</b>	<b>18 667 055.50</b>	<b>7 684 427.11</b>	<b>3 789 496.70</b>	<b>65.09</b>	<b>11 543 648.73</b>	<b>6 911 836.86</b>	<b>0.00</b>	<b>6 911 836.86</b>
<b>Work in Progress</b>													
Work in Progress	0.00	0.00	0.00	0.00	0.00	0.00	31 639 240.00	0.00	0.00	0.00	31 639 240.00	0.00	31 639 240.00
<b>Grand Total</b>	<b>1 904 836 862.22</b>	<b>248 778 628.63</b>	<b>691 266.62</b>	<b>3 765 505.60</b>	<b>2 147 461 264.67</b>	<b>2 147 461 264.67</b>	<b>288 032 884.16</b>	<b>96 764 721.80</b>	<b>300 379.43</b>	<b>381 449 092.67</b>	<b>1 766 002 182.20</b>	<b>0.00</b>	<b>1 766 002 182.20</b>

## Appendix C Greater Tzaneen Municipality

Segmental Analysis of Property Plant And Equipment as at 30 June 2011

Categories	Cost			Depreciation			Closing Dep	NBV		
	Opening Cost	Additions	FMV Additions	Disposals	Closing Cost	Opening Dep			YTD Dep	Disposal Dep
Community & Social Services	7 589 536.77	1 153 037.50	156 248.12	15 154.46	8 883 667.94	1 659 382.13	512 746.33	1 753.48	2 170 376.99	6 713 290.95
Electricity	813 641 172.70	39 235 019.90	35 996.78	3 024 402.53	849 887 786.85	114 564 273.27	33 118 951.10	215 718.93	147 467 505.45	702 420 281.41
Executive & Council	3 474 757.06	0.00	0.00	47 039.47	3 427 717.59	556 372.96	184 788.14	7 532.09	732 628.61	2 695 088.98
Finance & Admin	15 524 344.20	801 084.54	343 189.35	457 079.20	16 211 538.88	3 427 157.76	2 464 499.03	48 085.41	5 843 571.37	10 367 967.51
Health	122 781.17	0.00	0.00	0.00	122 781.17	32 469.88	10 805.02	0.00	43 274.91	79 506.26
Housing	196 668 822.39	147 474 792.20	548.90	0.00	344 144 163.48	6 918 503.29	2 302 278.76	0.00	9 221 182.05	334 822 981.43
Planning & Development	46 485 967.98	0.00	0.00	26 288.34	46 459 679.64	51 819.79	17 073.44	28.79	68 864.45	46 390 815.19
Public Safety	3 386 816.41	2 860 835.50	0.00	35 580.92	6 212 070.99	529 473.44	929 738.89	1 000.97	1 458 211.35	4 753 859.63
Road Transport	745 549 679.55	22 615 619.98	55 315.48	20 253.86	768 200 361.15	150 298 533.32	54 628 693.08	5 774.15	204 885 367.39	563 314 993.76
Sports & Recreation	57 075 539.14	0.00	0.00	0.00	57 075 539.14	4 536 404.25	1 505 684.00	0.00	6 042 086.25	51 033 450.89
Waste Management	15 071 766.83	0.00	0.00	129 706.92	14 942 060.92	2 366 666.21	1 050 275.94	23 464.62	3 393 457.53	11 548 602.49
Water	244 678.02	0.00	0.00	0.00	244 678.02	83 378.25	39 186.07	0.00	122 564.32	122 113.70
Work in Progress		31 639 240.00			31 639 240.00					31 639 240.00
<b>Grand Total</b>	<b>1 904 835 862.22</b>	<b>245 779 629.63</b>	<b>591 298.62</b>	<b>3 755 505.60</b>	<b>2 147 481 284.87</b>	<b>285 023 834.15</b>	<b>96 764 721.90</b>	<b>303 378.43</b>	<b>381 449 092.67</b>	<b>1 766 002 182.20</b>



# APPENDIX D

## GREATER TZANEEN MUNICIPALITY

30 JUNE 2011  
SEGMENTAL INCOME STATEMENT FOR THE YEAR ENDED

	2010 ACTUAL INCOME R	2010 ACTUAL EXPENDITURE R	2010 SURPLUS/ (DEFICIT) R	2011 ACTUAL INCOME R	2011 ACTUAL EXPENDITURE R	2011 SURPLUS/ (DEFICIT) R
	123 323	4 995 602	-4 872 279	124 663	3 255 602	-3 130 939
Community & Social Services						
Electricity	218 763 153	211 411 984	7 351 169	259 614 029	271 751 170	-12 137 141
Executive & Council	19 232 943	22 160 901	-2 927 958	0	23 351 766	-23 351 766
Finance & Admin	177 859 466	100 173 002	77 686 464	201 069 764	82 209 412	118 860 352
Health	12 063	4 731 684	-4 719 621	51 755	4 906 770	-4 855 015
Housing	7 929 463	6 462 821	1 466 642	842 258	10 323 307	-9 481 049
Planning & Development	22 844 444	21 488 556	1 355 888	4 555 711	15 286 664	-10 730 953
Public Safety	1 415 305	13 986 654	-12 571 349	2 851 562	21 129 592	-18 278 030
Road Transport	62 204 740	69 546 317	-7 341 577	64 585 671	136 783 034	-72 197 363
Sport & Recreation	24 527	12 402 182	-12 377 655	31 060	14 884 377	-14 853 317
Waste Management	0	2 875 474	-2 875 474	0	3 346 320	-3 346 320
Waste Water Management	25 308 283	50 836 195	-25 527 912	30 551 211	41 322 916	-10 771 705
Water	0	0	0	0	0	0
Other	0	0	0	0	0	0
<b>Sub Total</b>	<b>535 717 710</b>	<b>521 071 372</b>	<b>14 646 338</b>	<b>564 277 684</b>	<b>628 550 930</b>	<b>-64 273 246</b>
Less Inter-Dep Charges						
<b>Total</b>	<b>535 717 710</b>	<b>521 071 372</b>	<b>14 646 338</b>	<b>564 277 684</b>	<b>628 550 930</b>	<b>-64 273 246</b>

