



Greater Tzaneen Municipality
Consolidated Financial Statements
for the year ended 30 June 2016

Greater Tzaneen Municipality

Consolidated Financial Statements for the year ended 30 June 2015

General Information

Legal form of entity	Municipality
Nature of business and principal activities	<p>Greater Tzaneen Municipality is a local municipality performing the functions as set out in the constitution (Act no 105 of 1996).</p> <p>GTEDA is a municipal entity performing the functions consistent with that of an entity.</p>
Jurisdiction within which the Municipality operates	The Greater Tzaneen Municipality is situated in the eastern quadrant of the Limpopo Province in the Mopani District Municipality Area of Jurisdiction. It comprises a land area of approximately 3240 km ² , and extends from Haanortsburg in the west, to Rithbervale in the east (95km), and just south of Modjadjiskoof in the north, to Trichardtsdal in the south (47km).
Executive committee	
Mayor	Councillor DJ Mmello
Members of the Executive Committee	Councillor DJ Mmello Councillor MN Mboweni (Finance) Councillor M Makwela (Sport, Recreation, Art and Culture) Councillor RE Pohl Councillor GE Ntshane (Special Programmes) Councillor RR Selomo (Infrastructure) Councillor ML Hlangwane (Health, Environment and Social Development) Councillor B Sekgotodi (Public Transport and Safety and Security) Councillor ML Noha (Economic Development, Housing and Spatial Development Plan) Councillor NM Mahasha (Corporate Gov. and Shared Services) Councillor C Machimana (Speaker) Councillor MG Mangena (Chief Whip)

Greater Tzaneen Municipality

Consolidated Financial Statements for the year ended 30 June 2015

General Information

Ordinary Councillors

Councillor TK Mkeri (MPAC Chairperson)
Councillor C Daloyi
Councillor KO Banyini
Councillor M Makgonaile
Councillor AJ van Vuuren
Councillor MM Letsola
Councillor MD Mabape
Councillor G Mabuza
Councillor C Nkhwashi
Councillor S Mahori
Councillor MR Makhudu
Councillor SC Makwela
Councillor SJ Nkuna
Councillor A Makwela
Councillor C Memogale
Councillor MS Maunathala
Councillor SP Masella
Councillor RM Mashava
Councillor NA Masile
Councillor L Maliba
Councillor M Sabala
Councillor M Mbhatli
Councillor MS Mboweni
Councillor DQ Mhlari
Councillor MD Hlangwini
Councillor MM Mmola
Councillor TS Manyama
Councillor MM Mohale
Councillor I. Mohale
Councillor T Mokgothi
Councillor M.J. Mokgotoboto
Councillor ST Mushwana
Councillor DG Mushwana
Councillor M. Malebatl
Councillor M. McNeil
Councillor MR Shingange
Councillor ND Nthlovu
Councillor L Maake
Councillor DL Ndove
Councillor GG Nghondzweni
Councillor RP Nghonyama
Councillor P. Machele
Councillor S. Mhlati
Councillor B. Mashete
Councillor J. Mofhila
Councillor ML Pudirabekwa
Councillor MS Raganya
Councillor PJ Ramodipa
Councillor ME Ramolefo
Councillor NR Rikhalso
Councillor ML Mhlongo
Councillor N. Nkhwashi
Councillor MH Magoro
Councillor M Sibya
Councillor M. Valentin
Councillor NH Zandeniwa

Grading of local authority

Grade 4: High capacity

Chief Finance Officer (CFO)

Norah Mokgadi Klon
K.J. Maphoto

Accounting Officer

Selomo Republic Monakedi

Greater Tzaneen Municipality

Consolidated Financial Statements for the year ended 30 June 2015

General Information

Registered office	Agatha Street Civic Center Tzaneen 0850
Business address	Agatha Street Civic Center Tzaneen 0850
Postal address	P.O. Box 24 Tzaneen 0850
Bankers	ABSA
Website address	www.tzaneen.gov.za
Audit committee	SA Ngobeni (Chairperson) HN Masedi I. Lankalebatela JM Mofokong
Level of rounding AGSA (Auditor)	Rounding to the nearest Rand Auditor General Telephone number: 015 283 9338 E-mail address: inevhutalu@agsa.co.za

Greater Tzaneen Municipality

Consolidated Financial Statements for the year ended 30 June 2015

Index

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

Index	Page
Accounting Officer's Responsibilities and Approval	6
Accounting Officer's Report	7
Statement of Financial Position	8
Statement of Financial Performance	9
Statement of Changes in Net Assets	10
Cash Flow Statement	11
Statement of Comparison of Budget and Actual Amounts	12
Accounting Policies	17 - 38
Notes to the Consolidated Financial Statements	39 - 91
Appendixes:	
Appendix A: Schedule of External loans	92
Appendix B: Analysis of Property, Plant and Equipment	93
Appendix C: Segmental analysis of Property, Plant and Equipment	98
Appendix D: Segmental Statement of Financial Performance	100
Appendix E(1): Actual versus Budget (Revenue and Expenditure)	101
Appendix E(2): Actual versus Budget (Acquisition of Property, Plant and Equipment)	102
Abbreviations	
GTEDA	Greater Tzaneen Economic Development Agency
SETA	Sector Education and Training Authority
DBSA	Development Bank of South Africa
SALGA	South African Local Government Association
GRAP	Generally Recognised Accounting Practice
IMFO	Institute of Municipal Finance Officers
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
MSIG	Municipal Systems Improvement Grant
EPWP	Expanded Public Works Programme
GTM	Greater Tzaneen Municipality

Greater Tzaneen Municipality

Consolidated Financial Statements for the year ended 30 June 2015

Accounting Officer's Responsibilities and Approval

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

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

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

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

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

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

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

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

The consolidated financial statements set out on pages 8 to 93, which have been prepared on the going concern basis, were approved by the accounting officer on 30 September 2015 and were signed on its behalf by:



Norah M. Kgadi, Lion
Chief Financial Officer

Greater Tzaneen Municipality

Consolidated Financial Statements for the year ended 30 June 2015

Accounting Officer's Report

The accounting officer submits his report for the year ended 30 June 2015.

1. Review of activities

Main business and operations

The Greater Tzaneen Municipality is situated in the eastern quadrant of the Limpopo Province within the Mopani District Municipality Area of Jurisdiction. It comprises a land area of approximately 3240 km, and extends from Haerterstburg in the West, to Rubbervale in the East (85km), and just South of Modjadjiskloof in the North, to Trichardsdal in the South, (47 km).

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

Financial review

This review highlights the Municipality's performance for the past year but does not in any way attempt to provide detail of the performance. Full detail appear in the annual financial statements.

Overview of the Municipality's Results:

The main revenue sources of the Municipality are:

- Property rates;
- Service charges and
- Government grants and subsidies

Whilst the highest expenditure items are:

- Employee related costs;
- Bulk purchases and
- Repairs and maintenance

Council has embarked on implementing a range of revenue collecting strategies to optimise the collection of debt owned by consumers. Furthermore, Council undertook a billing data cleanup exercise which yielded good results.

With regards to expenditure management the cost containment measures approved by Cabinet on 23 October 2013 have been introduced through the 2014/2015 budget process and will be complied with.

Net surplus of the Municipality was R 26 174 819 (2014: surplus R 138 472 450).

2. Going concern

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

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

3. Subsequent events

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

4. Accounting Officer

The accounting officer of the municipality at the date of this report is as follows:

Name	Nationality
Selemo Republic Monakedi	South African

5. Auditors

Auditor General of South Africa will continue in office for the next financial period.

Greater Tzaneen Municipality

Consolidated Financial Statements for the year ended 30 June 2015

Statement of Financial Position as at 30 June 2015

Figures in Rand	Notes	Economic entity		Controlling entity	
		2015	2014 Restated*	2015	2014 Restated*
Assets					
Current Assets					
Inventories	3	17 368 355	18 343 697	17 368 355	16 343 697
Other financial assets	4	1 483 913	1 358 768	1 483 913	1 358 768
Operating lease asset	5	117 080	130 749	117 080	130 749
Receivables from exchange transactions	6	185 433 037	188 061 100	185 420 651	188 067 714
Receivables from non-exchange transactions	7	2 553 010	423 657	2 553 010	423 657
Consumer debtors	8	115 629 701	98 092 370	115 629 701	90 092 370
Cash and cash equivalents	9	28 404 636	24 377 989	27 977 498	23 822 041
		350 939 732	328 786 330	350 659 208	328 228 996
Non-Current Assets					
Investment property	10	189 945 000	182 157 000	189 945 000	182 157 000
Property, plant and equipment	11	1 670 102 179	1 661 411 109	1 670 008 187	1 661 261 664
Intangible assets	12	881 355	219 507	840 181	156 235
Other financial assets	4	7 557 365	6 646 402	7 557 365	6 646 402
		1 868 485 899	1 850 434 108	1 868 350 733	1 850 221 301
Total Assets		2 219 425 631	2 179 220 438	2 218 909 941	2 178 450 297
Liabilities					
Current Liabilities					
Other financial liabilities	13	13 122 036	12 014 682	13 122 036	12 014 682
Finance lease obligation	14	576 879	2 171 874	576 879	2 171 874
Payables from exchange transactions	15	143 495 863	148 079 548	143 104 321	148 221 598
VAT payable	16	29 410 587	28 160 210	29 626 345	28 223 389
Consumer deposits	17	21 032 333	18 436 179	21 032 333	18 436 179
Unspent conditional grants and receipts	18	60 435 514	44 079 479	60 435 514	44 079 479
Provisions	19	2 488 580	2 614 676	2 488 580	2 614 676
		270 562 092	266 056 646	270 386 008	255 761 877
Non-Current Liabilities					
Other financial liabilities	13	94 509 269	107 631 295	94 509 269	107 631 295
Finance lease obligation	14	253 826	415 637	253 826	415 637
Employee benefit obligation	20	76 324 822	63 783 845	76 324 022	63 783 845
Provisions	19	3 475 973	3 159 975	3 475 973	3 159 975
		174 563 890	174 990 752	174 563 890	174 990 752
Total Liabilities		445 125 982	441 047 398	444 949 898	430 752 629
Net Assets		1 774 349 649	1 748 173 040	1 773 960 043	1 747 697 668
Accumulated surplus		1 774 349 649	1 748 173 040	1 773 960 043	1 747 697 668

* See Note 61

Greater Tzaneen Municipality

Consolidated Financial Statements for the year ended 30 June 2015

Statement of Financial Performance

Figures in Rand	Notes	Economic entity		Controlling entity	
		2015	2014 Restated ^a	2015	2014 Restated ^a
Revenue					
Revenue from exchange transactions					
Service charges	21	406 880 708	362 004 402	406 880 708	362 004 404
Rental of facilities and equipment		1 188 589	1 179 344	1 188 589	1 179 344
Interest received (trading)		12 057 488	10 868 709	12 057 488	10 868 709
Agency services		7 205 556	6 360 327	7 205 556	6 360 327
Licences and permits		711 014	540 814	711 014	540 814
Other income	22	27 324 611	19 184 925	27 323 317	19 184 092
Interest received - investment	55	2 414 245	2 180 956	2 381 124	2 164 145
Total revenue from exchange transactions		457 882 209	402 319 277	457 047 794	402 301 835
Revenue from non-exchange transactions					
Taxation revenue					
Property rates	23	74 098 025	68 345 319	74 098 025	68 345 319
Property rates - penalties imposed	23	5 368 139	4 770 262	5 368 139	4 770 262
Transfer revenue					
Government grants & subsidies	24	344 793 646	316 811 237	341 793 646	309 001 237
Donations	56	-	155 300 000	-	155 300 000
Fines		8 355 543	3 665 353	8 355 543	3 665 353
Total revenue from non-exchange transactions		432 616 353	546 992 171	429 616 353	539 142 171
Total revenue	26	890 497 562	949 311 448	887 463 147	941 443 806
Expenditure					
Employee related costs	27	248 180 435	252 687 238	244 940 968	249 469 283
Remuneration of councillors	28	20 078 193	19 031 200	20 078 193	19 031 200
Administration		258 166	513 280	-	-
Loss on inventory		98 966	(744 777)	98 966	(744 777)
Depreciation and amortisation	57	117 947 839	111 037 880	117 888 220	110 863 755
Impairment of assets	53	1 906 738	8 404 148	1 906 738	8 404 148
Finance costs	31	10 485 721	11 788 977	10 485 721	11 788 977
Lease rentals on operating lease		266 801	219 605	-	-
Debt impairment	58	25 803 260	21 745 127	25 803 260	21 745 127
Collection costs		358 549	175 731	358 549	175 731
Repairs and maintenance	32	32 255 198	20 661 999	32 133 079	20 622 496
Bulk purchases	33	267 856 116	239 064 261	267 856 116	239 064 261
Contracted services	34	39 993 887	40 643 480	39 993 885	40 643 481
Grants and subsidies paid	35	19 712 079	32 201 163	19 712 079	32 201 163
General expenses	36	77 232 748	61 603 336	78 068 922	57 546 549
Total expenditure		862 234 876	819 100 648	859 112 695	810 899 393
Operating surplus		28 262 685	130 210 800	28 350 451	130 544 413
Loss on disposal of assets and liabilities		(1 753 066)	(8 090 388)	(1 753 066)	(8 090 388)
Fair value adjustments	54	(335 000)	16 352 038	(335 000)	16 352 038
		(2 088 066)	8 261 650	(2 088 066)	8 261 650
Surplus for the year		26 174 619	138 472 450	26 262 385	138 606 063

^a See Note 61

Greater Tzaneen Municipality

Consolidated Financial Statements for the year ended 30 June 2015

Statement of Changes in Net Assets

Figures in Rand	Note	Accumulated surplus	Total net assets
Economic entity			
Opening balance as previously reported		1 635 476 581	1 635 476 581
Adjustments			
Prior year adjustments	61	(25 773 990)	(25 773 990)
Balance at 01 July 2013 as restated*		1 609 702 591	1 609 702 591
Changes in net assets			
Surplus for the year		138 472 449	138 472 449
Total changes		138 472 449	138 472 449
Opening balance as previously reported		1 787 248 866	1 787 248 866
Adjustments			
Prior year adjustments	61	(39 071 846)	(39 071 846)
Restated* Balance at 01 July 2014 as restated*		1 748 176 040	1 748 176 040
Changes in net assets			
Surplus for the year		26 174 619	26 174 619
Total changes		26 174 619	26 174 619
Balance at 30 June 2015		1 774 349 659	1 774 349 659
Controlling entity			
Opening balance as previously reported		1 634 676 954	1 634 676 954
Adjustments			
Prior year adjustments	61	(25 785 363)	(25 785 363)
Balance at 01 July 2013 as restated*		1 608 891 601	1 608 891 601
Changes in net assets			
Surplus for the year		138 808 067	138 808 067
Total changes		138 808 067	138 808 067
Opening balance as previously reported		1 786 769 514	1 786 769 514
Adjustments			
Prior year adjustments	61	(39 071 846)	(39 071 846)
Restated* Balance at 01 July 2014 as restated*		1 747 697 668	1 747 697 668
Changes in net assets			
Surplus for the year		26 262 385	26 262 385
Total changes		26 262 385	26 262 385
Balance at 30 June 2015		1 773 960 053	1 773 960 053

* See Note 61

Greater Tzaneen Municipality

Consolidated Financial Statements for the year ended 30 June 2015

Cash Flow Statement

Figures in Rand	Notes	Economic entity		Controlling entity	
		2015	2014 Restated*	2015	2014 Restated*
Cash flows from operating activities					
Receipts					
Traffic services, assessment rates and rental		444 196 188	998 321 400	444 194 896	358 320 568
Grants		363 049 681	326 433 441	358 149 681	320 958 441
Interest income		4 803 570	13 049 685	4 803 570	13 032 854
Agency fees, fines and other receipts		55 647 441	35 089 852	55 814 320	35 089 852
		<u>868 296 880</u>	<u>772 894 358</u>	<u>862 762 468</u>	<u>767 401 715</u>
Payments					
Employee costs		(258 020 858)	(259 861 708)	(252 789 390)	(256 463 750)
Suppliers		(424 406 508)	(316 383 117)	(422 005 730)	(313 776 936)
Finance costs		(10 287 958)	(11 331 029)	(10 287 956)	(11 331 028)
Grants and subsidies paid		(19 712 078)	(32 291 163)	(19 712 079)	(32 291 163)
		<u>(710 516 400)</u>	<u>(619 867 015)</u>	<u>(704 855 155)</u>	<u>(613 862 877)</u>
Net cash flows from operating activities	37	157 780 480	153 027 343	157 907 311	153 538 838
Cash flows from investing activities					
Purchase of property, plant and equipment	11	(262 289 361)	(106 377 264)	(262 287 380)	(106 360 575)
Transfer from work in progress		133 911 258	-	133 911 258	-
Disposal from work in progress		105 338	-	105 338	-
Proceeds from sale of property, plant and equipment	11	-	(8 090 388)	-	(8 090 388)
Purchase of investment property	10	(9 348 000)	(9 125 000)	(9 348 000)	(9 125 000)
Proceeds from sale of investment property	10	(193 066)	-	(193 066)	-
Purchase of other intangible assets	12	(934 639)	(159 588)	(934 640)	(110 879)
Purchase of financial assets		(1 036 108)	(2 512 024)	(1 036 108)	(2 512 024)
Net cash flows from investing activities		(139 784 580)	(126 264 232)	(139 782 600)	(126 198 866)
Cash flows from financing activities					
Repayment of other financial liabilities		(12 014 682)	(10 824 011)	(12 014 682)	(10 824 012)
Finance lease payments		(1 954 571)	(3 570 142)	(1 954 571)	(3 670 143)
Net cash flows from financing activities		(13 969 253)	(14 394 153)	(13 969 253)	(14 394 156)
Net increase in cash and cash equivalents		4 026 647	12 588 958	4 155 468	12 945 817
Cash and cash equivalents at the beginning of the year		24 377 989	11 809 031	23 822 041	10 876 224
Cash and cash equivalents at the end of the year	9	28 404 636	24 377 989	27 977 499	23 822 041

* See Note 51

Greater Tzaneen Municipality

Consolidated Financial Statements for the year ended 30 June 2015

Statement of Comparison of Budget and Actual Amounts

Budget on Actual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Refer to note 51 for explanation of material variances
Figures in Rand						
Economic entity						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	429 176 643	-	429 176 643	406 990 706	(22 195 936)	Note 51
Rental of facilities and equipment	759 100	-	759 100	1 188 589	429 489	
Interest received (trading)	11 800 000	-	11 800 000	12 057 486	257 486	
Agency services	42 992 708	-	42 992 708	7 205 556	(35 787 152)	Note 51
Licences and permits	497 138	-	497 138	711 014	213 876	
Other income - (rollup)	8 030 498	31 909 096	37 939 592	27 321 610	(10 614 982)	Note 51
Interest received - Investment	2 001 000	-	2 001 000	2 414 245	413 245	
Total revenue from exchange transactions	493 257 086	31 909 096	525 166 181	457 882 208	(67 283 973)	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	64 000 000	-	64 000 000	74 088 025	10 088 025	Note 51
Property rates - penalties imposed	4 500 000	-	4 500 000	5 368 139	868 139	
Transfer revenue						
Government grants & subsidies	364 845 000	61 834 052	426 679 052	347 293 646	(79 385 406)	Note 51
Fines, Penalties and Forfeits	3 210 136	-	3 210 136	8 355 643	5 145 407	Note 51
Total revenue from non-exchange transactions	438 555 136	61 834 052	498 389 188	435 115 353	(63 273 835)	
Total revenue	929 812 221	93 743 148	1 023 555 369	892 997 561	(130 557 808)	

