



Greater Letaba Municipality
Financial statements
for the year ended 30 June 2016

Greater Letaba Municipality

Financial Statements for the year ended 30 June 2016

General Information

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

Greater Letaba Municipality

Financial Statements for the year ended 30 June 2016

General Information

| | |
|------------------------------------|--|
| | MF Moruthoane M Mathedimosa MP Masela M Serekele DL Selowa TJ Senyolo MJ Nakana MF Mokwalakwala ZT Maluleke MJ Masutha |
| Audit committee | RR Shilenge (Chairperson) TW Sebola MJ Mabuza HG Hlomane TM Malatji SAB Ngobeni |
| Chief Finance Officer (CFO) | M.F Mankgabe |
| Accounting Officer | TG Mashaba |
| Registered office | Civic Centre 44 Botha Street Modjadjiskloof Limpopo |
| Business address | Civic Centre 44 Botha Street Modjadjiskloof Limpopo |
| Postal address | PO Box 36 Modjadjiskloof 0835 |
| Bankers | First National Bank |
| Auditors | Auditor General of South Africa |
| Enabling legislation | Division of Revenue Act (Act 1 of 2011) Local Government Municipal Finance Management Act (Act 56 of 2003) Municipal Property Rates Act (Act 6 of 2004) Local Government Municipal Systems Act (Act 32 of 2000) Local Government Municipal Structures Act (Act 117 of 1998) |
| Level of rounding | Nearest Rand |

Greater Letaba Municipality

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

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Greater Letaba Municipality

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Abbreviations

| | |
|-------|---|
| COID | Compensation for Occupational Injuries and Diseases |
| ASB | Accounting Standard Board |
| DBSA | Development Bank of South Africa |
| GRAP | Generally Recognised Accounting Practice |
| IT | Information Technology |
| IMFO | Institute of Municipal Finance Officers |
| IPSAS | International Public Sector Accounting Standards |
| EPWP | Extended Public Works Programme |
| MEC | Member of the Executive Council |
| MFMA | Municipal Finance Management Act |
| MIG | Municipal Infrastructure Grant (Previously CMIP) |
| FMG | Finance Management Grant |
| MSIG | Municipal Systems Improvement Grant |
| VAT | Value Added Tax |

Greater Letaba Municipality

Financial Statements for the year ended 30 June 2016

Accounting Officer's Responsibilities and Approval

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

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

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

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

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

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2017 and, in the light of this review and the current financial position, she is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The financial statements set out on pages 7 to 66, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2016 and were signed by:

TG Mashaba
Accounting Officer

Greater Letaba Municipality

Financial Statements for the year ended 30 June 2016

Accounting Officer's Report

The accounting officer submits her report for the year ended 30 June 2016.

1. Review of activities

Main business and operations

Net surplus of the municipality is 156,204,429 (2015: surplus 83,126,708).

2. Going concern

As at 30 June 2016, the municipality had accumulated surplus of 682,220,418 and that the municipality's total assets exceed its liabilities by 682,220,418.

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

3. Subsequent events

Adjusting events

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year that could have a material impact on the unaudited annual financial statements.

Non adjusting events

There was a new Council for the municipality which was inaugurated on a Council meeting dated 16 August 2016.

4. Accounting Officer's interest in contracts

None.

5. Accounting policies

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

6. Accounting Officer

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

Name
TG Mashaba

Greater Letaba Municipality

Financial Statements for the year ended 30 June 2016

Statement of Financial Position as at 30 June 2016

| Figures in Rand | Note(s) | 2016 | 2015 Restated* |
|--|---------|--------------------|--------------------|
| Assets | | | |
| Current Assets | | | |
| Inventories | 3 | 2,888,890 | 3,093,305 |
| Receivables from exchange transactions | 4 | 39,516,936 | 20,894,446 |
| Receivables from non-exchange transactions | 5 | 5,470,219 | 4,626,468 |
| VAT receivable | 43 | 17,908,067 | 4,539,126 |
| Consumer debtors | 6 | 11,150,895 | 5,566,018 |
| Cash and cash equivalents | 7 | 60,714,361 | 94,525,018 |
| | | 137,649,368 | 133,244,381 |
| Non-Current Assets | | | |
| Investment property | 8 | 249,048 | 258,065 |
| Property, plant and equipment | 9 | 612,369,408 | 459,243,985 |
| Intangible assets | 10 | 208,103 | 366,696 |
| Heritage assets | 11 | 548,500 | 548,500 |
| | | 613,375,059 | 460,417,246 |
| Total Assets | | 751,024,427 | 593,661,627 |
| Liabilities | | | |
| Current Liabilities | | | |
| Payables from exchange transactions | 12 | 55,032,927 | 30,383,656 |
| Consumer deposits | 13 | 351,303 | 345,003 |
| Unspent conditional grants and receipts | 14 | - | 24,289,710 |
| | | 55,384,230 | 55,018,369 |
| Non-Current Liabilities | | | |
| Employee benefit obligation | 15 | 11,002,979 | 10,390,460 |
| Provisions | 16 | 2,416,800 | 2,236,803 |
| | | 13,419,779 | 12,627,263 |
| Total Liabilities | | 68,804,009 | 67,645,632 |
| Net Assets | | 682,220,418 | 526,015,995 |
| Accumulated surplus | | 682,220,418 | 526,015,995 |