**APPENDIX E(1)**  
**GREATER TZANEEN MUNICIPALITY**  
**ACTUAL VERSUS BUDGET FOR THE YEAR ENDED 30 JUNE 2011**

	2011 ACTUAL (R)	2011 BUDGET (R)	2011 VARIANCE (R)	2011 VARIANCE (%)	EXPLANATION OF SIGNIFICANT VARIANCES GREATER THAN 10% VERSUS BUDGET
<b>REVENUE</b>					
Property rates	44 884 769	42 463 514	-2 221 255	-4.97%	
Property rates - Penalties imposed and collection c	3 254 284	2 500 000	-754 284	-23.18%	
Service charges	266 937 444	279 858 952	12 921 508	4.84%	
Rental of facilities and equipment	578 984	458 914	-120 070	-20.74%	
Interest earned - external investments	2 307 906	550 000	-1 757 906	-76.17%	
Interest earned - outstanding debtors	14 062 262	7 000 000	-7 062 262	-50.22%	
Fines	3 110 380	2 230 707	-879 673	-28.28%	
Licences and permits	413 695	276 250	-137 445	-33.22%	
Income for agency services	8 878 626	32 743 425	23 864 799	268.79%	
Government grants and subsidies	193 660 678	207 449 986	13 789 308	7.12%	
Other income	5 369 070	1 407 178	-3 961 892	-73.79%	
Public contributions, donated/contributed PPE			0	0.00%	
Gains on disposal of property, plant and equipment		1 500 000	1 500 000	0.00%	
<b>Operating income generated</b>	<b>543 258 098</b>	<b>578 438 926</b>	<b>35 180 828</b>	<b>6.48%</b>	
<b>Less Income Foregone</b>		<b>6 630 257</b>	<b>6 630 257</b>	<b>0.00%</b>	
<b>Total Operating Income</b>	<b>543 258 098</b>	<b>571 808 669</b>		<b>5.26%</b>	
<b>EXPENDITURE</b>					
Employee related costs	91 435 963	81 382 956	0	0.00%	
Remuneration of Councillors	15 227 957	16 070 480	842 523	5.53%	
Bad debts	21 565 129	7 300 921	-14 264 208	-66.14%	
Collection costs	599 575	200 000	-399 575	-66.64%	
Loss on inventory	162 676		-162 676	-100.00%	
Depreciation	96 764 663	22 667 674	-74 096 989	-76.57%	
Repairs and maintenance	100 981 820	94 764 818	-6 217 002	-6.16%	
Interest on external borrowings	7 783 516	12 769 303	4 985 787	64.06%	
Impairment of assets			0	0.00%	
Bulk purchases	176 451 428	171 882 321	-4 569 107	-2.59%	
Contracted services	26 644 676	23 378 132	-3 266 544	-12.26%	
Grants and subsidies paid	29 898 457	48 549 805	18 651 348	62.38%	
General expenses - other (including abnormal expen	40 015 484	68 825 155	28 809 671	72.00%	
Contributions to/(transfers from) provisions			0	0.00%	
Loss on disposal of property, plant and equipment			0	0.00%	
Cash Requirement			0	0.00%	
<b>Total Expenditure</b>	<b>607 531 344</b>	<b>547 791 565</b>	<b>-59 739 779</b>	<b>-9.83%</b>	
<b>NET SURPLUS (DEFICIT) FOR THE YEAR</b>	<b>-64 273 246</b>	<b>24 017 104</b>	<b>88 290 350</b>	<b>-137.37%</b>	

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

	OPENING		ACTUAL	UNDER		DISPOSALS	TOTAL	2011		2011 VARIANCE %	EXPLANATION OF SIGNIFICANT VARIANCES GREATER THAN 5% VERSUS BUDGET
	BALANCE			CONSTRUCTION				BUDGET	VARIANCE		
Community & Social Services	7 589 537		1 153 038	156 248	15 154	1 309 286	200 000	1 109 286	555%		
Electricity	813 641 173		39 235 020	35 997	3 024 403	39 271 017	45 390 000	-6 118 983	-13%		
Executive & Council	3 474 757		0	0	47 039	0	0	0	0%		
Finance & Admin	15 524 344		801 085	343 189	457 079	1 144 274	1 075 686	68 588	6%		
Health	122 781		0	0	0	0	0	0	0%		
Housing	196 668 822		147 474 792	549	0	147 475 341	15 000 000	147 475 341	0%		
Planning & Development	46 485 968		0	0	26 288	0	15 000 000	-15 000 000	-100%		
Public Safety	3 386 816		2 860 836	0	35 581	2 860 836	2 860 836	0	0%		
Road Transport	745 549 680		22 615 620	55 315	20 254	22 670 935	46 100 000	-23 429 065	-51%		
Sports & Recreation	57 075 539		0	0	0	0	0	0	0%		
Waste Management	15 071 767		0	0	129 707	0	12 897 050	-12 897 050	-100%		
Water	244 678		0	0	0	0	0	0	0%		
Work In Progress			31 639 240			31 639 240					
<b>TOTAL</b>	<b>1 904 835 862</b>		<b>245 779 630</b>	<b>591 299</b>	<b>3 755 506</b>	<b>246 370 928</b>	<b>120 662 736</b>	<b>94 068 952</b>			