Greater Tzaneen Municipality

Consolidated Financial Statements for the year ended 30 June 2015

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Refer to note 51 for explanation of material variances
Figures in Rand						
Expenditure						
Personnel	(147 729 302)	-	(147 729 302)	(248 180 437)	(100 451 135)	Note 51
Remuneration of councillors	(20 672 670)	-	(20 672 670)	(20 078 193)	594 485	
Administration	(400 366)	-	(400 366)	(259 166)	141 200	
Loss on inventory	-	-	-	(98 966)	(98 966)	
Depreciation and amortisation	(120 125 710)	-	(120 125 710)	(117 947 839)	2 177 871	Note 51
Impairment loss/ Reversal of impairments	-	-	-	(1 906 738)	(1 906 738)	Note 51
Finance costs	(10 223 303)	-	(10 223 303)	(10 485 721)	(262 418)	
Lease rentals on operating leases	(250 341)	-	(250 341)	(265 981)	(15 640)	
Bad debts written off	(16 483 459)	-	(16 483 459)	(25 603 260)	(9 119 801)	Note 51
Collection costs	(200 000)	-	(200 000)	(358 549)	(158 549)	
Repairs and maintenance	(125 409 736)	(7 919 873)	(133 329 709)	(32 255 198)	101 074 511	Note 51
Bulk purchases	(268 820 574)	-	(268 820 574)	(267 858 116)	962 458	
Contracted Services	(39 058 872)	889 829	(38 169 243)	(39 993 885)	(1 824 642)	Note 51
Grants and subsidies paid	(17 528 499)	-	(17 528 499)	(19 712 079)	(2 183 580)	Note 51
General Expenses	(83 134 609)	(1 878 752)	(85 013 281)	(77 232 747)	7 780 514	Note 51
Total expenditure	(850 037 349)	(11 909 098)	(861 946 448)	(862 234 875)	(268 430)	
Operating surplus	79 774 872	81 834 052	161 608 924	30 762 586	(130 846 238)	
Loss on disposal of assets and liabilities	2 300 000	-	2 300 000	(1 753 066)	(4 053 066)	
Fair value adjustments	-	-	-	(335 000)	(335 000)	
	2 300 000	-	2 300 000	(2 088 066)	(4 388 066)	
Surplus before taxation	82 074 872	81 834 052	163 908 924	28 674 620	(135 234 304)	
Actual Amount on Comparable Basis	82 074 872	81 834 052	163 908 924	28 674 620	(135 234 304)	

Greater Tzaneen Municipality

Consolidated Financial Statements for the year ended 30 June 2015

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Refer to note 51 for explanation of material variances
Figures in Rand						
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Cash received from trade services, assessment	497 677 000	-	497 677 000	444 194 456	(53 482 544)	
Grants	359 346 000	20 000 000	379 346 000	358 149 681	(21 196 319)	
Interest income	12 801 000	-	12 801 000	3 556 952	(9 244 048)	
Other receipts	54 428 997	66 706 579	111 136 480	56 851 568	(54 284 918)	
	924 252 997	76 706 579	1 000 959 486	862 752 657	(138 206 829)	
Payments						
Employer costs	(268 021 514)	-	(268 021 514)	(252 789 390)	15 232 124	
Suppliers	(448 424 066)	(37 093 000)	(485 517 066)	(422 055 923)	63 461 143	
Finance costs	(10 223 303)	(525 000)	(10 748 303)	(10 288 120)	460 183	
Other payments	(17 528 499)	-	(17 528 499)	(19 712 080)	(2 183 581)	
	(744 197 382)	(37 618 000)	(781 816 382)	(704 845 513)	76 969 869	
Net cash flows from operating activities	180 055 625	39 088 579	219 144 104	157 907 144	(61 236 960)	
Net cash flows from investing activities						
Purchase of property, plant and equipment	(170 903 970)	(61 834 052)	(232 738 022)	(128 376 120)	104 361 902	
Proceeds from sale of property, plant and equipment	2 305 000	-	2 305 000	(147 730)	(2 452 730)	
Purchase of investment property	-	-	-	(9 288 000)	(9 288 000)	
Purchase of other intangible assets	-	-	-	(834 640)	(834 640)	
Proceeds from sale of financial assets	-	-	-	(1 036 108)	(1 036 108)	
Net cash flows from investing activities	(168 598 970)	(61 834 052)	(230 433 022)	(139 782 598)	90 650 424	
Cash flows from financing activities						
Net movement on other financial liabilities	-	(12 014 882)	(12 014 882)	(13 960 089)	(1 954 407)	
Net increase/(decrease) in cash and cash equivalents	11 456 555	(34 760 155)	(23 303 600)	4 155 457	27 459 657	
Cash and cash equivalents at the beginning of the year	10 876 224	12 916 041	23 822 265	23 822 041	(224)	
Cash and cash equivalents at the end of the year	22 332 779	(21 844 114)	618 665	27 977 498	27 459 833	

Greater Tzaneen Municipality

Consolidated Financial Statements for the year ended 30 June 2015

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Refer to note 51 for explanation of material variances
Figures in Rand						
Controlling entity						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	429 176 643	-	429 176 643	406 980 708	(22 195 935)	Note 51
Rental of facilities and equipment	759 100	-	759 100	1 188 588	429 488	
Interest received (trading)	11 800 000	-	11 800 000	12 057 486	257 486	
Agency services	42 992 708	-	42 992 708	7 205 556	(35 787 152)	Note 51
Licences and permits	497 138	-	497 138	711 014	213 876	
Other income - (rollup)	6 030 486	31 909 096	37 939 592	27 323 317	(10 616 275)	Note 51
Interest received - investment	2 001 000	-	2 001 000	2 381 124	380 124	
Total revenue from exchange transactions	493 257 066	31 909 096	525 166 161	457 847 794	(67 318 367)	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	64 000 000	-	64 000 000	74 098 026	10 098 026	Note 51
Property rates - penalties imposed	4 500 000	-	4 500 000	5 368 139	868 139	
Transfer revenue						
Government grants	359 345 000	61 834 052	421 179 052	341 793 846	(79 385 408)	Note 51
Fines, Penalties and Forfeits	3 210 136	-	3 210 136	8 365 543	5 145 407	Note 51
Total revenue from non-exchange transactions	431 065 136	61 834 052	492 899 188	429 815 353	(63 273 835)	
Total revenue	924 312 221	93 743 148	1 018 056 369	887 463 147	(130 592 222)	

Greater Tzaneen Municipality

Consolidated Financial Statements for the year ended 30 June 2015

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Refer to note 51 for explanation of material variances
Figures in Rand						
Expenditure						
Employee cost	(144 432 848)	-	(144 432 848)	(244 948 968)	(100 516 120)	Note 51
Remuneration of councillors	(20 872 678)	-	(20 872 078)	(20 078 193)	594 485	
Loss on inventory	-	-	-	(98 986)	(98 986)	
Depreciation and amortisation	(120 057 710)	-	(120 057 710)	(117 868 218)	2 189 492	Note 51
Impairment loss/ Reversal of impairments	-	-	-	(1 906 738)	(1 906 738)	Note 51
Finance costs	(10 223 303)	-	(10 223 303)	(10 485 724)	(262 418)	
Bad debts impaired	(16 483 459)	-	(16 483 459)	(25 803 280)	(9 119 801)	Note 51
Collection costs	(200 000)	-	(200 000)	(358 549)	(158 549)	
Repairs and maintenance	(125 301 981)	(7 010 973)	(133 221 954)	(32 133 079)	101 088 875	Note 51
Bulk purchases	(288 820 574)	-	(288 820 574)	(267 858 116)	904 458	
Contracted Services	(39 058 872)	889 628	(38 169 243)	(39 993 886)	(1 824 642)	Note 51
Grants and subsidies paid	(17 528 499)	-	(17 528 499)	(19 742 079)	(2 183 580)	Note 51
General Expenses	(81 759 425)	(4 878 752)	(86 638 177)	(78 088 022)	8 560 255	Note 51
Total expenditure	(844 539 349)	(11 909 096)	(866 448 445)	(859 112 694)	(2 664 249)	
Operating surplus	78 772 872	81 834 052	161 606 924	28 350 453	(133 256 471)	
Loss on disposal of assets	2 300 000	-	2 300 000	(1 753 066)	(4 053 066)	
Fair value adjustments	-	-	-	(335 000)	(335 000)	
	2 300 000	-	2 300 000	(2 088 066)	(4 398 066)	
Surplus before taxation	82 072 872	81 834 052	163 906 924	26 262 387	(137 644 537)	
Actual Amount on Comparable Basis	82 072 872	81 834 052	163 906 924	26 262 387	(137 644 537)	

Greater Tzaneen Municipality

Consolidated Financial Statements for the year ended 30 June 2015

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Refer to note 51 for explanation of material variances
Figures in Rand						
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Cash received from trade services, assessment	497 677 000	-	497 677 000	444 194 456	(53 482 544)	
Grants	369 345 000	20 000 000	379 345 000	368 149 681	(21 195 319)	
Interest income	12 801 000	-	12 801 000	3 558 952	(9 244 048)	
Agency fees, fines and other receipts	54 428 807	56 706 579	111 136 486	56 851 568	(54 284 918)	
	924 252 807	76 706 579	1 000 959 486	862 752 657	(138 206 829)	
Payments						
Employee costs	(268 021 514)	-	(268 021 514)	(262 789 390)	15 232 124	
Suppliers and employees	(448 424 066)	(37 093 000)	(485 517 066)	(422 055 923)	63 461 143	
Finance costs	(10 223 303)	(525 000)	(10 748 303)	(10 288 120)	460 183	
Grants and subsidies paid	(17 528 499)	-	(17 528 499)	(19 712 080)	(2 183 581)	
	(744 197 382)	(37 618 000)	(781 815 382)	(704 845 513)	76 969 869	
Net cash flows from operating activities	180 055 525	39 088 579	219 144 104	157 907 144	(61 236 960)	
Cash flows from investing activities						
Purchase of property, plant and equipment	(170 903 970)	(61 834 052)	(232 738 022)	(128 378 120)	104 361 902	
Proceeds from sale of property, plant and equipment	2 305 000	-	2 305 000	(147 730)	(2 452 730)	
Purchase of investment property	-	-	-	(9 288 000)	(9 288 000)	
Purchase of other intangible assets	-	-	-	(934 640)	(934 640)	
Proceeds from sale of financial assets	-	-	-	(1 036 108)	(1 036 108)	
Net cash flows from investing activities	(168 598 970)	(61 834 052)	(230 433 022)	(139 782 598)	90 650 424	
Cash flows from financing activities						
Net movement on other financial liabilities	-	(12 014 682)	(12 014 682)	(13 969 089)	(1 954 407)	
Net cash flows from financing activities	-	(12 014 682)	(12 014 682)	(13 969 089)	(1 954 407)	
Net increase/(decrease) in cash and cash equivalents	11 456 555	(34 760 155)	(23 303 600)	4 155 457	27 459 057	
Cash and cash equivalents at the beginning of the year	10 876 224	12 946 041	23 822 265	23 822 041	(224)	
Cash and cash equivalents at the end of the year	22 332 779	(21 814 114)	518 665	27 977 400	27 458 833	

Greater Tzaneen Municipality

Consolidated Financial Statements for the year ended 30 June 2016

Accounting Policies

1. Basis of preparation

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

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

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

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

These accounting policies are consistent with the previous period, unless explicitly stated otherwise.

1.1 Presentation currency

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

1.2 Going concern assumption

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

1.3 Consolidation

Basis of consolidation

Consolidated financial statements are the financial statements of the economic entity presented as those of a single entity.

The consolidated financial statements incorporate the financial statements of the controlling entity and all controlled entity.

Control exists when the controlling entity has the power to govern the financial and operating policies of another entity so as to obtain benefits from its activities.

The results of controlled entities, are included in the consolidated financial statements from the effective date of acquisition or date when control commences to the effective date of disposal or date when control ceases.

The financial statements of the controlling entity and its controlled entities used in the preparation of the consolidated financial statements are prepared as of the same reporting date.

Adjustments are made when necessary to the financial statements of the controlled entities to bring their accounting policies in line with those of the controlling entity.

All intra-entity transactions, balances, revenues and expenses are eliminated in full on consolidation.

1.4 Significant judgements and sources of estimation uncertainty

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

Trade receivables and loans and receivables

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

Greater Tzaneen Municipality

Consolidated Financial Statements for the year ended 30 June 2015

Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

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

Allowance for slow moving, damaged and obsolete stock

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

Fair value estimation

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

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

Impairment testing

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

The economic entity reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including production estimates, supply demand, together with economic factors such as inflation interest and economic conditions.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 19 - Provisions.

Post retirement benefits

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 20.

Effective interest rate

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

Allowance for doubtful debts

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

1.5 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:

Greater Tzaneen Municipality

Consolidated Financial Statements for the year ended 30 June 2015

Accounting Policies

1.5 Investment property (continued)

- 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 economic entity, and the cost or fair value of the investment property can be measured reliably.

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

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

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

Fair value

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

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

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

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

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

Derecognition

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.

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

1.6 Property, plant and equipment

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

Recognition

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

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

Greater Tzaneen Municipality

Consolidated Financial Statements for the year ended 30 June 2015

Accounting Policies

1.8 Property, plant and equipment (continued)

Initial measurement

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

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

Subsequent measurement

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

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

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

Item	Depreciation method	Average useful life
Furniture and fixtures	Straight line	7
Office equipment	Straight line	3
IT equipment	Straight line	3
Infrastructure	Straight line	
• Roads and paving		10 - 30
• Pedestrian malls		20
• Electricity		10 - 30
• Water		15 - 20
• Sewerage		15 - 20
• Housing		30
Community	Straight line	
• Improvements		30
• Recreational facilities		20
• Security		3 - 5
Other assets	Straight line	
• Buildings		30
• Specialist vehicles		20
• Other vehicles		5 - 7

Greater Tzaneen Municipality

Consolidated Financial Statements for the year ended 30 June 2015

Accounting Policies

1.6 Property, plant and equipment (continued)

▪ Office equipment	3 - 5
▪ Furniture and fittings	7 - 10
▪ Watercraft	15
▪ Bins and containers	5 - 10
▪ Specialised plant and equipment	6 - 15
▪ Other items of plant and equipment	5

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

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

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

Derecognition

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

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

1.7 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. 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, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the economic entity or from other rights and obligations.

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

Recognition

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 economic entity; and
- the cost or fair value of the asset can be measured reliably.

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

Initial measurement

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

Subsequent measurement

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

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

Greater Tzaneen Municipality

Consolidated Financial Statements for the year ended 30 June 2015

Accounting Policies

1.7 Intangible assets (continued)

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

Item	Useful life
Computer software	3 - 5 years
Website development	5 years

Derecognition

Intangible assets are derecognised:

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

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

1.8 Financial instruments

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

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

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

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

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

A financial asset is:

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

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

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

Classification

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

Greater Tzaneen Municipality

Consolidated Financial Statements for the year ended 30 June 2015

Accounting Policies

1.8 Financial Instruments (continued)

Class	Category
Consumer debtors	Financial asset measured at amortised cost
Receivables from exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost
Other financial assets	Financial asset measured at fair value

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

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

Initial recognition

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

The municipality recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

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

Subsequent measurement of financial assets and financial liabilities

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

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

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

Fair value measurement considerations

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

Reclassification

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

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

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

Greater Tzaneen Municipality

Consolidated Financial Statements for the year ended 30 June 2015

Accounting Policies

1.8 Financial instruments (continued)

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

Gains and losses

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

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

Impairment and uncollectibility of financial assets

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

Financial assets measured at amortised cost:

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

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

Financial assets measured at cost:

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

Derecognition

Financial assets

The municipality derecognises financial assets using trade date accounting.

The municipality derecognises a financial asset only when:

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

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

Greater Tzaneen Municipality

Consolidated Financial Statements for the year ended 30 June 2015

Accounting Policies

1.8 Financial Instruments (continued)

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

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

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

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

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

Financial liabilities

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

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

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

Presentation

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

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

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

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

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

Greater Tzaneen Municipality

Consolidated Financial Statements for the year ended 30 June 2015

Accounting Policies

1.9 Tax

Current tax assets and liabilities

Current taxes are measured at the amount expected to be paid to South African Revenue Service, using the tax rate and tax laws that have been enacted by the reporting date. An entity will recognise an asset in respect of taxes when the taxable event occurs and the asset recognition criteria have been met.

Deferred tax assets and liabilities

Deferred taxes are accounted for under the statement of financial position using the liability method, in terms of which:

Deferred tax is measured using the tax rate that is expected to apply to the period when the liability is settled (or the asset is recovered), based on the tax rate and tax laws that have been enacted or substantively enacted by reporting date. In addition, the measurement of deferred tax reflects the tax consequences that would follow from the expected manner of recovery or settlement of the relevant assets and liabilities.

Deferred tax assets

A deferred tax asset is recognised only when it is probable that sufficient taxable income will be available in future against which the asset can be recovered; and are reviewed at each reporting date, and, if necessary, impairment write-downs or reversals are recognised.

1.10 Leases

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

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

Finance leases - lessee

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

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

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

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

Operating leases - lessor

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

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

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

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

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

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

Greater Tzaneen Municipality

Consolidated Financial Statements for the year ended 30 June 2015

Accounting Policies

1.11 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. Where it is held for distribution or consumption at no charge or for a nominal amount, inventories are valued at cost.

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

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

1.12 Impairment of cash-generating assets

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

Identification

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

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

Value in use

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

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

Basis for estimates of future cash flows

In measuring value in use the economic entity:

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

Composition of estimates of future cash flows

Estimates of future cash flows include:

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

Estimates of future cash flows exclude:

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

Greater Tzaneen Municipality

Consolidated Financial Statements for the year ended 30 June 2015

Accounting Policies

1.12 Impairment of cash-generating assets (continued)

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

Discount rate

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

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Cash-generating units

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

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

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

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

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

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

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

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

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

Greater Tzaneen Municipality

Consolidated Financial Statements for the year ended 30 June 2015

Accounting Policies

1.12 Impairment of cash-generating assets (continued)

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

Reversal of impairment loss

The economic entity 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, the entity estimates the recoverable amount of that asset.

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

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

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

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

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

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

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

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

Redesignation

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

1.13 Impairment of non-cash-generating assets

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

Identification

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

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

Value in use

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

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

Greater Tzaneen Municipality

Consolidated Financial Statements for the year ended 30 June 2015

Accounting Policies

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

Depreciated replacement cost approach

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

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Reversal of an impairment loss

The economic entity 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, the economic entity estimates the recoverable service amount of that asset.

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

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

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

Redesignation

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

1.14 Share capital / contributed capital

An equity instrument is any contract that evidences a residual interest in the assets of an economic entity after deducting all of its liabilities.

Greater Tzaneen Municipality

Consolidated Financial Statements for the year ended 30 June 2015

Accounting Policies

1.15 Employee benefits

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

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

Short-term employee benefits

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

Short-term employee benefits include items such as:

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

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

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

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

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

Post-employment benefits

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

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

Multi-employer and State plans

The municipality classifies a multi-employer plan and/or state plans and/or composite social security programmes as a defined contribution plan or a defined benefit plan under the terms of the plan (including any constructive obligation that goes beyond the formal terms).

Where a plan is a defined contribution plan, the municipality accounts for in the same way as for any other defined contribution plan.

Where a plan is a defined benefit plan, the municipality account for its proportionate share of the defined benefit obligation, plan assets and cost associated with the plan in the same way as for any other defined benefit plan.

When sufficient information is not available to use defined benefit accounting for a plan, that is a defined benefit plan, the municipality account for the plan as if it was a defined contribution plan.

Greater Tzaneen Municipality

Consolidated Financial Statements for the year ended 30 June 2015

Accounting Policies

1.15 Employee benefits (continued)

Post-employment benefits: Defined contribution plans

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

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

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

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

Post-employment benefits: Defined benefit plans

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

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

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

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

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

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

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

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

Greater Tzaneen Municipality

Consolidated Financial Statements for the year ended 30 June 2015

Accounting Policies

1.15 Employee benefits (continued)

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

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

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

1.16 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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

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

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

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

Provisions are not recognised for future operating deficits.

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

A contingent liability is:

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

The municipality does not recognise a contingent liability but discloses details of any contingencies in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote. Contingencies are disclosed in note 40.

Greater Tzaneen Municipality

Consolidated Financial Statements for the year ended 30 June 2015

Accounting Policies

1.17 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.18 Revenue from exchange transactions

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

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

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

Measurement

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

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the economic entity has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the economic entity 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 economic entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

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

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

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

Interest

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

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

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

Greater Tzaneen Municipality

Consolidated Financial Statements for the year ended 30 June 2015

Accounting Policies

1.18 Revenue from exchange transactions (continued)

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

1.19 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.

Recognition

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

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

Measurement

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

Rates (including collection charges and penalty interest)

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

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

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

Transfers

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

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

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

Fines

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

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

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

Greater Tzaneen Municipality

Consolidated Financial Statements for the year ended 30 June 2015

Accounting Policies

1.19 Revenue from non-exchange transactions (continued)

Bequests

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

Gifts and donations, including goods in-kind

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

1.20 Borrowing costs

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

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

1.21 Comparative figures

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

1.22 Unauthorised expenditure

Unauthorised expenditure is expenditure that has not been budgeted for, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.23 Fruitless and wasteful expenditure

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

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

1.24 Irregular expenditure

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

1.25 Conditional grants and receipts

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

1.26 Segmental information

Segmental information on property, plant and equipment, as well as income and expenditure, is set out in Appendices C and D, based on the International Government Financial Statistics classifications and the budget formats prescribed by National Treasury. The economic entity operates solely in its area of jurisdiction as determined by the Demarcation Board.

Greater Tzaneen Municipality

Consolidated Financial Statements for the year ended 30 June 2015

Accounting Policies

1.27 Budget Information

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

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

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

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

The budget for the economic entity includes all the entities approved budgets under its control.

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

Comparative information is not required.

1.28 Related parties

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

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

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

1.29 VAT

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

1.30 Change in accounting policies, estimates and errors

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

Changes in accounting estimates are applied prospectively. Details of changes in estimates are disclosed in the notes to the financial statements where applicable.

Correction of errors is applied retrospectively in the period in which the error has occurred except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Refer to note 59 of the financial statements for details of corrections of errors recorded during the period under review.

1.31 Amended disclosure policy

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the financial statements. The principal amendments to matters disclosed in the current financial statements include fundamental errors.

Greater Tzaneen Municipality

Consolidated Financial Statements for the year ended 30 June 2015

Notes to the Consolidated Financial Statements

2. New standards and interpretations

2.1 Standards and interpretations not yet effective or relevant

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

GRAP 20: Related parties

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

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

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

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

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

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

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

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

The standard elaborates on the definitions and identification of:

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

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

- Control;
- Related party transactions; and

Greater Tzaneen Municipality

Consolidated Financial Statements for the year ended 30 June 2015

Notes to the Consolidated Financial Statements

2. New standards and Interpretations (continued)

- Remuneration of management

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

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

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

GRAP32: Service Concession Arrangements: Grantor

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

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

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

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

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

GRAP106: Statutory Receivables

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

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

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

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

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

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

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

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

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

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

Greater Tzaneen Municipality

Consolidated Financial Statements for the year ended 30 June 2015

Notes to the Consolidated Financial Statements

2. New standards and interpretations (continued)

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

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

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

GRAP109: Accounting by Principals and Agents

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

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

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

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

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

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

Greater Tzaneen Municipality

Consolidated Financial Statements for the year ended 30 June 2015

Notes to the Consolidated Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2015	2014	2015	2014
3. Inventories				
Consumable stores	10 618 355	9 168 697	10 618 355	9 168 697
Stands	6 750 000	7 175 000	6 750 000	7 175 000
	17 368 355	16 343 697	17 368 355	16 343 697
The carrying value of consumable stores is disclosed at cost while the carrying value of stands is disclosed at net realisable value.				
4. Other financial assets				
At amortised cost				
Stand sale arrangements	1 483 913	1 358 768	1 483 913	1 358 768
Fixed deposits - unlisted	7 557 365	6 646 402	7 557 365	6 646 402
	9 041 278	8 005 170	9 041 278	8 005 170
Non-current assets				
At amortised cost	7 557 365	6 646 402	7 557 365	6 646 402
Current assets				
At amortised cost	1 483 913	1 358 768	1 483 913	1 358 768
Financial assets at amortised cost				
Council's valuation of unlisted investments				
Liberty	7 557 365	6 646 402	7 557 365	6 646 402
Reconciliation of stand sale arrangements				
Stand sale arrangements	1 483 913	1 358 768	1 483 913	1 358 768
Debtor arrangements	-	885 134	-	885 134
	1 483 913	2 243 902	1 483 913	2 243 902
Provision for impairment	-	(885 134)	-	(885 134)
	1 483 913	1 358 768	1 483 913	1 358 768
Less: Current portion	(1 483 913)	(1 358 768)	(1 483 913)	(1 358 768)
Non-current portion of stand sale arrangements	-	-	-	-

Fair value of investments are at book value as at 30 June 2015.

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

The maximum exposure to credit risk at the reporting date is the fair value of each class of financial asset mentioned above.

The fixed deposit of R 7 557 365 has been ceded to Liberty to repay a loan of R 15 000 000 on maturity date.

Financial assets at amortised cost impaired

No provision for impairment of debtors arrangement has been made during the 2014/2015 financial year. An amount of R 885 134 has been impaired for the 2013/2014 financial year.

Greater Tzaneen Municipality

Consolidated Financial Statements for the year ended 30 June 2015

Notes to the Consolidated Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2015	2014	2015	2014
4. Other financial assets (continued)				
Reconciliation of provision for impairment of financial assets at amortised cost				
Debtor arrangements				
Opening balance	885 134	830 524	885 134	830 524
Provision for impairment	-	54 610	-	54 610
Transfer to other receivables	(885 134)	-	(885 134)	-
	-	885 134	-	885 134

Loans to staff and the public

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

Stand sale arrangements

As from 1 March 2004 no loan agreement has been entered into for the sale of stands. The outstanding loans will be recovered over the remaining period of the individual loan agreements entered into.

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

Debtor arrangements

Short-term debt repayment arrangements have been engaged in to during the 2013/2014 financial year enable debtors to pay outstanding consumer accounts.

5. Operating lease asset (accrual)

Current assets	117 080	130 749	117 080	130 749
Municipality as lessor: Future minimum lease repayments receivable				
Less than one year	370 100	344 666	69 862	63 834
Between one year and five years	818 247	1 166 879	216 811	242 815
More than five years	130 418	253 518	130 418	253 518
	1 318 765	1 764 863	417 091	559 867

6. Receivables from exchange transactions

Trade debtors	173 990 445	172 845 064	173 990 445	172 845 654
Prepayments	7 675 588	4 987 372	7 675 588	4 987 372
Petrol deposits	3 386	3 386	-	-
Land deposit	-	5 877 193	-	5 877 193
Other receivables	21 748 279	18 128 169	21 748 279	18 128 169
Provision for impairment of receivables	(17 984 661)	(13 680 674)	(17 984 661)	(13 880 674)
	185 433 037	188 001 100	185 429 651	188 067 714

Reconciliation of provision for impairment of trade and other receivables

Opening balance	13 880 674	10 219 825	13 880 674	10 219 825
Provision for impairment	4 451 570	3 683 568	4 451 570	3 683 568
Amounts written off as uncollectible	(1 232 717)	(2 719)	(1 232 717)	(2 719)
Transfers from debtors arrangements	885 134	-	885 134	-
	17 984 661	13 680 674	17 984 661	13 880 674

Greater Tzaneen Municipality

Consolidated Financial Statements for the year ended 30 June 2015

Notes to the Consolidated Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2015	2014	2015	2014

6. Receivables from exchange transactions (continued)

Credit quality of receivables from exchange transactions

Trade and other debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other receivables on initial recognition is not deemed necessary.

Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables.

7. Receivables from non-exchange transactions

Fines	2 553 010	423 657	2 553 010	423 657
-------	-----------	---------	-----------	---------

Receivables from non-exchange transactions

The Accounting Standard Board amended GRAP 1 applying the Probability Test on the Initial Recognition of Revenue to include revenue from non-exchange transactions. This amendment is applicable to municipalities from 1 July 2013. GRAP 1 indicates that entities should not consider the probability of non-payment on the initial recognition of revenue. This should be considered as a subsequent event when assessing impairment.

Fine revenue of all fines issued during the current year amounted to R 39 561 197. The outstanding fines were assessed for impairment based on the payment history of fines issued and measures put in place to recover the outstanding amounts.

Credit quality of receivables from non-exchange transactions

Traffic fines are payable as determined by the fine. The credit period granted is considered to be consistent with established practices and legislation.

The municipality's historical experience in collection of traffic fines falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's receivables from non-exchange transactions.

8. Consumer debtors

Gross balances

Rates	96 978 900	85 798 682	96 978 900	85 798 682
Electricity	137 497 869	119 155 507	137 497 869	119 155 507
Refuse	44 209 805	39 814 848	44 209 805	39 814 848
	<u>278 686 574</u>	<u>244 769 037</u>	<u>278 686 574</u>	<u>244 769 037</u>

Less: Allowance for impairment

Rates	(77 894 143)	(70 427 888)	(77 894 143)	(70 427 888)
Electricity	(47 450 938)	(43 709 402)	(47 450 938)	(43 709 402)
Refuse	(37 711 792)	(32 539 286)	(37 711 792)	(32 539 286)
	<u>(163 056 873)</u>	<u>(146 676 666)</u>	<u>(163 056 873)</u>	<u>(146 676 666)</u>

Net balance

Rates	19 084 757	15 370 794	19 084 757	15 370 794
Electricity	90 046 931	75 446 014	90 046 931	75 446 014
Refuse	6 498 013	7 275 562	6 498 013	7 275 562
	<u>115 629 701</u>	<u>98 092 370</u>	<u>115 629 701</u>	<u>98 092 370</u>

Greater Tzaneen Municipality

Consolidated Financial Statements for the year ended 30 June 2015

Notes to the Consolidated Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2015	2014	2015	2014
8. Consumer debtors (continued)				
Included in above is receivables from exchange transactions:				
Electricity	90 046 930	75 446 015	90 046 930	75 446 015
Refuse	6 498 013	7 275 562	6 498 013	7 275 562
	96 544 943	82 721 577	96 544 943	82 721 577
Included in above is receivables from non-exchange transactions (taxes and transfers)				
Rates	19 084 758	15 370 794	19 084 758	15 370 794
Net balance	115 629 701	98 092 371	115 629 701	98 092 371
Rates: Ageing				
Current (0 -30 days)	6 372 475	5 680 336	6 372 475	5 680 336
31 - 60 days	3 240 808	3 086 821	3 249 808	3 086 821
61 - 90 days	2 692 142	2 474 588	2 692 142	2 474 588
91 - 120 days	2 699 578	2 340 884	2 699 578	2 340 884
121 days and older	81 984 897	72 216 055	81 984 897	72 216 055
	96 978 900	85 798 682	96 978 900	85 798 682
Electricity: Ageing				
Current (0 -30 days)	50 189 140	60 916 939	50 189 140	60 916 939
31 - 60 days	7 922 318	8 099 171	7 922 318	8 099 171
61 - 90 days	4 284 848	4 031 428	4 294 848	4 031 428
91 - 120 days	8 807 605	3 840 650	8 807 605	3 840 650
121 days and older	66 284 159	42 277 318	66 284 159	42 277 318
	137 497 869	119 155 506	137 497 869	119 155 506
Refuse: Ageing				
Current (0 -30 days)	2 485 124	2 524 404	2 485 124	2 524 404
31 - 60 days	1 160 830	1 414 019	1 160 830	1 414 019
61 - 90 days	951 313	1 129 586	951 313	1 129 586
91 - 120 days	986 287	1 079 549	986 287	1 079 549
121 days and older	38 646 271	33 887 291	38 646 271	33 887 291
	44 209 805	39 814 848	44 209 805	39 814 848

Greater Tzaneen Municipality

Consolidated Financial Statements for the year ended 30 June 2015

Notes to the Consolidated Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2015	2014	2015	2014
8. Consumer debtors (continued)				
Summary of debtors by customer classification				
Residential property: Ageing				
Current (0 -30 days)	14 627 442	29 089 421	14 627 442	29 089 421
31 - 60 days	6 161 768	8 131 266	6 161 768	8 131 266
61 - 90 days	4 270 707	3 514 549	4 270 707	3 514 549
91 - 120 days	3 847 346	1 877 061	3 847 346	1 877 061
121 - 365 days	117 324 592	86 956 315	117 324 592	86 956 315
	146 231 855	129 568 612	146 231 855	129 568 612
Industrial and commercial: Ageing				
Current (0 -30 days)	27 282 667	28 395 859	27 282 667	28 395 859
31 - 60 days	6 273 513	6 167 683	6 273 513	6 167 683
61 - 90 days	3 031 460	2 934 425	3 031 460	2 934 425
91 - 120 days	7 810 368	3 485 971	7 810 368	3 485 971
121 days and older	64 696 917	56 377 939	64 696 917	56 377 939
	108 094 925	97 361 877	108 094 925	97 361 877
National and provincial government: Ageing				
Current (0 -30 days)	1 067 545	7 107 009	1 067 545	7 107 009
31 - 60 days	642 449	91 961	642 449	91 961
61 - 90 days	70 881	566 010	70 881	566 010
91 - 120 days	402 120	530 196	402 120	530 196
121 days and older	10 418 891	7 629 317	10 418 891	7 629 317
	12 601 886	15 924 493	12 601 886	15 924 493
Other: Ageing				
Current (0 -30 days)	3 284 317	6 906 133	3 284 317	6 906 133
31 - 60 days	913 816	1 093 221	913 816	1 093 221
61 - 90 days	187 917	1 992 570	187 917	1 992 570
91 - 120 days	551 049	2 125 962	551 049	2 125 962
121 days and older	15 891 465	11 264 530	15 891 465	11 264 530
	20 828 564	22 382 416	20 828 564	22 382 416

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 impaired can be assessed by reference to historical information about counterparty default rates.

Consumer debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of consumer debtors on initial recognition is not deemed necessary.

Concentrations of credit risk with respect to consumer debtors are limited due to the municipality's large number of customers. The municipality's historical experience in collection of consumer debtors falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's consumer debtors.

Greater Tzaneen Municipality

Consolidated Financial Statements for the year ended 30 June 2015

Notes to the Consolidated Financial Statements

Figures in Rand	Reporting entity		Controlling entity	
	2015	2014	2015	2014

8. Consumer debtors (continued)

Fair value of consumer debtors

The fair value of accounts receivable approximates their carrying amounts.

Consumer debtors

No security is held for any of the accounts receivable.

Consumer debtors impaired

As of 30 June 2015, consumer debtors of R 163 056 873 (R 146 676 666) were impaired and provided for.

Indigent debtors to the amount of R 477 1482 (2014: R 3 292 112) have been written off as uncollectable in the current year.

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

Reconciliation of allowance for impairment of consumer debtors

Opening balance	146 676 666	131 941 827	146 676 666	131 941 827
Allowance for impairment	21 151 689	18 026 951	21 151 689	18 026 951
Amounts written off as uncollectible	(4 771 482)	(3 292 112)	(4 771 482)	(3 292 112)
	163 056 873	146 676 666	163 056 873	146 676 666

9. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	7 085	8 894	-	-
Bank balances	28 161 816	24 025 538	27 977 498	23 822 041
Other cash and cash equivalents	235 735	343 569	-	-
	28 404 636	24 377 989	27 977 498	23 822 041

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 of cash and cash equivalents is past due or impaired.

Greater Tzaneen Municipality

Consolidated Financial Statements for the year ended 30 June 2015

Notes to the Consolidated Financial Statements

Figures in Rand	Economic entity			Controlling entity		
	2015	2014		2015	2014	
9. Consumer debtors (disclosure (continued))						
The municipality had the following bank accounts						
Account number / description	Bank statement balances			Cash book balances		
	30 June 2015	30 June 2014	30 June 2013	30 June 2015	30 June 2014	30 June 2013
ABSA Bank - Cheque account number - 126 085 0527	-	-	-	27 977 498	28 822 041	10 878 224
ABSA Bank - Cheque account number - 404 896 4222	27 911 345	23 820 599	10 091 268	-	-	-
ABSA Bank - Cheque account number - 908 197 4990	66 153	1 442	784 956	-	-	-
ABSA Bank - Business cheque account	184 918	203 495	450 114	184 318	203 495	450 114
ABSA Bank - Short term investment	235 735	343 558	478 038	-	-	-
Petty cash	7 085	8 894	4 654	-	-	-
ABSA BANK - Cheque account - 405 144 4332	-	-	-	-	-	-
Total	28 404 636	24 377 988	11 809 030	28 161 816	24 025 536	11 326 338

Credit quality of Cash and cash equivalents

The credit quality of cash and cash equivalents that are neither past due nor impaired can be assessed by reference to the municipality's going concern ratios which include current ratio, debt ratio and net income to net sales ratio.

10. Investment property

Economic entity	2015			2014		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	189 945 000	-	189 945 000	182 157 000	-	182 157 000
Controlling entity						
Investment property	2015			2014		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	189 945 000	-	189 945 000	182 157 000	-	182 157 000

Reconciliation of investment property - Economic entity - 2015

	Opening balance	Additions	Disposals	Total
Investment property	182 157 000	9 348 000	(1 560 000)	189 945 000

Greater Tzaneen Municipality

Consolidated Financial Statements for the year ended 30 June 2015

Notes to the Consolidated Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2015	2014	2015	2014

10. Investment property (continued)

Reconciliation of Investment property - Economic entity - 2014

	Opening balance	Disposals	Total
Investment property	173 032 000	9 125 000	182 157 000

Reconciliation of Investment property - Controlling entity - 2015

	Opening balance	Additions	Disposals	Total
Investment property	182 157 000	9 348 000	(1 580 000)	189 945 000

Reconciliation of Investment property - Controlling entity - 2014

	Opening balance	Additions	Disposals	Total
Investment property	173 032 000	19 805 000	(10 980 000)	182 157 000

Pledged as security

No investment properties was pledged as security for liabilities.

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

Details of valuation

The Greater Tzaneen Municipality valuation is based on the valuation roll and is reviewed every four years. The last valuation came into effect on 1 July 2013. Interim valuations are processed on a monthly basis to take into account changes in individual property values due to alterations and subdivisions.

11. Property, plant and equipment

Economic entity	2015			2014		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	108 830 310	-	108 830 310	108 830 310	-	108 830 310
Furniture and fixtures	171 732	(94 207)	77 525	171 732	(74 642)	97 090
Office equipment	40 108	(31 772)	8 336	40 108	(24 278)	15 830
IT equipment	142 491	(134 060)	8 431	140 211	(103 686)	36 525
Infrastructure	2 118 681 189	(752 516 005)	1 366 165 184	1 988 186 000	(648 712 830)	1 341 473 170
Community	79 824 808	(20 132 663)	59 692 145	73 705 052	(11 865 543)	61 840 509
Other equipment	104 890 018	-	104 890 018	112 741 749	-	112 741 749
Other assets	86 082 897	(38 701 731)	47 381 166	84 116 988	(32 185 582)	51 931 406
Leased assets	12 458 610	(8 409 246)	4 049 364	11 084 909	(7 549 389)	4 435 520
Total	2 491 121 863	(821 019 684)	1 670 102 179	2 359 917 059	(838 606 950)	1 631 411 109

Greater Tzaneen Municipality

Consolidated Financial Statements for the year ended 30 June 2015

Notes to the Consolidated Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2015	2014	2015	2014

11. Property, plant and equipment (continued)

Controlling entity	2015			2014		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	108 830 310	-	108 830 310	108 830 310	-	108 830 310
Infrastructure	2 118 681 189	(762 516 005)	1 356 165 184	1 988 186 000	(646 712 830)	1 341 473 170
Community	79 824 808	(20 132 000)	59 692 145	73 705 052	(11 855 543)	61 849 509
Work in progress	104 880 018	-	104 880 018	112 741 749	-	112 741 749
Other assets	88 082 897	(39 701 731)	48 381 166	64 116 988	(32 185 582)	31 931 406
Leased assets	12 458 610	(8 409 246)	4 049 364	11 981 909	(7 549 389)	4 432 520
Total	2 490 767 832	(820 759 645)	1 670 008 187	2 369 565 008	(698 303 344)	1 661 261 664

Greater Tzaneen Municipality

Consolidated Financial Statements for the year ended 30 June 2015

Notes to the Consolidated Financial Statements

Figures in Rand

11. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Economic entity - 2015

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	108 830 310	-	-	-	-	-	108 830 310
Furniture and fixtures	97 390	-	-	-	(19 535)	-	77 855
Office equipment	15 830	-	-	-	(7 435)	-	8 395
IT equipment	36 525	1 980	-	-	(30 374)	-	8 131
Infrastructure	1 341 473 170	133 786 243	(136 336)	-	(127 084 157)	(1 906 736)	1 366 155 194
Community	61 849 509	-	-	-	(2 167 354)	-	59 682 155
Work in progress	112 741 749	126 659 527	-	(133 911 258)	(7 516 147)	-	104 890 019
Other assets	31 931 406	1 965 938	-	-	(7 516 147)	-	26 381 197
Leased assets	4 435 520	475 702	-	-	(359 658)	-	4 549 564
	1 661 411 109	262 289 350	(105 336)	(133 911 258)	(117 674 950)	(1 906 736)	1 670 102 179

Reconciliation of property, plant and equipment - Economic entity - 2014

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	109 500 310	-	(670 000)	-	-	-	108 830 310
Furniture and fixtures	118 957	-	-	-	(21 867)	-	97 090
Office equipment	6 375	13 281	-	-	(5 830)	-	15 830
IT equipment	69 452	3 398	-	-	(38 325)	-	38 525
Infrastructure	1 169 887 958	267 317 490	-	-	(97 308 130)	(8 404 146)	1 342 473 170
Community	64 458 327	-	-	-	(2 608 816)	-	61 849 509
Work in progress	108 014 041	108 337 674	-	(103 659 968)	-	-	112 741 749
Other assets	39 633 839	524 026	(453 032)	-	(8 475 457)	-	37 931 406
Leased assets	7 108 304	-	(185 647)	-	(2 487 137)	-	4 435 520
	1 519 079 567	356 645 865	(1 308 649)	(103 659 968)	(110 941 554)	(8 404 146)	1 661 411 109

Greater Tzaneen Municipality

Consolidated Financial Statements for the year ended 30 June 2015

Notes to the Consolidated Financial Statements

Figures in Rand

11. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Controlling entity - 2015

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	108 830 310	-	-	-	-	-	108 830 310
Infrastructure	1 341 473 170	133 788 243	(105 336)	-	(107 084 157)	(1 906 738)	1 366 165 184
Community	61 849 509	-	-	-	(2 157 384)	-	59 692 125
Work in progress	112 741 749	125 059 527	-	(133 911 258)	-	-	104 890 018
Other assets	31 831 408	1 965 908	-	-	(7 516 147)	-	26 281 169
Leased assets	4 436 520	473 702	-	-	(859 858)	-	4 049 364
	1 651 261 654	262 267 380	(105 336)	(133 911 258)	(117 617 526)	(1 906 738)	1 670 008 166

Reconciliation of property, plant and equipment - Controlling entity - 2014

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	109 503 310	-	(670 000)	-	-	-	108 833 310
Infrastructure	1 189 867 958	257 317 490	-	-	(97 308 150)	(8 404 148)	1 341 473 170
Community	64 438 327	-	-	-	(2 608 818)	-	61 849 509
Work in progress	108 014 041	108 387 674	-	(108 659 968)	-	-	112 741 749
Other assets	39 933 839	924 003	(453 002)	-	(8 473 457)	-	31 931 408
Leased assets	7 158 304	-	(185 847)	-	(2 487 137)	-	4 435 320
	1 516 862 779	365 629 150	(1 308 649)	(133 659 968)	(110 877 542)	(8 404 148)	1 661 261 664

Pledged as security

None of the property, plant and equipment has been pledged as security for any liabilities.

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

Greater Tzaneen Municipality

Consolidated Financial Statements for the year ended 30 June 2015

Notes to the Consolidated Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2015	2014	2015	2014

12. Intangible assets

Economic entity	2015			2014		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	1 328 983	(454 385)	874 598	394 343	(190 514)	203 829
Website	46 051	(38 294)	6 757	45 051	(29 283)	15 768
Total	1 374 034	(492 679)	881 355	439 394	(219 797)	219 597

Controlling entity	2015			2014		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	1 280 296	(440 115)	840 181	345 056	(189 421)	156 236

Reconciliation of intangible assets - Economic entity - 2015

	Opening balance	Additions	Amortisation	Total
Computer software	203 829	934 640	(263 871)	874 598
Website	15 768	-	(9 010)	6 758
	219 597	934 640	(272 881)	881 356

Reconciliation of intangible assets - Economic entity - 2014

	Opening balance	Additions	Amortisation	Total
Computer software	131 570	159 586	(87 307)	203 829
Website	24 778	-	(9 010)	15 768
	156 348	159 586	(96 317)	219 597

Reconciliation of intangible assets - Controlling entity - 2015

	Opening balance	Additions	Amortisation	Total
Computer software	156 236	934 640	(260 694)	840 181

Reconciliation of intangible assets - Controlling entity - 2014

	Opening balance	Additions	Amortisation	Total
Computer software	131 570	110 879	(86 214)	156 236

Pledged as security

No intangible assets have been pledged as security for any liabilities.

Greater Tzaneen Municipality

Consolidated Financial Statements for the year ended 30 June 2015

Notes to the Consolidated Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2015	2014	2015	2014
13. Other financial liabilities				
At amortised cost				
Annuity loan - DBSA	36 566 940	37 885 539	36 566 940	37 885 539
Annuity loan - ABSA	24 222 191	27 269 848	24 222 191	27 269 848
Annuity loan - INCA	11 483 319	13 964 894	11 483 319	13 964 894
Annuity loan - Standard Bank	20 358 845	25 525 695	20 358 845	25 525 695
DBSA local registered stock loan	15 000 000	15 000 000	15 000 000	15 000 000
	107 631 295	119 645 976	107 631 295	119 645 976
Total other financial liabilities	107 631 295	119 645 976	107 631 295	119 645 976
Non-current liabilities				
At amortised cost				
	94 609 259	107 631 295	94 509 259	107 631 295
Current liabilities				
At amortised cost				
	13 122 036	12 014 682	13 122 036	12 014 682

Annuity loan - Standard Bank

This loan has been split into two allocations of R21 011 000 and R13 281 000 and was taken up on 30 June 2012. These loans bear interest at rates of 11,8% and 10,88% respectively and will be fully redeemed on 30 June 2019 and 30 June 2017 respectively.

Annuity loan - ABSA

This loan has been split into two allocations of R25 140 000 and R9 840 000 and was taken up on 15 August 2010. These loans bear interest at rates of 10,62% and 6,75% respectively and will be fully redeemed on 31 July 2025 and 31 July 2015 respectively.

Annuity loan - DBSA

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

Annuity loan - INCA

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

Loan stock: DBSA (Excelstar 1 000 Investment)

An investment of R855 619 has been made with Liberty to repay a loan of R15 000 000 on maturity date. The loan bears interest at a variable rate and will be redeemed on 30 September 2019.

Undrawn borrowings

There were no undrawn borrowing facilities that were available for future activities or to settle capital commitments at 30 June 2015.

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

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

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

Greater Tzaneen Municipality

Consolidated Financial Statements for the year ended 30 June 2015

Notes to the Consolidated Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2015	2014	2015	2014
14. Finance lease obligation				
Minimum lease payments due				
- within one year	633 146	2 340 528	633 146	2 340 528
- in second to fifth year inclusive	267 567	433 118	267 567	433 118
	900 713	2 773 646	900 713	2 773 646
less: future finance charges	(70 008)	(186 136)	(70 008)	(186 136)
Present value of minimum lease payments	830 705	2 587 511	830 705	2 587 511
Present value of minimum lease payments due				
- within one year	576 879	2 171 874	576 879	2 171 874
- in second to fifth year inclusive	253 826	415 637	253 826	415 637
	830 705	2 587 511	830 705	2 587 511
Non-current liabilities	253 826	415 637	253 826	415 637
Current liabilities	576 879	2 171 874	576 879	2 171 874
	830 705	2 587 511	830 705	2 587 511

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

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

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

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

15. Payables from exchange transactions

Trade payables	82 876 313	87 536 123	82 876 312	87 536 122
Payments received in advanced	7 675 588	4 987 372	7 675 588	4 987 372
Staff leave	29 004 501	28 057 784	29 004 501	28 067 784
Retention	13 554 508	12 789 986	13 554 509	12 789 986
Accrued leave pay	171 654	142 960	-	-
Unknown direct deposits	2 431 771	9 461 598	2 431 771	9 461 598
Other payables	1 085 425	1 330 513	1 465 538	1 115 526
13th Cheque	6 098 102	6 273 212	6 096 102	6 273 212
	143 495 383	148 579 646	143 104 321	148 221 598

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

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

16. VAT payable

Net VAT payable	29 410 867	28 180 210	29 626 345	28 223 389
-----------------	------------	------------	------------	------------

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

Greater Tzaneen Municipality

Consolidated Financial Statements for the year ended 30 June 2015

Notes to the Consolidated Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2015	2014	2015	2014
17. Consumer deposits				
Electricity	21 032 333	18 436 179	21 032 333	18 436 179
Guarantees held in lieu of electricity deposits	-	-	3 552 130	3 628 130

Consumer deposits are paid by customers on application for new electricity connections. The deposits are repaid when the electricity connections are terminated. In cases where consumers default on their accounts, the municipality can utilise the deposit as payment for the outstanding accounts.

Guarantees are given to business consumers on application for new electricity connections instead of deposits. In cases where consumers default on their accounts, the municipality can request the guarantee amounts from the consumers bank as payment for the outstanding accounts.

18. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts	Economic entity		Controlling entity	
Grants - other	2015	2014	2015	2014
Movement during the year				
Balance at the beginning of the year	44 079 480	31 536 518	44 079 480	31 536 518
Additions during the year	143 628 000	117 746 697	143 628 000	117 746 697
Income recognition during the year	(95 291 526)	(91 398 908)	(95 291 526)	(91 398 908)
Administration fee recognised during the year	(15 529 746)	(13 680 194)	(15 529 746)	(13 680 194)
Overspending adjustment	(16 450 694)	4 690 397	(16 450 694)	4 690 397
Rollover adjustment	-	(4 815 031)	-	(4 815 031)
	60 435 514	44 079 479	60 435 514	44 079 479

Refer to note 24 for reconciliation of unspent conditional grants.

19. Provisions

Reconciliation of provisions - Economic entity - 2015

	Opening Balance	Additions	Reduction due to re-measurement or settlement without cost to entity	Total
Provision for rehabilitation of landfill site	3 189 975	315 938	-	3 475 973
Provision for performance bonuses	2 614 676	-	(126 096)	2 488 580
	5 774 651	315 938	(126 096)	5 964 563

Greater Tzaneen Municipality

Consolidated Financial Statements for the year ended 30 June 2015

Notes to the Consolidated Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2015	2014	2015	2014
19. Provisions (continued)				
Reconciliation of provisions - Economic entity - 2014				
	Opening Balance	Additions	Reduction due to re-measurement or settlement without cost to entity	Total
Provision for rehabilitation of landfill site	2 872 705	287 270	-	3 159 975
Provision for performance bonuses	273 487	2 614 676	(273 487)	2 614 676
	3 146 192	2 901 946	(273 487)	5 774 651
Reconciliation of provisions - Controlling entity - 2015				
	Opening Balance	Additions	Reduction due to re-measurement	Total
Provision for rehabilitation of landfill site	3 159 975	315 998	-	3 475 973
Provision for performance bonuses	2 614 676	-	(126 096)	2 488 580
	5 774 651	315 998	(126 096)	5 964 553
Reconciliation of provisions - Controlling entity - 2014				
	Opening Balance	Additions	Utilised during the year	Total
Provision for rehabilitation of landfill site	2 872 705	287 270	-	3 159 975
Provision for performance bonuses	273 487	2 614 676	(273 487)	2 614 676
	3 146 192	2 901 946	(273 487)	5 774 651
Non-current liabilities	3 475 973	3 159 975	3 475 973	3 159 975
Current liabilities	2 488 580	2 614 676	2 488 580	2 614 676
	5 964 553	5 774 651	5 964 553	5 774 651

Provision for rehabilitation of landfill site

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

Provision for performance bonuses

Performance bonuses accrue to Section 57 managers and managers on an annual basis subject to certain conditions. The provision is the actual amount due at the reporting date to staff. Performance 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.

Greater Tzaneen Municipality

Consolidated Financial Statements for the year ended 30 June 2015

Notes to the Consolidated Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2015	2014	2015	2014
20. Employee benefit obligations				
Defined benefit plan				
The total amount recognised in the statement of financial position is as follows:				
Carrying value				
Defined benefit obligation - Long service awards	10 830 506	8 187 516	10 830 506	8 187 516
Defined benefit obligation - Post-employment health care benefit	65 494 316	55 586 329	65 494 316	55 586 329
	76 324 822	63 783 845	76 324 822	63 783 845
Post retirement medical aid plan				
The post-employment health care benefits valuation considers all current employees, retired employees and their dependants who participate in the health care arrangements and are entitled to a post-employment medical scheme subsidy. The post-employment health care liability is not a funded arrangement, i.e. no separate assets have been set aside to meet this liability. The effective date of the valuation is 30 June 2015.				
The amount recognised in the statement of financial position is as follows:				
Carrying value				
Present value of the defined benefit obligation - wholly unfunded	65 494 316	55 586 329	65 494 316	55 586 329
Changes in the present value of the defined benefit obligation are as follows:				
Opening balance	55 586 329	47 819 198	55 586 329	47 819 198
Benefits paid	(1 482 060)	(1 328 538)	(1 482 060)	(1 328 538)
Net expenses recognised in the statement of financial performance	11 380 047	9 105 371	11 380 047	9 105 371
	65 494 316	55 586 329	65 494 316	55 586 329
Net expense recognised in the statement of financial performance				
Current service cost	2 943 021	2 630 424	2 943 021	2 630 424
Interest cost	4 982 558	4 205 626	4 982 558	4 205 626
Actuarial (gains)/ losses	3 454 468	2 269 321	3 454 468	2 269 321
	11 380 047	9 105 371	11 380 047	9 105 371
Calculation of actuarial gains and losses				
Actuarial (gains)/ losses -- Obligation	3 454 468	2 269 321	3 454 468	2 269 321
	3 454 468	2 269 321	3 454 468	2 269 321
Key assumptions used				
Assumptions used at the reporting date:				
Discount rate used	8,99 %	9,08 %	8,99 %	9,08 %
Health care cost inflation rate	8,10 %	8,25 %	8,10 %	8,25 %

Greater Tzaneen Municipality

Consolidated Financial Statements for the year ended 30 June 2015

Notes to the Consolidated Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2015	2014	2015	2014
20. Employee benefit obligations (continued)				
Net discount rate	0.82 %	0.77 %	0.82 %	0.77 %
Average retirement age	61	61	61	61

Best estimate of contributions expected to be paid

Expected benefits to be paid	1 682 278	1 441 356	1 682 278	1 441 356
------------------------------	-----------	-----------	-----------	-----------

Other assumptions

The sensitivity analysis is based on the total liability which includes water and sewerage.

Assumed healthcare cost trend rates have a significant effect on the amounts recognised in surplus or deficit. The effect of a one percentage movement in the assumed rate of health care cost inflation is as follows:

Increase				
Effect of aggregate service cost and interest cost	10 744 400	8 183 200	10 744 400	8 183 200
Effect on the defined benefit obligation	83 810 000	78 810 000	83 810 000	78 810 000
Decrease				
Effect on the aggregate service cost and interest cost	(7 510 500)	(5 767 700)	(7 510 500)	(5 767 700)
Effect on the defined benefit obligation	(61 575 000)	(58 930 000)	(61 575 000)	(58 930 000)

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

	2016	2014	2013	2012	2011
	R	R	R	R	R
Defined benefit obligation	85 494 316	55 596 329	47 819 496	44 563 828	38 134 690
Surplus (deficit)	(65 494 316)	(55 596 329)	(47 819 496)	(44 563 828)	(38 134 690)

Long service awards

Long service awards relates to the legal obligation to provide for long service leave awards. An actuarial valuation has been performed on all 635 (2014: 655) employees that are entitled to long service leave awards on 30 June 2015. The long service leave awards liability is not a funded arrangement, i.e. no separate assets have been set aside to meet this liability.

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

Carrying value				
Present value of the defined benefit obligation-wholly unfunded	10 830 506	8 187 516	10 830 506	8 187 516

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

Opening balance	8 187 516	7 721 047	8 187 516	7 721 047
Benefits paid	(1 539 428)	(980 653)	(1 539 426)	(960 653)
Net expense recognised in the statement of financial performance	4 182 416	1 427 122	4 182 416	1 427 122
	10 830 506	8 187 516	10 830 506	8 187 516

Greater Tzaneen Municipality

Consolidated Financial Statements for the year ended 30 June 2015

Notes to the Consolidated Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2015	2014	2015	2014
20. Employee benefit obligations (continued)				
Net expense recognised in the statement of financial performance				
Current service cost	813 587	1 146 564	813 587	1 146 564
Interest cost	610 673	522 633	610 673	522 633
Actuarial (gains) losses	2 758 156	(242 075)	2 758 156	(242 075)
	4 182 416	1 427 122	4 182 416	1 427 122

Calculation of actuarial gains and losses

Actuarial (gains) losses – Obligation	2 758 156	(242 075)	2 758 156	(242 075)
---------------------------------------	-----------	-----------	-----------	-----------

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	7.96 %	7.96 %	7.96 %	7.93 %
Expected increase in salaries	7.03 %	7.10 %	7.03 %	7.10 %
Net discount rate	0.87 %	0.77 %	0.87 %	0.77 %
Average retirement age	61.00 %	61.00 %	61	61

Other assumptions

The sensitivity analysis is based on the total liability which includes water and sewerage.

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

Increase				
Effect of aggregate service cost and interest cost	1 699 200	-	1 699 200	-
Effect on the defined benefit obligation	12 535 000	-	12 535 000	-
Decrease				
Effect of aggregate service cost and interest cost	(1 461 100)	-	(1 461 100)	-
Effect on the defined benefit obligation	(11 083 000)	-	(11 083 000)	-

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

	2015	2014	2013	2012	2011
	R	R	R	R	R
Defined benefit obligation	10 830 506	8 187 516	7 721 047	5 588 929	4 720 483
Surplus (deficit)	(10 830 508)	(8 187 516)	(7 721 047)	(5 588 929)	(4 720 483)

Defined contribution plan

The economic entity is under no obligation to cover any unfunded benefits.

The amount recognised as an expense for defined contribution plans is	43 146 478	24 480 649	43 146 478	24 480 649
---	------------	------------	------------	------------

Included in defined contribution plan information above, is the following plans which are Multi-Employer Funds and are Defined Benefit Plans, but due to the fact that sufficient information is not available to enable the economic entity to account for the plans as defined benefit plans, the economic entity accounted for those plans as defined contribution plans. The amounts disclosed above includes an amount of R 3 740 035 which represents the contributions of councillors.

Greater Tzaneen Municipality

Consolidated Financial Statements for the year ended 30 June 2015

Notes to the Consolidated Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2015	2014	2015	2014

20. Employee benefit obligations (continued)

Joint Municipal Pension Fund

The last valuation of the Joint Municipal Pension Fund was done on 30 September 2014.

Funding level (including solvency): 107.3%

Contributions made during the year	175 831	204 000	175 831	204 000
------------------------------------	---------	---------	---------	---------

Municipal Employees pension fund

The last valuation of the Municipal Employees Pension Fund was done on 28 February 2014. This represents a funding level of 107.9%.

Contributions made during the year	1 860 007	1 478 387	1 860 007	1 478 387
------------------------------------	-----------	-----------	-----------	-----------

Municipal Employees Gratuity Fund

The last valuation of the Municipal Employees Gratuity Fund was done on 30 June 2014. The fund is financial sound for the requirements of the Pension Fund Act.

Contributions made during the year	7 259 809	6 886 199	7 259 809	6 886 199
------------------------------------	-----------	-----------	-----------	-----------

Inatu 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.

Contribution made during the year	30 310 935	27 708 160	30 310 935	27 708 160
-----------------------------------	------------	------------	------------	------------

21. Service charges

Sale of electricity	378 537 920	337 019 275	378 537 920	337 019 270
Sale of prepaid electricity	1 812 586	947 810	1 812 606	947 810
Indigent charges	344 462	201 042	344 462	201 042
Refuse removal	25 816 532	23 745 602	25 816 632	23 745 602
Other service charges	470 228	90 673	470 228	90 674
	406 980 708	362 004 402	406 980 708	362 004 404

The amounts disclosed above for sale of electricity, indigent charges and refuse removal are in respect of services rendered and are billed to the consumers on a monthly basis according to council's approved tariffs.

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

Greater Tzaneen Municipality

Consolidated Financial Statements for the year ended 30 June 2015

Notes to the Consolidated Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2015	2014	2015	2014
22. Other Income				
Library services	7 952	5 390	7 952	5 390
Insurance claims	892 682	5 100 535	892 682	5 100 535
Valuation certificates	64 565	65 582	64 565	65 582
Environmental health services	34 276	32 297	34 276	32 297
Credit control actions	1 181 085	1 148 976	1 181 085	1 148 976
Sundry income	2 236 066	4 306 393	2 236 712	4 305 560
Motor vehicle and drivers licence	8 669 282	8 525 752	8 669 282	8 525 752
Recoveries	911 643	-	911 643	-
Unknown deposit not claimed	7 675 960	-	7 675 960	-
PMU agent commission	4 443 320	-	4 443 320	-
Unclaimed retention	1 205 840	-	1 205 840	-
	27 324 641	19 184 925	27 323 317	19 184 092
23. Property rates				
Rates received				
Residential	34 370 193	30 001 435	34 370 193	30 001 435
Commercial	22 878 111	21 610 537	22 878 111	21 610 537
State	5 132 629	4 440 272	5 132 629	4 440 272
Other	11 717 092	10 293 075	11 717 092	10 293 075
	74 098 025	66 345 319	74 098 025	66 345 319
Property rates - penalties imposed	5 368 139	4 770 262	5 368 139	4 770 262
	79 466 164	71 115 581	79 466 164	71 115 581
Valuations				
	R'000	R'000	R'000	R'000
Residential	5 219 584	5 122 380	5 219 584	5 122 380
Commercial	1 946 025	1 936 097	1 946 025	1 936 097
State	420 644	412 606	420 644	412 605
Municipal	173 174	176 668	173 174	176 665
Agriculture	4 372 000	4 338 045	4 372 000	4 338 045
Other	11 723	63 218	11 723	63 218
	12 143 150	12 049 010	12 143 150	12 049 010

Valuations on land and buildings are performed every four years. The last valuation came into effect on 1 July 2013. 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.

Greater Tzaneen Municipality

Consolidated Financial Statements for the year ended 30 June 2015

Notes to the Consolidated Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2015	2014	2015	2014
24. Government grants and subsidies				
Operating grants				
Equitable share	235 716 694	207 762 000	235 716 694	207 762 000
National MSIG	892 071	4 055 283	892 071	4 055 283
Neighbourhood Grant	11 012 015	19 899 306	11 012 015	19 899 306
Finance Management Grant	1 600 000	1 550 000	1 600 000	1 550 000
SETA	19 660	231 000	19 660	231 000
Municipal Infrastructure Grant	82 132 326	58 498 502	82 132 326	58 498 502
National - Electrification Grant	5 700 000	21 633 488	5 700 000	21 633 488
DOE Grant	5 886 659	484 976	5 886 659	484 976
EPWP	2 034 221	1 896 682	2 034 221	1 896 682
	344 793 646	316 911 237	344 793 646	309 061 237

Equitable Share

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

Drought Relief Programme

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

Conditions still to be met - remain liabilities (see note 18).

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

SETA

Balance unspent at beginning of year	462 559	693 559	462 559	693 559
Conditions met - transferred to revenue	(19 660)	(231 000)	(19 660)	(231 000)
Conditions still to be met - transferred to liabilities	442 899	462 559	442 899	462 559

Conditions still to be met - remain liabilities (see note 18).

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

Municipal Infrastructure Grant

Balance unspent at beginning of year	19 218 617	7 367 440	19 218 617	7 367 440
Rollover adjustment	-	32 560	-	32 560
Current-year receipts	111 083 000	73 247 000	111 083 000	73 247 000
Conditions met - transferred to revenue	(72 045 900)	(51 314 476)	(72 045 900)	(51 314 476)
Administration fees (own revenue)	(4 443 320)	(7 184 027)	(4 443 320)	(7 184 027)
Agent commission	(10 086 426)	(2 929 880)	(10 086 426)	(2 929 880)
Conditions still to be met - transferred to liabilities	43 725 971	19 218 617	43 725 971	19 218 617

Conditions still to be met - remain liabilities (see note 18).

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.

Greater Tzaneen Municipality

Consolidated Financial Statements for the year ended 30 June 2015

Notes to the Consolidated Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2015	2014	2015	2014

24. Government grants and subsidies (continued)

Department of Minerals and Energy

Balance unspent at beginning of year	33 186	33 186	33 186	33 186
Conditions still to be met - transferred to liabilities	33 186	33 186	33 186	33 186

Conditions still to be met - remain liabilities (see note 18).

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

National Electrification Grant

Balance unspent at beginning of year	-	8 182 618	-	8 182 618
Rollover adjustment	-	(82 618)	-	(82 618)
Current-year receipts	6 000 000	10 000 000	6 000 000	10 000 000
Conditions met - transferred to revenue	(5 000 000)	(16 976 744)	(5 000 000)	(16 976 744)
Administration fees	(700 000)	(2 656 744)	(700 000)	(2 656 744)
Agent commission (own revenue)	(300 000)	(500 000)	(300 000)	(500 000)
Overspending adjustment	-	4 033 488	-	4 033 488
Conditions still to be met - transferred to liabilities	-	-	-	-

Conditions still to be met - remain liabilities (see note 18).

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

Community Based Projects

Balance unspent at beginning of year	356 878	356 878	356 878	356 878
Conditions still to be met - transferred to liabilities	356 878	356 878	356 878	356 878

Conditions still to be met - remain liabilities (see note 18).

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

Neighbourhood Grant

Balance unspent at beginning of year	16 450 694	14 940 602	16 450 694	14 940 602
Rollover adjustment	(16 450 694)	(4 940 602)	(16 450 694)	(4 940 602)
Current-year receipts	21 851 000	23 350 000	21 851 000	23 350 000
Conditions met - transferred to revenue	(8 013 015)	(16 699 306)	(8 013 015)	(16 699 306)
Conditions still to be met - transferred to liabilities	13 937 985	16 450 694	13 937 985	16 450 694

Conditions still to be met - remain liabilities (see note 18).

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

Greater Tzaneen Municipality

Consolidated Financial Statements for the year ended 30 June 2015

Notes to the Consolidated Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2015	2014	2015	2014

24. Government grants and subsidies (continued)

Cleanest Town

Balance unspent at beginning of year	450 788	450 766	450 788	450 766
Conditions still to be met - transferred to liabilities	450 788	450 766	450 788	450 766

Conditions still to be met - remain liabilities (see note 18).

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

MSIG Establishment Grant

Balance unspent at beginning of year	810 717	26 002	810 717	26 002
Rollover adjustment	-	(2)	-	(2)
Current-year receipts	934 000	890 000	934 000	890 000
Conditions met - transferred to revenue	(692 071)	(105 283)	(692 071)	(105 283)
Conditions still to be met - transferred to liabilities	1 052 646	810 717	1 052 646	810 717

Conditions still to be met - remain liabilities (see note 18).

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

Upgrade of sport facilities

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

Conditions still to be met - remain liabilities (see note 18).

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

Finance Management Grant

Current-year receipts	1 600 000	1 550 000	1 600 000	1 550 000
Conditions met - transferred to revenue	(1 600 000)	(1 550 000)	(1 600 000)	(1 550 000)
Conditions still to be met - transferred to liabilities	-	-	-	-

Conditions still to be met - remain liabilities (see note 18).

The grant is used to support financial management.

Greater Tzaneen Municipality

Consolidated Financial Statements for the year ended 30 June 2015

Notes to the Consolidated Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2015	2014	2015	2014
24. Government grants and subsidies (continued)				
DOE Grant				
Balance unspent at beginning of year	6 164 740	-	6 164 740	-
Current-year receipts	-	6 999 700	-	6 999 700
Conditions met - transferred to revenue	(5 886 659)	(425 417)	(5 886 659)	(425 417)
Administration fees	-	(59 558)	-	(59 558)
Agent commission	-	(349 985)	-	(349 985)
Conditions still to be met - transferred to liabilities	278 081	6 164 740	278 081	6 164 740

Conditions still to be met - remain liabilities (see note 18).

Energy efficiency and demand side management, Retrofitting of old street lights.

EPWP Grant

Rollover adjustment	-	175 531	-	175 531
Current-year receipts	2 060 000	1 710 000	2 060 000	1 710 000
Conditions met - transferred to revenue	(2 034 221)	(1 896 682)	(2 034 221)	(1 896 682)
Overspending adjustment	-	11 151	-	11 151
Conditions still to be met - transferred to liabilities	25 779	-	25 779	-

Conditions still to be met - remain liabilities (see note 18).

The grant is used for rural waste removal.

Changes in level of government grants

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

All grant funding destined for the Municipality in terms of the annual Division of Revenue Act, with the exception of R 16 460 684, due to poor performance on the NDPG allocation, has been received.

25. Donations received

Greater Tzaneen Municipality received a donation of roads as per Gazette number 2372 of 13 June 2014. Due to absence of the cost information on the donated roads, these roads were accounted for at deemed cost / fair value of R 155 300 000 in line with the Municipality's Assets Management policy and GRAP.

Greater Tzaneen Municipality

Consolidated Financial Statements for the year ended 30 June 2015

Notes to the Consolidated Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2015	2014	2015	2014
26. Revenue				
Service charges	406 980 708	362 004 402	406 980 708	362 004 404
Rental of facilities and equipment	1 188 589	1 179 344	1 188 589	1 179 344
Interest received (trading)	12 057 486	10 868 709	12 057 486	10 868 709
Agency services	7 205 556	6 360 327	7 205 556	6 360 327
Licences and permits	711 014	540 814	711 014	540 814
Other income - (rollup)	27 324 610	19 184 925	27 323 317	19 184 082
Interest received - Investment	2 414 245	2 180 956	2 381 124	2 184 145
Property rates	74 098 025	66 345 319	74 098 025	66 345 319
Property rates - penalties imposed	5 388 139	4 770 262	5 388 139	4 770 262
Government grants & subsidies	344 793 646	316 911 237	341 793 646	309 081 237
Public contributions and donations	-	155 300 000	-	155 300 000
Fines	8 355 543	3 665 353	8 355 543	3 665 353
	898 497 561	949 311 448	887 463 147	841 443 806

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

Service charges	406 980 708	362 004 402	406 980 708	362 004 402
Rental of facilities and equipment	1 188 589	1 179 344	1 188 589	1 179 344
Interest received (trading)	12 057 486	10 868 709	12 057 486	10 868 709
Agency services	7 205 556	6 360 327	7 205 556	6 360 327
Licences and permits	711 014	540 814	711 014	540 814
Other income - (rollup)	27 324 610	19 184 925	27 323 317	19 184 092
Interest received - Investment	2 414 245	2 180 956	2 381 124	2 164 146
	457 892 208	402 319 277	457 847 794	402 301 633

The amount included in revenue arising from non-exchange transactions is as follows:

Taxation revenue				
Property rates	74 098 025	66 345 319	74 098 025	66 345 319
Property rates - penalties imposed	5 388 139	4 770 262	5 388 139	4 770 262
Transfer revenue				
Government grants & subsidies	344 793 646	316 911 237	341 793 646	309 081 237
Public contributions and donations	-	155 300 000	-	155 300 000
Fines	8 355 543	3 665 353	8 355 543	3 665 353
	432 615 353	546 992 171	429 615 353	539 142 171

Greater Tzaneen Municipality

Consolidated Financial Statements for the year ended 30 June 2015

Notes to the Consolidated Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2015	2014	2015	2014
27. Employee related costs				
Salaries and wages	167 682 040	171 679 928	165 552 832	169 736 239
Performance bonus	59 986	2 882 577	16 104	2 772 928
Social contributions	48 636 952	43 766 083	47 881 940	42 974 146
Leave pay provision charge	171 864	201 600	-	-
Travel allowance	9 592 777	9 014 830	9 592 777	9 014 828
Overtime payments	19 390 212	21 324 533	19 346 526	21 274 503
13th Cheques	109 845	100 438	-	-
Housing allowances	2 556 987	1 302 187	2 556 987	1 302 467
Less: Employee costs included in other expenses	2	2 394 173	2	2 394 173
	248 180 435	262 667 238	244 948 908	249 469 283

The decrease in employee related costs from the previous year is as a result of vacant positions not filled during the year.

No advances were made to employees during the year.

Remuneration of Municipal Manager

Annual Remuneration	609 602	1 073 731	609 902	1 073 731
Car Allowance	185 000	180 000	185 000	180 000
Contributions to UIF, Medical and Pension Funds	51 715	62 644	51 716	62 644
Telephone allowance	8 750	-	8 750	-
Leave pay	198 229	-	198 229	-
	973 596	1 316 375	973 596	1 316 376

The municipal manager was appointed on 1 December 2012, but left office on 30 April 2015. The director of electrical engineering services was acting as municipal manager at the date of this report.

Remuneration of Chief Finance Officer

Annual Remuneration	785 429	844 843	765 429	844 843
Car Allowance	284 958	285 280	284 959	285 280
Contributions to UIF, Medical and Pension Funds	164 300	151 300	164 360	151 380
Leave pay	36 475	36 475	36 475	36 475
Telephone allowance	12 000	-	12 000	-
Acting allowance	52 798	-	52 798	-
	1 316 020	1 317 988	1 316 020	1 317 988

The chief finance officer was appointed on 1 August 2012.

The Chief Financial Officer acted as municipal manager for the period 1 December 2014 to 31 May 2015.

Greater Tzaneen Municipality

Consolidated Financial Statements for the year ended 30 June 2015

Notes to the Consolidated Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2015	2014	2015	2014

27. Employee related costs (continued)

Director Community Services

Annual Remuneration	789 598	688 541	789 598	688 541
Car Allowance	164 104	164 104	164 104	164 104
Performance Bonuses	-	117 949	-	117 949
Contributions to UIF, Medical and Pension Funds	157 508	134 237	157 508	134 237
Leave pay	32 889	32 889	32 889	32 889
Telephone allowance	12 000	-	12 000	-
Acting allowance	103 123	-	103 123	-
	1 259 222	1 137 720	1 259 222	1 137 720

Director Civil Engineering

Annual Remuneration	828 805	815 117	828 805	815 117
Car Allowance	168 000	168 000	168 000	168 000
Contributions to UIF, Medical and Pension Funds	100 815	89 491	100 815	89 491
Telephone allowance	12 000	-	12 000	-
	1 107 620	1 072 608	1 107 620	1 072 608

Director Planning and Economic Development

The position of Director Planning and Economic Development was vacant during the prior financial years.

Director Corporate Services

Annual Remuneration	828 805	699 186	820 305	699 186
Car Allowance	209 000	209 000	209 000	209 000
Contributions to UIF, Medical and Pension Funds	36 324	23 294	36 324	23 294
Telephone allowance	11 000	-	11 000	-
Leave pay	143 544	-	143 544	-
	1 226 673	931 480	1 220 173	931 480

The director corporate services resigned with effect from 31 May 2015 and the position was vacant at 30 June 2015.

Director Electrical Engineering

Annual Remuneration	952 864	875 523	952 864	875 523
Car Allowance	10 000	60 000	10 000	60 000
Contributions to UIF, Medical and Pension Funds	137 532	144 774	137 532	144 774
Telephone allowance	12 000	-	12 000	-
	1 112 496	1 080 297	1 112 496	1 080 297

Greater Tzaneen Municipality

Consolidated Financial Statements for the year ended 30 June 2015

Notes to the Consolidated Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2015	2014	2015	2014
28. Remuneration of councillors				
Executive Mayor	771 504	729 146	771 504	729 146
Executive Committee allowance	1 616 861	1 585 429	1 616 861	1 585 429
Speaker and full-time councillors' allowances	3 975 055	3 902 538	3 975 055	3 902 538
Other councillors' allowances	13 714 673	12 834 087	13 714 673	12 834 087
	20 078 193	19 031 200	20 078 193	19 031 200

In-kind benefits

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

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

The Mayor has one full-time secretary, one personal assistant and a gender, youth and disability programme.

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

29. Employees remuneration

Executive Director

2015

K.J Maphoto

Emoluments	Remuneration	Total
115 963	775 136	891 099

2014

K.J Maphoto

Emoluments	Remuneration	Total
134 968	635 084	770 052

Board of Directors

2015

V.J.G Baloyi (Co. Secretary)

M.V Gardner

K.M Motshekga

M.C Msimanga

M.F Mushwana (chair)

Remuneration	Emoluments	Total
93 375	83 518	176 893
34 700	6 294	40 994
3 500	4 321	7 821
63 500	76 905	139 405
74 750	10 803	85 443
269 825	180 731	450 558

2014

V.J.G Baloyi (Co. Secretary)

M.V Gardner

K.M Motshekga

M.C Msimanga

M.F Mushwana (chair)

Remuneration	Emoluments	Total
65 500	78 855	144 355
37 125	18 456	55 581
21 525	32 066	53 591
106 100	101 690	207 790
90 000	30 571	120 571
340 250	259 438	599 688

Greater Tzaneen Municipality

Consolidated Financial Statements for the year ended 30 June 2015

Notes to the Consolidated Financial Statements

29. Employees remuneration (continued)

Councillors

2015

	Salary	Travel allowance	Telephone allowance	Study allowance	Total
SJ Nkuna	178 524	60 441	20 868	1 736	259 569
MC Nkhwashu	180 124	60 441	20 868	1 734	263 167
NM Mokoamele	178 924	60 441	20 868	1 735	261 968
PJ Sekgotodi	230 803	76 934	20 868	1 861	330 566
RF Pohl	230 803	76 934	20 868	2 166	330 770
ML Hlangwano	217 336	72 445	20 868	2 128	312 777
MM Makwala	217 336	72 445	20 868	2 127	312 770
GE Nimbano	217 331	72 445	20 868	2 131	312 775
MN Mboweni	419 642	139 880	20 868	3 483	583 873
S RR Selomo	419 642	139 880	20 868	3 487	583 877
C Machimane	514 122	74 719	20 868	4 084	613 793
JHS Mbhatlali	221 728	73 908	20 868	1 928	318 428
MR Shingange	221 728	73 908	20 868	2 013	318 515
NM Mohasha	365 772	121 924	20 868	3 680	512 144
MG Mangene	365 772	121 924	20 868	3 518	512 082
ML Ncha	365 772	121 924	20 868	3 584	512 148
TK Nukeri	365 772	121 924	20 868	3 577	512 141
DJ Mmelle	589 522	186 507	20 868	4 607	771 504
SS MM Mmola	167 856	55 952	20 868	-	244 676
SS MJ Mkgoloboto	167 856	55 952	20 868	-	244 676
TS Mushwana	167 856	55 952	20 868	-	244 676
MJ Mthiba	167 856	55 952	20 868	1 455	246 131
C Baloyi	167 856	55 952	20 868	1 455	246 131
AE Jansen van Vuuren	167 856	55 952	20 868	1 455	246 131
S Mahori	167 856	55 952	20 868	1 455	246 131
SP Masella	167 856	55 952	20 868	1 455	246 131
TL Mhlongo	167 856	55 952	20 868	1 455	246 131
DL Ndove	167 856	55 952	20 868	1 455	246 131
MS Raganya	167 856	55 952	20 868	1 455	246 131
ME Ramolefo	167 856	55 952	20 868	1 455	246 131
M Sibuya	167 856	55 952	20 868	1 455	246 131
MD Mabapo	167 856	55 952	20 868	1 455	246 131
DG Mushwana	167 856	55 952	20 868	1 455	246 131
NL Mohalo	167 856	55 952	20 868	1 455	246 131
TL Mafita	167 856	55 952	20 868	1 455	246 131
ML Mokoeti	167 856	55 952	20 868	1 461	246 137
GQ Mabuza	167 856	55 952	20 868	1 459	246 135
LM Valentine	167 856	55 952	20 868	1 456	246 131
MF Mbhatlali	167 856	55 952	20 868	1 455	246 131
MR Makhudu	167 856	55 952	20 868	1 455	246 131
MM Mofala	167 856	55 952	20 868	1 455	246 131
BM Mashava	167 856	55 952	20 868	1 455	246 131
NR Rikhotso	167 856	55 952	20 868	1 455	246 131
DQ Mhlarhi	167 856	55 952	20 868	1 455	246 131
RP Nghonyama	167 856	55 952	20 868	1 455	246 131
NH Zandamela	167 856	55 952	20 868	1 455	246 131
OK Banyiriri	167 856	55 952	20 868	1 455	246 131
MS Mbowoni	167 856	55 952	20 868	1 455	246 131
SC Makwala	167 856	55 952	20 868	1 455	246 131
ND Ndlovu	167 856	55 952	20 868	1 455	246 131
GG Nghondzweni	167 856	55 952	20 868	1 455	246 131
NA Masifa	167 856	55 952	20 868	1 457	246 133
ML Pudikabokwa	167 856	55 952	20 868	1 455	246 131
PJ Ramodipa	167 856	55 952	20 868	1 457	246 133
MM Letsosalo	167 856	55 952	20 868	1 455	246 131

Greater Tzaneen Municipality

Consolidated Financial Statements for the year ended 30 June 2015

Notes to the Consolidated Financial Statements

29. Employees remuneration (continued)

MA Makwela	167 856	55 952	20 868	1 455	246 131
MC Mamogale	167 856	55 952	20 868	1 356	246 032
M Sabofa	167 856	55 952	20 868	1 455	246 131
MR Mc Neil	167 856	55 952	20 868	1 603	246 279
MH Magoro	167 856	55 952	20 868	1 455	246 131
DT Maake	167 856	55 952	20 868	1 455	246 131
TS Manyama	167 856	55 952	20 868	1 604	246 280
MA Malebati	167 856	55 952	20 868	1 395	246 071
N Nkhwashu	167 856	55 952	20 868	1 604	246 280
MB Masholo	167 856	55 952	20 868	1 604	246 280
MD Hlangwini	167 856	55 952	20 868	1 416	246 092
PP Machetse	221 711	75 903	20 868	2 052	326 534
SM Maunatlad	221 723	73 913	20 868	1 948	318 452
	<u>13 976 171</u>	<u>4 664 636</u>	<u>1 419 024</u>	<u>119 462</u>	<u>20 078 193</u>

Greater Tzaneen Municipality

Consolidated Financial Statements for the year ended 30 June 2015

Notes to the Consolidated Financial Statements

29. Employees remuneration (continued)

2014

	Salary	Travel allowance	Telephone allowance	Study allowance	Total
SJ Nkuna	212 938	72 579	20 868	1 702	308 087
MC Nkhwashi	216 338	72 579	20 868	1 911	311 696
RM Mokgomole	215 538	72 579	20 868	1 910	310 895
PJ Sekgoladi	217 738	72 579	20 868	1 907	313 092
RE Pahl	217 738	72 579	20 868	2 008	313 253
SM Matimallala	395 888	131 983	20 868	2 736	551 455
RR Salomo	395 888	131 983	20 868	3 361	552 080
C Machimane	410 030	131 983	20 868	2 935	565 796
JHS Mbitlati	395 888	131 983	20 868	3 318	552 037
MR Shingange	394 188	131 983	20 868	2 936	549 955
DJ Mnetle	527 951	175 950	20 868	4 477	729 146
MM Mmola	158 355	52 785	20 868	-	232 008
MJ Mokgoloboto	158 355	52 785	20 868	-	232 008
TS Mushwana	158 355	52 785	20 868	-	232 008
MJ Motlaba	158 355	52 785	20 868	1 416	233 424
C Baloyi	158 355	52 785	20 868	1 416	233 424
AE Jansen van Vuuren	158 355	52 785	20 868	1 416	233 424
S Mahori	158 355	52 785	20 868	1 416	233 424
MG Mangena	158 355	52 785	20 868	1 416	233 424
SP Masella	158 355	52 785	20 868	1 416	233 424
TL Mhlongo	158 355	52 785	20 868	1 399	233 407
ML Ncha	158 355	52 785	20 868	1 416	233 424
DL Ndove	158 355	52 785	20 868	1 416	233 424
TK Ntseki	158 355	52 785	20 868	1 416	233 424
MS Reganya	158 355	52 785	20 868	1 416	233 424
ME Ramolefo	158 355	52 785	20 868	1 416	233 424
M Sibya	158 355	52 785	20 868	1 416	233 424
MD Mabape	158 355	52 785	20 868	1 416	233 424
DG Mushwana	158 355	52 785	20 868	1 417	233 425
NL Mohale	158 355	52 785	20 868	1 416	233 424
MM Makwala	158 355	52 785	20 868	1 416	233 424
TL Matla	158 355	52 785	20 868	1 416	233 424
ML Mokgobi	158 355	52 785	20 868	1 184	233 172
GQ Mahuza	158 355	52 785	20 868	1 416	233 424
LM Valentino	158 355	52 785	20 868	1 416	233 424
MF Mhlati	158 355	52 785	20 868	1 245	233 253
MR Makhandu	158 355	52 785	20 868	1 416	233 424
MM Mohale	158 355	52 785	20 868	1 416	233 424
NM Mahasha	158 355	52 785	20 868	1 417	233 425
MI Hlangwane	158 355	52 785	20 868	1 416	233 424
GE Ntimbane	158 355	52 785	20 868	1 416	233 424
BM Mashava	158 355	52 785	20 868	1 416	233 424
NR Rikhotso	158 355	52 785	20 868	1 416	233 424
DQ Mhlathi	158 355	52 785	20 868	1 416	233 424
RP Nghonyama	158 355	52 785	20 868	1 416	233 424
NH Zandamela	158 355	52 785	20 868	1 416	233 424
OK Banyini	158 355	52 785	20 868	1 416	233 424
MS Mboweni	158 355	52 785	20 868	1 418	233 424
SC Makwala	158 355	52 785	20 868	1 348	233 356
ND Nditovu	158 355	52 785	20 868	1 416	233 424
GG Nghontsweni	158 355	52 785	20 868	1 416	233 424
NA Masila	158 355	52 785	20 868	1 416	233 424
ML Pidikobekwa	158 355	52 785	20 868	1 416	233 424
PJ Ramodipa	158 355	52 785	20 868	1 416	233 424
MM Lelabalo	158 355	52 785	20 868	1 416	233 424
MA Makwala	158 355	52 785	20 868	1 416	233 424
MC Mamogate	158 355	52 785	20 868	1 392	233 400

Greater Tzaneen Municipality

Consolidated Financial Statements for the year ended 30 June 2015

Notes to the Consolidated Financial Statements

29. Employees remuneration (continued)					
M Sabela	158 355	52 785	20 868	1 416	233 424
MR Mc Nell	158 355	52 785	20 868	1 533	233 541
MH Magoro	158 355	52 785	20 868	1 416	233 424
DT Manke	158 355	52 785	20 868	1 416	233 424
TS Manyama	158 355	52 785	20 868	1 534	233 542
MA Molebali	158 355	52 785	20 868	1 361	233 369
N Nkhwashi	158 355	52 785	20 868	1 633	233 541
MB Mashele	158 355	52 785	20 868	1 502	233 510
MD Hlangwini	158 355	52 785	20 868	1 585	233 593
PP Machehe	422 200	140 780	20 868	3 604	587 512
MN Mboweni	395 888	131 963	20 868	3 383	552 102
	<u>13 127 716</u>	<u>4 374 558</u>	<u>1 419 024</u>	<u>109 902</u>	<u>19 031 200</u>

Greater Tzaneen Municipality

Consolidated Financial Statements for the year ended 30 June 2015

Notes to the Consolidated Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2015	2014	2015	2014

30. Impairment loss

In terms of GRAP21, "Impairment of non-cash generating assets", Municipalities are required to assess the impairment of its assets to comply with GRAP standards and asset management policy. Greater Tzaneen Municipality has assessed the impairment of its assets for the financial year ended 30 June 2015. The assessment of impairment of assets has resulted in an impairment loss of R 1 906 738 as a result significant loss in carrying amount of road infrastructure due to physical damage and degradation.

31. Finance costs

Finance leases	197 765	455 948	197 765	455 949
Other interest paid	10 267 956	11 331 029	10 267 956	11 331 028
	10 465 721	11 786 977	10 465 721	11 786 977

32. Repairs and maintenance

Machinery and equipment	67 228	43 895	67 228	43 895
Lawnmowers	31 758	62 740	31 758	62 740
Distribution networks	6 866 190	5 148 159	6 866 190	5 148 159
Stormwater, drainage and bridges	3 006 841	2 494 032	3 006 841	2 494 032
Tarred roads	8 847 339	6 086 342	8 847 339	6 086 342
Gravel roads	9 182 616	8 384 822	9 182 616	8 384 822
Streetslights	149 239	239 945	149 239	239 945
Council-owned land	571 597	486 470	571 597	486 470
Council-owned buildings	388 848	916 530	388 848	916 530
Council-owned vehicles	2 502 603	(1 723 586)	2 502 603	(1 723 586)
Non-council-owned assets (Contractors)	149 485	161 445	149 485	161 445
Other	481 454	361 205	369 335	221 701
	32 255 198	20 661 099	32 133 079	20 622 498

33. Bulk purchases

Electricity	267 856 116	239 064 261	267 856 116	239 064 261
-------------	-------------	-------------	-------------	-------------

Bulk purchases are the cost of electricity not generated by the municipality. The electricity which is purchased from Eskom is sold to consumers.

Water purchases are not included in bulk purchases as the municipality acts as resource provider for Mopani District Municipality with regards to this service. Mopani District Municipality is the water and sewer service authority and those services reflect in their records.

34. Contracted services

Valuation roll	20 994	618 628	20 994	618 628
Traffic services	12 080 787	11 249 870	12 080 785	11 249 871
Refuse removal	8 771 151	8 950 742	8 771 151	8 950 742
Cleaning services	11 113 453	11 438 549	11 113 453	11 438 549
Other contracted services	904 601	843 680	904 601	843 680
Information technology	459 540	501 674	459 540	501 674
Meter reading	1 793 970	1 770 208	1 783 970	1 770 208
Town planning	4 339	317 326	4 339	317 326
Credit control	4 855 052	4 953 003	4 855 052	4 953 003
	39 993 887	40 643 480	39 993 885	40 643 481

Greater Tzaneen Municipality

Consolidated Financial Statements for the year ended 30 June 2016

Notes to the Consolidated Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2015	2014	2015	2014
35. Grants and subsidies paid				
Other subsidies				
HPH	4 898 372	3 188 818	4 898 372	3 188 818
Other grants	8 716 133	22 005 564	8 716 133	22 005 564
Eskom EBSST	2 849 536	3 594 392	2 849 536	3 594 392
Mayor treasury account	215 000	221 000	215 000	221 000
SPCA	102 500	102 500	102 500	102 500
Sport Council	106 644	106 644	106 644	106 644
SETA (Training)	12 592	231 000	12 592	231 000
MSIG	692 071	105 283	692 071	105 283
Mayor special account	52 684	27 954	52 684	27 954
Grants and subsidies paid	33 326	33 326	33 326	33 326
Solid waste: EPWP	2 034 221	1 896 682	2 034 221	1 896 682
	19 712 079	32 291 163	19 712 079	32 291 163
36. General expenses				
Advertising	53 175	112 850	-	-
Auditor's remuneration	3 588 980	2 258 897	3 161 536	1 908 116
Cleaning	198	22 621	-	-
Computer rental	998 206	615 353	998 206	615 353
Consulting fees	22 271 151	11 945 407	22 208 565	11 921 836
Consumables	610 217	867 864	877 482	778 818
Entertainment	12 183	27 533	-	-
Fines and penalties	18 440	38 962	-	-
Insurance	2 629 220	2 329 146	2 617 174	2 318 884
Fuel and oil	6 058 613	6 507 249	6 058 613	6 507 249
Postage and courier	1 039 704	1 158 530	1 039 174	1 168 103
Printing and stationery	1 433 219	1 362 766	1 422 077	1 365 967
Protective clothing	235 761	567 090	235 761	567 090
Security (Guarding of municipal property)	6 814	3 684	-	-
Software expenses	4 340	7 305	-	-
Staff welfare	-	857	-	-
Subscriptions and membership fees	27 190	18 124	-	-
Telephony and fax	1 491 335	1 605 028	1 345 828	1 470 051
Training	939 137	728 413	904 237	728 413
Travel - local	7 366 645	7 104 954	7 146 467	6 788 808
Uniforms	20 976	-	-	-
Insurance claims - Own expenditure	3 037 147	1 983 087	2 997 399	1 948 413
Membership fees - Selga	2 214 460	2 462 009	2 115 600	2 358 184
Telephone exchange rental	1 226 434	1 056 709	1 226 434	1 056 709
Public education and training	31 650	13 757	31 650	13 757
Small tools and equipment	275 702	236 345	275 702	236 345
Lease rentals on operating leases	843 145	1 023 778	398 322	648 093
Other expenses	20 518 716	17 544 538	23 018 715	15 169 530
	77 232 748	61 603 336	78 068 922	57 546 548

Greater Tzaneen Municipality

Consolidated Financial Statements for the year ended 30 June 2015

Notes to the Consolidated Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2015	2014	2015	2014
37. Cash generated from operations				
Surplus	26 174 619	130 472 450	26 282 385	130 808 083
Adjustments for:				
Depreciation and amortisation	117 947 839	111 037 880	117 808 220	110 963 758
Gain on sale of assets and liabilities	1 763 066	8 090 388	1 753 066	8 090 388
Finance costs - Finance leases	197 765	455 948	197 765	455 948
Impairment deficit	1 906 738	8 404 148	1 906 738	8 404 148
Debt impairment	25 603 260	21 745 127	25 603 260	21 745 127
Movements in operating lease assets and accruals	13 669	28 574	13 669	28 574
Movements in retirement benefit assets and liabilities	12 540 977	8 243 302	12 540 977	8 243 302
Movements in provisions	189 902	2 628 459	189 902	2 628 459
Donation of assets (Non-cash item)	-	(155 300 000)	-	(155 300 000)
Changes in working capital:				
Inventories	(1 024 658)	6 848 603	(1 024 658)	6 940 693
Receivables from exchange transactions	2 628 062	4 098 938	2 628 062	(423 657)
Consumer debtors	(43 140 590)	(43 498 641)	(43 140 590)	(43 498 641)
Other receivables from non-exchange transactions	(2 129 353)	(423 857)	(2 129 353)	4 098 938
Payables from exchange transactions	(5 083 680)	24 173 487	(5 117 275)	24 221 493
VAT	1 250 677	4 018 284	1 402 956	4 019 244
Unspent conditional grants and receipts	16 356 034	11 897 204	16 356 034	11 897 204
Consumer deposits	2 506 153	2 208 799	2 598 153	2 208 799
	157 780 480	153 227 343	157 907 311	153 538 830
38. Auditor's remuneration				
Fees - Auditor General of South Africa	3 568 900	2 258 897	3 161 536	1 908 116
39. Commitments				
Authorised expenditure				
Already contracted for but not provided for				
• Property, plant and equipment	38 225 872	80 863 940	38 225 872	80 863 940
• Investment property	-	3 318 000	-	3 348 000
• Other commitment	64 277 043	39 698 451	64 183 543	39 512 958
	100 502 915	123 710 391	100 389 415	123 554 898
Total capital commitments				
Already contracted for but not provided for	100 502 915	123 710 391	100 389 415	123 554 898
This committed expenditure relates to property and will be financed by available bank facilities, retained surpluses, existing cash resources, funds internally generated, etc.				
The expenditure will be financed by:				
- Internal advances	73 775 050	58 888 886	73 881 550	58 503 392
- Government grants	2 855 858	25 191 884	2 855 858	26 181 664
- MIG grants	23 872 007	41 829 842	23 872 007	41 829 842
	100 502 915	123 710 391	100 389 415	123 524 898

Greater Tzaneen Municipality

Consolidated Financial Statements for the year ended 30 June 2015

Notes to the Consolidated Financial Statements

Figuras in Rand	Economic entity		Controlling entity	
	2015	2014	2015	2014
40. Contingencies				
A letter of demand regarding the non-payment of services for the valuation roll performed by Thlaola Dynamics (Pty) Ltd to the value of R 769 089 (2014: 769 089).	-	769 089	-	769 089
A notice of action to the value of R 2 500 000 (2014: R 1 500 000) regarding negligence of extinguishing a fire which gutted Bedrock Mining Support Property	2 500 000	1 500 000	2 500 000	1 500 000
A letter of demand from Makgetsi Construction CC regarding the termination of SLA resulting from the awarding of tenders to the value of (2014: R15 776 459). This matter has since been resolved.	-	15 776 459	-	15 776 459
Application to the High Court with regard to the unfair dismissal of the previous CFO Mr Andre lo Grange. The amount under dispute could not be reliably determined during the 2013/2014 financial year. Mr Andre Lo Grange has been re-instated with effect from 1st July 2015	-	-	-	-
The municipality is being sued by Thabo Molepo for an amount of R1 000 000 (2014: R1 000 000) after being unlawfully arrested by the traffic officers of the municipality. The matter is still in the North Gauteng High Court.	-	1 000 000	-	1 000 000
Arbitration is in progress relating to possible irregular capital expenditure amounting to R6 329 697,36. This amount represents the payment for the upgrading of road R3763 Sasekani to Nkowanikwa.	6 329 697	6 329 697	6 329 687	6 329 697
MACP Construction / CTM is alleged that the Municipality did not honour the contract as the contractor could not finish the nine kilometer project with the tendered amount of R 39 000 000 despite variation order of 20% to complete the project	9 000 000	-	9 000 000	-
GTM / Bravospan 252 the contract for security cameras was renewed by the acting Municipality Manager for a period of two years without proper procedure or formal advertisement of the bid. The Municipality filed an application in the high court to challenge the validity of the extension / renewal of the contract to be set aside and be advertised as per the supply chain policy of the Municipality. An amount of R2 712 000 has been provided for this purpose.	3 051 000	-	3 051 000	-

Greater Tzaneen Municipality

Consolidated Financial Statements for the year ended 30 June 2015

Notes to the Consolidated Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2015	2014	2015	2014
40. Contingencies (continued)				
Expectra 338 / GTM on the 29th May 2015, the Municipality was issued with a notice of motion by Expectra 338 demanding payment R 18 500 000 for breach of contract as a service provider. The plaintiff alleged that they were appointed to upgrade a road from gravel to tar, roads D3198/D3215 from Senakwa to Morapalala	18 500 000	-	17 766 852	-
SAMWU / GTM the local SAMWU instituted an action in the high court against the Municipality who failed to consult the Union at the local forum regarding the policies adopted by the council. The Union is of the view that the Municipality should have consulted them before the policies may be enforced.	500 000	-	500 000	-
The municipality has lodged an objection with SARS with regards to VAT that was rejected by SARS. As a result of the objection, a contingent asset amounting to R18 146 507.78 (2014) and for 2013 R17 291 039.67 and a contingent liability amounting to R2 844 717.75 (2014) and for 2013 R11 085 243.	-	2 844 718	-	2 844 718
Greater Tzaneen Municipality vs Unlawful occupiers of property: GTM instructed legal proceedings to interdict the unlawful occupiers of property the anticipated amount to be spent on legal fees amounts to R300 000.	300 000	-	300 000	-
Erick Hide vs GTM Erick Hide sued the municipality for the water pipe that burst and destroyed the machinery of Erick Hide. They alleged that the damage occurred as a result of the negligence of the municipality. The anticipated amount is R150 000.	300 000	-	150 000	-
Nkuna Traditional Authority This involves the eviction of illegal occupants in and around Nkuna Traditional Authority. The estimated cost is R500 000.	500 000	-	500 000	-
Versatax trading vs GTM This matter involves the Service Level Agreement entered into between GTM and Versatax to conduct job evaluations, however Versatax did not perform in terms of the agreement. The matter has now been referred to arbitration and the anticipated amount to be spent on legal fees is R450 000.	450 000	-	150 000	-

Greater Tzaneen Municipality

Consolidated Financial Statements for the year ended 30 June 2015

Notes to the Consolidated Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2015	2014	2015	2014

40. Contingencies (continued)

Contingent liabilities

Mr A Mushwana was suspended with pay, thereafter dismissed with effect from 18 May 2015 as imposed by the presiding officer after having followed due disciplinary hearing processes; and the appeal hearing is in progress.

No provision has been made based on the substantive evidence at hand, the probability of the case being in GTEDA's favour is high.

Greater Tzaneen Municipality

Consolidated Financial Statements for the year ended 30 June 2015

Notes to the Consolidated Financial Statements

41. Related parties

Relationships

Municipal Manager	Vacant
Chief Financial Officer	NM Lion
Director Community Services	OZ Mkhomho
Director Civil Engineering	DS Malatji
Director Corporate Services	Vacant
Director Electrical Engineering	P van den Heever
Councillors	Refer to note 29 for list of councillors

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

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

Loans granted to related parties

In terms of the MFMA the municipality may not grant loans to its councillors, management, staff and public with effect from 1 March 2004. Loans granted prior to this date as well as stand sale arrangement are disclosed in note 4 to the annual financial statements.

GTEDA

GTEDA is a Municipality Entity Established by Greater Tzaneen Municipality and performs the function consistent with that of an entity and can not control or influence council in making financial or operational decisions.

Mopani District Municipality

Greater Tzaneen Municipality acts as the service provider for Mopani District Municipality with regards to the water and sewer services. Mopani District Municipality is the water and sewer service authority and those services reflect in their records. Mopani District Municipality has no control over the council of Greater Tzaneen Municipality and can not influence council in making financial or operational decisions.

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

There are no share based payments.

Industrial Development Corporation (IDC)

Which is a major funder of GTEDA,

The major stakeholders of GTEDA is Limpopo Economic Development Agency, the former Limpopo Agri-Business Development Corporation (LADC) and a strategic partner in the Makgoha Tea Estates.

Related party transactions

Grants received from related parties

Industrial Development Corporation	3 000 000	3 000 000
------------------------------------	-----------	-----------

Refer to note 27 for detail of remuneration paid to Section 57 Managers and to note 29 for remuneration paid to Councillors.

Greater Tzaneen Municipality

Consolidated Financial Statements for the year ended 30 June 2015

Notes to the Consolidated Financial Statements

42. Risk management

Financial risk management

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

Rent deposits	3 386	3 386
VAT receivable	215 458	63 179
	<u>218 844</u>	<u>66 565</u>

Liquidity risk

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

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

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

The table below analyses the economic entity's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant at 30 June 2015.

Economic entity

At 30 June 2015	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings	13 122 036	94 509 259	-	-
Derivative financial instruments	576 879	253 826	-	-
Trade and other payables	143 104 322	-	391 442	-
At 30 June 2014	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings	12 014 682	107 631 294	-	-
Derivative financial instruments	2 171 874	415 637	-	-
Trade and other payables	148 221 598	-	357 847	-

Controlling entity

At 30 June 2015	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Other financial liabilities	13 122 036	94 509 259	-	-
Finance lease obligations	576 879	253 826	-	-
Payables from exchange transactions	143 104 322	-	-	-
At 30 June 2014	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Other financial liabilities	12 014 682	107 631 294	-	-
Finance lease obligations	2 171 874	415 637	-	-
Payables from exchange transactions	148 221 598	-	-	-

Greater Tzaneen Municipality

Consolidated Financial Statements for the year ended 30 June 2015

Notes to the Consolidated Financial Statements

42. Risk management (continued)

Credit risk

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

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

Potential concentrations of credit risk consist mainly of investments, loans, trade receivables and other receivables, short-term investment deposits and cash and cash equivalents.

The municipality limits its counterparty exposures from its money market investment operations by only dealing with well-established financial institutions of high credit standing. The credit exposure to any single counterparty is managed by setting transaction/exposure limits, which are included in the municipality's Investments Policy.

Trade receivables comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Ongoing credit evaluations are performed on the financial condition of these customers. Trade receivables are presented net of an allowance for impairment and where appropriate, credit limits are adjusted.

Credit risk pertaining to trade and other debtors is considered to be moderate due to the diversified nature of debtors and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers.

In the case of customers whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of interest charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

Non-current Receivables and Other Receivables are collectively evaluated annually at reporting date for impairment or discounting. A report on the various categories of customers is drafted to substantiate such evaluation and subsequent impairment / discount, where applicable.

No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents is considered to be low, the maximum exposure is disclosed below.

The maximum credit and interest risk exposure in respect of the relevant financial instruments is as follows:

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

Financial Instrument	Economic entity - 2015	Economic entity - 2014	Controlling entity - 2015	Controlling entity - 2014
Receivables from exchange transactions	185 420 651	188 057 714	185 420 651	188 057 714
Receivables from non-exchange transactions	2 553 010	423 657	2 553 010	423 657
Cash and cash equivalents	28 404 638	24 377 988	27 877 498	23 022 041
Consumer debtors	115 629 701	98 092 370	115 629 701	98 092 370
Other financial assets	9 041 278	8 005 170	9 041 278	8 005 170

The method for determining the credit quality of the different financial instruments are disclosed in their individual notes.

Market risk

Interest rate risk

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

Greater Tzaneen Municipality

Consolidated Financial Statements for the year ended 30 June 2015

Notes to the Consolidated Financial Statements

42. Risk management (continued)

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

A sensitivity analysis is done by the municipality on a continuous basis to determine its potential exposure to interest rate changes. Different scenarios are simulated which include renewal of current position and alternative financing. Based on those scenarios the municipality calculates the impact that a change in interest rate will have on the surplus / deficit for the year. These scenarios are only simulated for liabilities which constitute the majority of interest bearing liabilities.

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

Price risk

The effect of any price risk in the foreseeable future is regarded as minimal given the fact that amounts receivable from the municipality's customers are levied in terms of the relevant statutes. It is not anticipated that given the nature of the municipality's business, changes in the market prices will have a material impact on the trading results of the municipality.

Controlling entity

Risk is managed on an ongoing basis.

There has been no change, since the previous financial year to the municipality exposure to market risks on the manner which it manages and measures the risk.

43. Going concern

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

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

44. Unauthorised expenditure

Opening balance	96 082 486	63 740 995	96 082 486	63 740 995
Unauthorised expenditure for the year (overspending of budget)	25 387 498	27 651 091	25 387 498	27 651 091
Electrification Grant overspend	-	4 033 488	-	4 033 488
EPWP Grant overspend	-	11 151	-	11 151
EU Grant overspend	-	645 768	-	645 768
Unauthorised expenditure condoned	(96 082 486)	-	(96 082 486)	-
Unauthorised expenditure awaiting authorisation	25 387 498	96 082 486	25 387 498	96 082 486

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

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

The unauthorised expenditure has been tabled to Council and is investigated by a committee of Council.

Greater Tzaneen Municipality

Consolidated Financial Statements for the year ended 30 June 2015

Notes to the Consolidated Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2015	2014	2015	2014
45. Fruitless and wasteful expenditure				
Opening balance	5 060 968	5 049 186	5 822 008	5 049 186
Fruitless and wasteful expenditure	1 320 482	2 069 894	1 320 482	2 069 894
Less: Amounts to be recovered	-	(1 297 074)	-	(1 297 074)
Fruitless and wasteful expenditure condoned	(5 860 968)	38 962	(5 822 008)	-
Fruitless and wasteful expenditure awaiting condonement	1 320 482	5 860 968	1 320 482	5 822 068

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

The fruitless and wasteful expenditure has been tabled to Council and is investigated by a committee of Council.

46. Irregular expenditure

Opening balance	147 713 057	114 384 289	147 713 057	114 384 289
Add: Irregular Expenditure - current year	62 445 004	33 328 768	62 445 004	33 328 768
Irregular expenditure condoned	(147 713 057)	-	(147 713 057)	-
Irregular expenditure awaiting condonement	62 445 004	147 713 057	62 445 004	147 713 057

Analysis of expenditure awaiting condonation per age classification

Current year	66 766 224	144 384 289	66 766 224	144 384 289
Prior years	-	33 328 768	-	33 328 768
	66 766 224	177 713 057	66 766 224	177 713 057

The irregular expenditure has been tabled to Council and is investigated by a committee of Council.

47. Additional disclosure in terms of Municipal Finance Management Act

Contributions to SALGA

Current year fee	2 115 601	2 358 184	2 115 601	2 358 184
Amount paid - current year	(2 115 601)	(2 358 184)	(2 115 601)	(2 358 184)
	-	-	-	-

Skills Development Levy

Current year levy	2 238 674	2 110 348	2 238 674	2 110 348
Amount paid - current year	(2 238 674)	(2 110 348)	(2 238 674)	(2 110 348)
	-	-	-	-

Audit fees

Current year fee	3 161 536	1 908 116	3 161 536	1 908 116
Amount paid - current year	(3 161 536)	(1 908 116)	(3 161 536)	(1 908 116)
	-	-	-	-

Greater Tzaneen Municipality

Consolidated Financial Statements for the year ended 30 June 2015

Notes to the Consolidated Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2015	2014	2015	2014
47. Additional disclosure in terms of Municipal Finance Management Act (continued)				
PAYE and UIF				
Current year contributions	45 430 256	46 101 254	45 430 256	46 101 254
Amount paid - current year	(45 430 256)	(46 101 254)	(45 430 256)	(46 101 254)
	-	-	-	-
Pension and Medical Aid Deductions				
Current year contributions	58 099 812	52 744 197	58 099 812	52 744 197
Amount paid - current year	(58 099 812)	(52 744 197)	(58 099 812)	(52 744 197)
	-	-	-	-
Bargaining Council Levy				
Current year levy	125 786	121 942	125 786	121 942
Amount paid - current year	(125 786)	(121 942)	(125 786)	(121 942)
	-	-	-	-
VAT				
VAT payable	29 410 887	28 460 210	29 026 045	28 223 389
VAT output payables and VAT input receivables are shown in note 16.				
All VAT returns have been submitted by the due date throughout the year.				
Councillors' arrear consumer accounts				
There were no Councillors' arrear accounts outstanding for more than 90 days at 30 June 2015 and 30 June 2014.				
Supply chain management regulations				
In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the Accounting Officer and noted by Council. The expenses incurred have been condoned.				
48. Deviation from supply chain management regulations				
Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.				
Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the consolidated financial statements.				
Deviation from supply chain management regulations did occur. A detailed deviation register is available at the Municipality for inspection.				
Incident				
Deviation from supply chain management processes	7 431 803	2 756 801	7 431 803	2 756 801

Greater Tzaneen Municipality

Consolidated Financial Statements for the year ended 30 June 2016

Notes to the Consolidated Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2015	2014	2015	2014
49. Utilisation of Long-term liabilities reconciliation				
Long-term liabilities raised	107 631 295	119 645 977	107 631 295	119 645 977
Cash set aside for the repayment of long-term liabilities	-	-	-	-
	<u>107 631 295</u>	<u>119 645 977</u>	<u>107 631 295</u>	<u>119 645 977</u>

External loans have been utilized in accordance with the Municipal Finance Management Act. Refer to note 13 for more detail regarding long-term borrowings.

50. Distribution losses

Electricity distribution losses				
Units purchased (kWh)	383 896 085	389 202 218	383 896 085	389 202 218
Units lost during distribution (kWh)	68 438 891	75 262 387	68 438 891	75 262 387
Percentage lost during distribution	17,83 %	20,39 %	17,83 %	20,39 %
Rand value	54 726 085	-	54 726 085	-

There is no possibility of recovering any of the material losses.

51. Budget differences

Material differences between budget and actual amounts

Refer to Appendix E1 and E2 for details.

52. Other revenue

Other income	27 324 610	19 184 025	27 323 317	19 184 092
--------------	------------	------------	------------	------------

53. Impairment of assets

Impairments				
Property, plant and equipment	1 906 738	8 404 148	1 906 738	8 404 148

54. Fair value adjustments

Investment property (Fair value model)	(335 000)	18 352 038	(335 000)	18 352 038
--	-----------	------------	-----------	------------

55. Investment revenue

Interest revenue				
Interest received - other	2 414 245	2 180 956	2 381 124	2 164 145

An amount of R 1 301 982 included in investment revenue arises from fixed deposit transactions amounting to R 282 502 021, while the balance of R 1 079 162 arises from interest received on the municipality's current bank account.

56. Public contributions and donations

Public contributions and donations		155 300 000	-	155 300 000
------------------------------------	--	-------------	---	-------------

Conditions still to be met - remain liabilities (see note 18)

Provide explanations of conditions still to be met and other relevant information

Greater Tzaneen Municipality

Consolidated Financial Statements for the year ended 30 June 2015

Notes to the Consolidated Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2015	2014	2015	2014
57. Depreciation and amortisation				
Property, plant and equipment	117 947 839	111 037 880	117 868 218	110 983 755
58. Debt Impairment				
Debt Impairment	25 603 260	21 745 127	25 603 260	21 745 127
59. Taxation				
Reconciliation of the tax expense				
Reconciliation between applicable tax rate and average effective tax rate.				
Applicable tax rate	28,00 %	28,00 %	- %	- %

Greater Tzaneen Economic Development Agency receives the majority of income from grants which are exempt from income tax, the entity has applied for a tax exemption certificate from SARS. The entity provided for tax on the income that is not considered by management to be exempt.

60. Change in estimate

Property, plant and equipment

The municipality has reassessed the useful lives of property, plant and equipment which resulted in certain assets remaining useful lives to change from ten (10) to eleven (11) years on average. The effect of the change in accounting estimates has resulted in a decrease of depreciation amounting to R 7 673 371 for the current period. The effect on future periods could not reasonably be determined.

The change in estimates affected the following classes of assets:

- Infrastructure assets
- Community assets
- Other assets

Greater Tzaneen Municipality

Consolidated Financial Statements for the year ended 30 June 2015

Notes to the Consolidated Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2015	2014	2015	2014

84. Prior period errors

Statement of Financial Position:

Removal of funds and reserve accounts to comply with the requirement of the GRAP Implementation guide for the municipality

	Year	Amount	Year	Amount
Future depreciation Reserves:				
- Utilized capital receipts (Grants)	2012/2013	115 070 608	2012/2013	115 070 608
- Utilized Capital receipts (Public contribution)	2012/2013	152 163 123	2012/2013	152 163 123
- Transfer from Assets Financing Funds	2012/2013	172 440 266	2012/2013	172 440 266
- Transfer from Assets Financing Fund	2013/2014	(90 479 717)	2013/2014	(90 479 717)
Distributable Reserves:				
- Assets Financing Funds	2012/2013	137 014	2012/2013	137 014
- Insurance Reserve	2012/2013	500 000	2012/2013	500 000
- Unappropriated Surplus	2013/2014	90 479 717	2013/2014	90 479 717
- Unappropriated Surplus	2012/2013	1 464 530 567	2012/2013	1 464 530 567

Removal of advances made to and from funds and reserves:

Internal advances				
- Advances from EFF	2012/2013	63 995 434	2012/2013	63 995 434
Long term Liabilities				
- Advances made to finance capital	2012/2013	36 361 431	2012/2013	36 361 431
- Electricity	2012/2013	22 834 003	2012/2013	22 834 003
- Sewer	2012/2013	500 000	2012/2013	5 000 000

These advances had a zero net effect on the 2013/2014 financial statements.

Bursary loans not accounted for	2013/2014	587 567	2 013	587 567
Reduction in cost of assets	2012/2013	586 263	2 012	586 263
Accumulated depreciation motor vehicles taken out	2012/2013	465 812	2 012	465 812
Accumulated depreciation of motor vehicles taken out	2013/2014	67 458	2 013	67 458
Correction of incorrectly capitalised minor assets	2013/2014	18 616	2 013	18 616
Infrastructure capitalised with incorrect amount	2013/2014	44 502	2 013	44 502
Accumulated depreciation of incorrect amount capitalised	2013/2014	1 051	2 013	1 051
Correction of accumulated depreciation for other assets written off	2012/2013	17 187	2 012	17 187
Leased assets taken out	2012/2013	638 963	2 012	638 963
Accumulated depreciation of leased assets taken out	2012/2013	638 963	2 012	638 963
Work in progress overstated due to over payment.	2013/2014	289 331	2 013	289 331
Adjustment for understated infrastructure assets due to complete project not capitalised.	2013/2014	1 242 074	2 013	1 242 074
Reduction in cost of assets due to other assets duplicates	2012/2013	52 947	2 012	52 947
Accumulated depreciation due to other assets duplicates	2012/2013	35 948	2 012	35 948

Greater Tzaneen Municipality

Consolidated Financial Statements for the year ended 30 June 2015

Notes to the Consolidated Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2015	2014	2015	2014
81. Prior period errors (continued)				
Accumulated depreciation for duplicated other assets	2013/2014	5 723	2 013	5 723
Writing back bursary loan allocations	2013/2014	49 737	2 013	49 737
Adjustment made to correct property, plant and equipment (Computer equipment)	2012/2013	1 231	-	-
Adjustment made to correct property, plant and equipment (Furniture and Fittings)	2012/2013	10 143	-	-

Statement of Financial Performance:

Bursary loans issued and not accounted for	2013/2014	587 567	2013/2014	587 567
Depreciation of motor vehicles taken out	2013/2014	67 458	2013/2014	67 458
Depreciation due to incorrect amount capitalised	2013/2014	1 051	2013/2014	1 051
The effect of depreciation due to duplicated other assets taken out	2013/2014	5 723	2013/2014	6 723

The correction of error(s) results in adjustments as follows:

Economic Entity

Statement of Financial Position

	As previously reported	Correction of error	2013 Restated
Investment property	171 252 000	1 780 000	173 032 000
Property, plant and equipment	1 548 633 558	(27 553 992)	1 519 079 566
Accumulated surplus	1 636 470 581	(25 773 990)	1 609 702 591
	3 353 362 139	(51 547 982)	3 301 814 157

Statement of Financial Position

	As previously reported	Correction of error	2014 Restated
Opening accumulated surplus	1 787 246 886	(39 071 846)	1 748 175 040
Receivables from exchange transactions	194 305 450	(8 244 350)	186 061 100
Property, plant and equipment	1 693 527 879	(32 116 770)	1 661 411 109
Investment property	180 377 000	1 780 000	182 157 000
Payables from exchange transactions	148 129 324	2 450 221	148 579 545
VAT payable	28 119 704	40 506	28 160 210
	4 029 706 243	(73 162 239)	3 956 544 004

Statement of Financial Performance

	As previously reported	Correction of error	2014 Restated
Interest received	17 343 422	(6 474 713)	10 868 709
Employee related costs	250 261 517	2 405 722	252 667 239
Depreciation and amortisation	108 129 032	2 908 848	111 037 880
Repairs and maintenance	19 264 353	1 397 616	20 661 969
General expenses	61 503 923	99 409	61 603 335
	456 502 250	336 912	456 839 162

Greater Tzaneen Municipality

Consolidated Financial Statements for the year ended 30 June 2015

Notes to the Consolidated Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2015	2014	2015	2014
B1. Prior period errors (continued)				
Controlling Entity				
Statement of Financial Position	As previously reported	Correction of error	2013 Restated	
Investment property	171 252 000	1 780 000	173 032 000	
Property, plant and equipment	1 546 448 144	(27 585 385)	1 518 862 779	
Accumulated surplus	1 834 870 985	(25 785 363)	1 809 085 622	
	3 352 377 109	(51 570 728)	3 300 806 381	
Statement of Financial Position	As previously reported	Correction of error	2014 Restated	
Opening accumulated surplus	1 780 789 515	(30 071 848)	1 747 697 669	
Receivables from exchange transactions	194 302 084	(6 244 350)	188 057 714	
Property, plant and equipment	1 693 378 434	(32 110 770)	1 661 267 664	
Investment property	180 377 000	1 780 000	182 157 000	
Payables from exchange transactions	145 771 377	2 450 221	148 221 598	
VAT Payable	28 182 883	40 506	28 223 389	
	4 028 781 273	(73 162 239)	3 955 619 034	
Statement of Financial Performance	As previously reported	Correction of error	2014 Restated	
Interest received	17 343 422	(6 474 713)	10 868 709	
Employee related costs	247 063 661	2 405 722	249 469 283	
Depreciation and amortisation	108 054 907	2 908 848	110 963 755	
Repairs and maintenance	19 124 850	1 397 648	20 522 498	
General expenses	57 447 139	99 409	57 546 548	
	449 033 879	336 912	449 370 791	

Greater Tzaneen Municipality
Appendix A

Schedule of external loans as at 30 June 2015

Loan Number	Redeemable Balance at 30 June 2014	Received during the period	Redeemed written off during the period	Balance at 30 June 2015	Carrying Value of Property, Plant & Equip	Other Costs in accordance with the MFMA
	Rand	Rand	Rand	Rand	Rand	Rand
Annuity Loans						
ABSA	27 269 848	-	3 547 657	24 222 191	-	-
Development Bank of South Africa	37 886 535	-	1 316 589	35 569 946	-	-
INCA	13 964 854	-	2 481 575	11 483 279	-	-
Standard Bank	16 726 590	-	2 540 160	14 186 430	-	-
Standard Bank	8 759 106	-	2 826 690	6 172 416	-	-
	<u>104 645 977</u>	-	<u>12 014 681</u>	<u>92 631 296</u>	-	-
Loan Stock						
Development Bank South Africa	15 000 000	-	-	15 000 000	-	-
	<u>15 000 000</u>	-	-	<u>15 000 000</u>	-	-
Total external loans						
Loan Stock	15 000 000	-	-	15 000 000	-	-
Annuity Loans	<u>104 645 977</u>	-	<u>12 014 681</u>	<u>92 631 296</u>	-	-
	<u>119 645 977</u>	-	<u>12 014 681</u>	<u>107 631 296</u>	-	-

Greater Tzaneen Municipality
 Greater Tzaneen Municipality
 Appendix B

Analysis of property, plant and equipment as at 30 June 2015
 Cost/Revaluation Accumulated depreciation

	Opening Balance	Additions	Disposals	Transfers	Revaluations	Other charges, movements	Closing Balance	Opening Balance	Disposals	Revaluation
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Land and buildings										
Land	108 830 370	-	-	-	-	-	108 830 370	-	-	-
	108 830 370	-	-	-	-	-	108 830 370	-	-	-
Infrastructure										
Roads	982 318 282	106 895 881	-	-	-	-	1 089 214 163	(947 883 354)	-	-
Storm water	41 892 409	25 205 327	-	-	-	-	67 097 736	(20 285 254)	-	-
Solid waste	1 577 142	-	-	-	-	-	1 577 142	(542 748)	-	-
Buildings	374 291	2 342 735	-	-	-	-	2 717 026	(104 227)	-	-
Reticulation	14 327 603	-	-	-	-	-	14 327 603	(1 911 828)	-	-
Salvage sites	44 410 281	-	-	-	-	-	44 410 281	(6 343 281)	-	-
Airports	161 751	-	-	-	-	-	161 751	(16 238)	-	-
Airport land	200 595	-	-	-	-	-	200 595	(3 100)	-	-
Traffic	547 123	-	-	-	-	-	547 123	(1 522)	-	-
Water	198 238	-	-	-	-	-	198 238	(16 854)	-	-
Beneficial	861 917 242	-	(172 621)	-	-	-	689 294 621	(382 851 476)	-	67 485
Land and Buildings	2 832 427 822	133 911 893	-	-	-	-	2 966 339 715	(3 252 272)	-	-
	2 832 427 822	133 911 893	-	-	-	-	2 966 339 715	(3 252 272)	-	-
Community Assets										
Parks & gardens	20 946 970	-	-	-	-	-	20 946 970	(1 555 478)	-	-
Swimming	41 020	-	-	-	-	-	41 020	(16 738)	-	-
Sports	11 301 760	-	-	-	-	-	11 301 760	(2 622 232)	-	-
Municipal offices	18 378 000	-	-	-	-	-	18 378 000	(6 538 310)	-	-
Libraries	7 240 000	-	-	-	-	-	7 240 000	(700 471)	-	-
Town's hall(s)	662 000	-	-	-	-	-	662 000	(42 425)	-	-
Clubs	7 000 000	-	-	-	-	-	7 000 000	(210 123)	-	-
Clubs	128 884	-	-	-	-	-	128 884	(139 588)	-	-
Subsidiaries	6 400 037	-	-	-	-	-	6 400 037	(5 284 710)	-	-
Construction	3 702 216	-	-	-	-	-	3 702 216	(234 725)	-	-
Stores and Substore	287 273	-	-	-	-	-	287 273	(236 681)	-	-
Buildings	1 070 252	-	-	-	-	-	1 070 252	(935 020)	-	-
Land and Buildings	1 238 650	-	-	-	-	-	1 238 650	(1 238 650)	-	-
	73 892 870	-	-	-	-	-	73 892 870	(2 075 351)	-	-
	73 892 870	-	-	-	-	-	73 892 870	(2 075 351)	-	-
Total										
	3 117 161 002	172 828	-	-	-	-	3 117 161 002	(542 854 730)	-	67 486
	3 117 161 002	172 828	-	-	-	-	3 117 161 002	(542 854 730)	-	67 486

Greater Izameen Municipality
 Greater Izameen Municipality
 Appendix B

Analysis of property, plant and equipment as at 30 June 2015
 Cost/Revaluation
 Accumulated depreciation

	Opening Balance	Additions	Disposals	Transfers	Revaluations	Other changes, revaluations	Closing Balance	Opening Balance	Disposals	Transfers
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Work in Progress										
Work in progress	112 741 750	128 620 827	-	(134 635 008)	-	-	106 726 569	-	-	-
	112 741 750	128 620 827	-	(134 635 008)	-	-	106 726 569	-	-	-
Leased assets										
Leased assets	11 864 938	472 792	-	-	-	-	12 458 611	(7 549 389)	-	-
	11 864 938	472 792	-	-	-	-	12 458 611	(7 549 389)	-	-
Other assets										
Computer Equipment	6 924 213	719 477	-	-	-	-	7 643 690	(3 810 825)	-	-
Furniture & Fixtures	3 079 997	122 284	-	-	-	-	3 202 281	(1 198 594)	-	-
Critical Equipment	3 025 875	186 787	-	-	-	-	3 212 662	(2 138 510)	-	-
Electricity	6 065 839	112 164	-	-	-	-	6 178 003	(5 143 544)	-	-
Paving and Machinery	2 401 820	-	-	-	-	-	2 401 820	(2 401 820)	-	-
Plant and Equipment	5 228 005	-	-	-	-	-	5 228 005	(1 932 771)	-	-
Plant	392 185	-	-	-	-	-	392 185	(185 751)	-	-
Buildings	225 043	-	-	-	-	-	225 043	(146 801)	-	-
Security Allocations	55 808 797	860 967	-	-	-	-	56 669 764	(16 346 584)	-	-
Plant-Vehicles	4 782	-	-	-	-	-	4 782	-	-	-
Land	-	20 820	-	-	-	-	20 820	(1 123 918)	-	-
	64 116 080	1 565 935	-	-	-	-	65 682 015	(32 188 522)	-	-

Greater Tzaneen Municipality
 Greater Tzaneen Municipality
 Appendix B

Analysis of property, plant and equipment as at 30 June 2015
 Cost/Revaluation Accumulated depreciation

	Opening Balance		Disposals		Transfers		Revaluations		Other changes, increments		Closing Balance		Depreciate		Transfer	
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Total property plant and equipment	2 080 985 988	262 411 181	(172 892)	(172 892)	(24 035 008)	2 439 159 980	(508 053 022)				(508 053 022)					67 468
Land and buildings	1 063 427 821	438 011 575	(172 892)	(172 892)	-	2 117 187 003	(941 054 757)				(117 075 507)					67 468
Infrastructure	79 594 810	428 089 527	-	-	-	104 785 280	-				-					-
Community Assets	142 747 750	473 765	-	-	(34 085 729)	12 452 511	-				(7 547 340)					-
Work in Progress	11 604 967	1 245 378	-	-	-	66 032 004	-				(32 155 522)					-
Lease assets	34 116 359	-	-	-	-	-	-				-					-
Other assets	160 877 230	-	-	-	(24 035 008)	2 439 159 980	(508 053 022)				(508 053 022)					67 468
	2 080 985 988	262 411 181	(172 892)	(172 892)	(24 035 008)	2 439 159 980	(508 053 022)				(508 053 022)					67 468
Agricultural/Biological assets																
Intangible assets	345 655	-	-	-	-	345 655	(188 422)				(188 422)					-
Computers - software	345 655	-	-	-	-	345 655	(188 422)				(188 422)					-
	345 655	-	-	-	-	345 655	(188 422)				(188 422)					-
Investment properties																
Investment property	150 377 000	9 345 000	-	-	-	159 722 000	-				-					-
	150 377 000	9 345 000	-	-	-	159 722 000	-				-					-
Total	1 063 427 821	1 063 427 821	(172 892)	(172 892)	(24 035 008)	2 117 187 003	(941 054 757)				(117 075 507)					67 468
Land and buildings	1 063 427 821	438 011 575	(172 892)	(172 892)	-	2 117 187 003	(941 054 757)				(117 075 507)					67 468
Infrastructure	79 594 810	428 089 527	-	-	-	104 785 280	-				-					-
Community Assets	142 747 750	473 765	-	-	(34 085 729)	12 452 511	-				(7 547 340)					-
Work in Progress	11 604 967	1 245 378	-	-	-	66 032 004	-				(32 155 522)					-
Lease assets	34 116 359	-	-	-	-	-	-				-					-
Other assets	160 877 230	-	-	-	(24 035 008)	2 439 159 980	(508 053 022)				(508 053 022)					67 468
Intangible assets	345 655	-	-	-	-	345 655	(188 422)				(188 422)					-
Computers - software	345 655	-	-	-	-	345 655	(188 422)				(188 422)					-
Investment properties	150 377 000	9 345 000	-	-	-	159 722 000	-				-					-
Investment property	150 377 000	9 345 000	-	-	-	159 722 000	-				-					-

Greater Tzaneen Municipality
 Greater Tzaneen Municipality
 Appendix B

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

	Opening Balance Rands	Additions Rands	Disposals Rands	Transfers Rands	Revaluation Rands	Other changes, movements Rands	Closing Balance Rands	Opening Balance Rands	Disposals Rands	Transfers Rands	Depreciation Rands	Impairment Rands	Closing Balance Rands	Carrying Amount Rands
Work in progress	128 674 041	109 927 874	-	1100 636 555	-	-	112 741 750	-	-	-	-	-	-	112 741 750
Lease assets	108 074 041	108 987 674	-	1100 636 555	-	-	112 741 750	-	-	-	-	-	-	112 741 750
Other assets	4 453 811	-	(2 453 702)	-	-	-	11 994 808	(7 550 325)	2 758 354	-	(2 457 127)	-	(7 549 397)	4 453 811
Computer Equipment	6 528 854	657 543	(240 184)	-	-	-	6 946 213	(2 232 251)	231 948	-	(750 537)	-	(1 750 834)	5 195 379
Office Equipment	1 708 742	136 227	(20 182)	-	-	-	1 824 787	(1 028 550)	15 220	-	(48 124)	-	(1 161 454)	663 333
Workshop	2 348 074	88 225	(35 074)	-	-	-	2 391 225	(1 918 862)	20 062	-	(227 252)	-	(1 125 052)	1 266 173
Health Equipment	50 365	-	-	-	-	-	50 365	(28 506)	-	-	(4 824)	-	(13 076)	37 289
Plant	3 273 578	81 475	(10 568)	-	-	-	3 344 485	(4 538 707)	7 515	-	(281 333)	-	(1 194 045)	2 150 440
Buildings	244 536	-	-	-	-	-	244 536	(181 527)	-	-	(12 565)	-	(10 002)	133 009
Motor Vehicles	20 716	-	-	-	-	-	20 716	(5 321)	-	-	(7 528)	-	(10 849)	9 867
Other assets	5 278 005	32 150	-	-	-	-	5 310 155	(1 874 739)	-	-	(278 878)	-	(1 145 561)	4 164 594
Land	688 045	-	-	-	-	-	688 045	(156 577)	-	-	(28 174)	-	(162 751)	525 294
Motor Vehicles	155 048	-	-	-	-	-	155 048	(84 236)	-	-	(12 513)	-	(62 001)	93 047
Land	38 885 854	-	(2 833 225)	-	-	-	36 052 629	(12 676 320)	2 650 203	-	(5 258 688)	-	(16 284 805)	19 767 824
Land	1 147 628	38 642	(39 365)	-	-	-	1 146 905	(1 144 127)	88 848	-	(18 612)	-	(1 173 891)	9 861
	56 521 512	824 025	(2 328 640)	-	-	-	64 116 897	(28 587 974)	2 375 547	-	(8 473 451)	-	(32 165 884)	31 831 402

Greater Tzaneen Municipality
Appendix C

Segmental analysis of property, plant and equipment as at 30 June 2015
Accumulated Depreciation
Cost/Revaluation

Municipality	Opening Balance		Additions		Disposals		Transfers		Revaluations		Other changes, movements		Closing Balance		Opening Balance		Disposals		Transfers		
	Rand	Rate	Rand	Rate	Rand	Rate	Rand	Rate	Rate	Rate	Rand	Rate	Rand	Rate	Rand	Rate	Rand	Rate	Rand	Rate	
Mayor office	419 646	-	433 650	-	-	-	-	-	-	-	-	-	658 509	-	(228 795)	-	-	-	-	-	
Xhuphahla / Doojof	322 518	-	481 960	-	-	-	-	-	-	-	-	-	1 005 195	-	(371 677)	-	-	-	-	-	
Planning and Development/Econom	2 531 209	-	51 775	-	-	-	-	-	-	-	-	-	2 622 584	-	(922 645)	-	-	-	-	-	
Development/Plan	7 025 040	-	565 600	-	-	-	-	-	-	-	-	-	7 650 679	-	(4 931 705)	-	-	-	-	-	
Financial Services	8 078 752	-	1 547 140	-	-	-	-	-	-	-	-	-	9 625 892	-	(4 037 038)	-	-	-	-	-	
City/2015b Services	30 017 780	-	20 286	-	-	-	-	-	-	-	-	-	30 038 066	-	(12 259 108)	-	-	-	-	-	
Engineering Services	21 355 852	-	455 502	-	-	-	-	-	-	-	-	-	21 811 354	-	(3 117 785)	-	-	-	-	-	
Community Services	8 442 304	-	198 985	-	-	-	-	-	-	-	-	-	8 641 289	-	(6 630 388)	-	-	-	-	-	
Electrical engineering	2 063 257 720	-	138 871 580	(172 830)	-	-	-	-	-	-	-	-	2 195 501 500	-	(3 152 416)	-	-	-	-	-	
Infrastructure	103 832 810	-	-	-	-	-	-	-	-	-	-	-	103 832 810	-	(653 930 650)	-	-	-	-	-	
Land	192 137 500	-	4 340 000	(1 580 000)	-	-	-	-	-	-	-	-	186 945 500	-	-	-	-	-	-	-	
Investment properties	112 747 150	-	123 058 527	-	-	-	(24 025 216)	-	-	-	-	-	186 945 500	-	-	-	-	-	-	-	
Works in progress	2 545 429 344	-	272 653 740	(1 732 822)	-	-	(34 033 018)	-	-	-	-	-	2 655 355 278	-	(259 014 446)	-	-	-	-	-	
Total																					
Municipality	2 545 429 344	-	272 653 740	(1 732 822)	-	-	(34 033 018)	-	-	-	-	-	2 655 355 278	-	(259 014 446)	-	-	-	-	-	-
	2 545 429 344	-	272 653 740	(1 732 822)	-	-	(34 033 018)	-	-	-	-	-	2 655 355 278	-	(259 014 446)	-	-	-	-	-	-

Greater Tzaneen Municipality
Appendix D

Segmental Statement of Financial Performance for the year ended
Prior Year Current Year

Actual Income Rand	Actual Expenditure Rand	Surplus (Deficit) Rand		Actual Income Rand	Actual Expenditure Rand	Surplus (Deficit) Rand
Municipality						
-	32 326 671	(32 326 671)	Executive & Council/Mayor and Council	-	29 385 237	(29 385 237)
324 233 852	139 577 175	184 656 377	Finance & Admin/Finance	352 030 763	150 941 914	192 094 889
17 238 693	16 383 713	854 878	Planning and Development/Economic Development/Plan	8 164 155	19 204 761	(11 040 606)
32 297	6 710 798	(6 678 501)	Health/Clinics	34 276	6 940 865	(6 906 589)
60 910	6 264 875	(6 195 965)	Comm. & Social/Libraries and archives	70 917	6 804 158	(6 533 241)
1 498 210	11 966 761	(10 471 551)	Housing	1 664 839	10 416 020	(8 750 181)
3 214 889	28 682 672	(25 467 783)	Public Safety/Police	7 813 815	27 672 008	(19 858 193)
38 731	20 043 021	(20 003 290)	Sport and Recreation	4 012	19 854 858	(19 850 846)
23 745 602	68 263 497	(44 517 895)	Waste Water Management/Sewerage	28 184 303	63 806 592	(35 641 289)
227 641 514	136 443 243	91 198 271	Road Transport/Roads	94 049 566	130 406 074	(44 356 509)
360 085 649	352 327 357	7 758 192	Electricity /Electricity Distribution	395 480 483	378 864 951	16 695 532
957 795 845	818 989 783	138 806 062		887 463 148	861 096 438	26 367 710
Municipal Owned Entities Other charges						
957 795 845	818 989 783	138 806 062	Municipality	887 463 148	861 096 438	26 367 710
957 795 845	818 989 783	138 806 062	Total	887 463 148	861 096 438	26 367 710

Greater Tzaneen Municipality
Appendix E(1)

Actual versus Budget (Revenue and Expenditure) for the year ended 30 June 2015

	Current year 2012 Act. Bal.	Current year 2012 Adjusted budget Rand	Variance Rand	Var	Explanation of Significant Variances greater than 10% versus Budget
Revenue					
Property rates	74 098 025	61 000 000	10 098 025	15,8	Valuation roll led to the discovery of new premises that were not in the deed's office
Service charges	406 960 708	429 176 643	(22 195 935)	(5,2)	
Property rates - penalties imposed	5 368 139	4 500 000	868 139	19,3	Valuation roll led to the discovery of new premises that were not in the deed's office
Rental of facilities and equipment	1 188 589	759 100	429 489	56,6	Increase in the lease agreement
Interest received (trading)	12 057 486	11 800 000	257 486	2,2	
Agency services	15 874 400	42 992 708	(27 118 308)	(53,1)	The budgeted amount include the revenue received on behalf of the agency which cannot be regarded as own revenue, only 20% is recognised as own revenue
Fines	8 355 543	3 210 136	5 145 407	160,3	Cameras used for traffic control which lead to increase in traffic fines
Licences and permits	711 014	497 138	213 876	43,0	Increase as a result of increased permits building plan approved
Governments grants and subsidies	341 793 010	421 179 052	(79 386 046)	(18,8)	Money revert back to National Treasury
Other income - (rollup)	18 664 473	37 939 592	(19 285 119)	(50,8)	
Interest received - other	2 414 245	2 001 000	413 245	20,7	Money was placed with different financial institution which yielded more interest
	887 486 268	1 018 055 368	(130 559 101)	(12,6)	
Expenses					
Employee cost	(244 948 968)	(247 348 836)	2 399 868	(1,0)	
Remuneration of councillors	(20 078 193)	(20 672 678)	594 485	(2,9)	
Administration	(259 166)	-	(259 166)	-	
Loss on inventory	(98 966)	-	(98 966)	-	
Depreciation	(117 868 229)	(120 057 710)	2 189 481	(1,8)	
Impairments	(1 906 738)	-	(1 906 738)	-	
Finance costs	(10 485 721)	(10 223 303)	(262 418)	2,6	
Bad debts written off	(25 803 280)	(16 483 459)	(9 119 801)	55,3	Increase in debt impairment is due to the appointment of revenue enforcement strategies
Collection costs	(358 549)	(200 000)	(158 549)	79,3	More money was paid for legal services than recovered
Repairs and maintenance - General	(32 265 190)	(30 305 966)	(1 949 232)	6,4	
Bulk purchases	(267 858 116)	(268 020 574)	964 458	(0,4)	
Contracted Services	(39 993 885)	(38 160 243)	(1 824 642)	4,8	
Grants and subsidies paid	(19 712 079)	(17 528 499)	(2 183 580)	12,5	More money was spent on grants to comply with National Treasury requirement
General Expenses	(78 068 924)	(86 638 177)	8 569 253	(9,9)	
	(859 493 982)	(886 448 445)	(3 045 547)	0,4	
Other revenue and costs					
Gain or loss on disposal of assets and liabilities	(1 647 730)	2 300 000	(3 947 730)	(171,6)	
Fair value adjustments	(335 000)	-	(335 000)	-	
	(1 982 730)	2 300 000	(4 282 730)	(186,2)	
Net surplus/ (deficit) for the year	26 019 546	163 906 924	(137 887 378)	(14,1)	

Greater Tzaneen Municipality
Appendix E(2)

Budget Analysis of Capital Expenditure as at 30 June
2015

Municipality	Additions	Revised Budget	Variance	Variance	Explanation of significant variances from budget
	Rand	Rand	Rand	%	
Executive & Council/Mayor and Council	490 182	513 334	23 152	5	
Finance & Admin/Finance	4 556 887	3 483 334	(1 073 553)	(31)	Land purchased by the Municipality
Planning and Development/Economic Development/Plan	3 643 468	38 585 027	34 941 559	91	Delay in supply chain processes
Housing	-	500 000	-	-	Delay in supply chain processes
Waste Water Management/Sewerage	80 149	1 388 333	1 298 184	94	Delay in supply chain processes
Road Transport/Roads	108 108 598	157 540 455	49 431 857	31	Delay in supply chain processes
Water/Water Distribution	33 637	340 000	306 363	90	Delay in supply chain processes
Electricity /Electricity Distribution	14 825 418	30 387 539	15 462 124	81	Delay in supply chain processes
	131 847 136	232 738 022	100 390 886	43	