* See Note 37

Greater Letaba Municipality

Financial Statements for the year ended 30 June 2016

Statement of Financial Performance

| Figures in Rand | Note(s) | 2016 | 2015 Restated* |
|---|---------|--------------------|--------------------|
| Revenue | | | |
| Revenue from exchange transactions | | | |
| Service charges | 17 | 12,992,849 | 14,016,689 |
| Rental of facilities and equipment | | 90,519 | 87,907 |
| Interest received - outstanding receivables | | 7,752,685 | 6,937,101 |
| Agency services | | 1,813,180 | 1,737,708 |
| Licences and permits | | 2,901,591 | 2,914,588 |
| Other income | | 1,224,136 | 2,735,615 |
| Interest received - investment | 18 | 5,918,591 | 6,458,281 |
| Total revenue from exchange transactions | | 32,693,551 | 34,887,889 |
| Revenue from non-exchange transactions | | | |
| Taxation revenue | | | |
| Property rates | 19 | 8,977,595 | 8,685,065 |
| Transfer revenue | | | |
| Government grants and subsidies | 20 | 302,119,710 | 216,519,162 |
| Traffic fines | | 1,932,180 | 970,685 |
| Total revenue from non-exchange transactions | | 313,029,485 | 226,174,912 |
| Total revenue | 21 | 345,723,036 | 261,062,801 |
| Expenditure | | | |
| Employee related costs | 22 | 64,406,539 | 61,294,546 |
| Remuneration of councillors | 23 | 17,728,499 | 16,225,142 |
| Depreciation and amortisation | 24 | 21,569,539 | 14,095,488 |
| Finance costs | 25 | - | 1,235,495 |
| Debt Impairment | 45 | 9,513,611 | 16,476,391 |
| Repairs and maintenance | | 5,754,017 | 4,371,298 |
| Bulk purchases | 26 | 8,728,768 | 8,476,095 |
| Contracted services | 27 | 9,272,936 | 9,072,067 |
| Loss on disposal of assets and liabilities | | 18,647 | - |
| General expenses | 28 | 52,526,051 | 46,689,569 |
| Total expenditure | | 189,518,607 | 177,936,091 |
| Surplus for the year | | 156,204,429 | 83,126,710 |

* See Note 37

Greater Letaba Municipality

Financial Statements for the year ended 30 June 2016

Statement of Changes in Net Assets

| Figures in Rand | Accumulated surplus | Total net assets |
|---|---------------------|--------------------|
| Opening balance as previously reported | 444,840,609 | 444,840,609 |
| Adjustments | | |
| Change in accounting policy | (1,951,324) | (1,951,324) |
| Balance at 01 July 2014 as restated* | 442,889,285 | 442,889,285 |
| Changes in net assets | | |
| Surplus for the year | 83,126,710 | 83,126,710 |
| Total changes | 83,126,710 | 83,126,710 |
| Opening balance as previously reported | 524,600,905 | 524,600,905 |
| Adjustments | | |
| Prior year adjustments (note 38) | 1,415,084 | 1,415,084 |
| Restated* Balance at 01 July 2015 as restated* | 526,015,989 | 526,015,989 |
| Changes in net assets | | |
| Surplus for the year | 156,204,429 | 156,204,429 |
| Total changes | 156,204,429 | 156,204,429 |
| Balance at 30 June 2016 | 682,220,418 | 682,220,418 |

Note(s)

* See Note 37

Greater Letaba Municipality

Financial Statements for the year ended 30 June 2016

Cash Flow Statement

| Figures in Rand | Note(s) | 2016 | 2015 Restated* |
|---|---------|-----------------------------|-----------------------------|
| Cash flows from operating activities | | | |
| Receipts | | | |
| Sale of goods and services | | 9,192,805 | 10,561,094 |
| Grants | | 277,830,000 | 224,729,000 |
| Interest income | | 13,671,276 | 13,395,382 |
| Cash received from agency fees, fines & Sundry Income | | 4,969,496 | 4,886,076 |
| | | <u>305,663,577</u> | <u>253,571,552</u> |
| Payments | | | |
| Employee costs | | (80,706,085) | (71,707,247) |
| Suppliers | | (84,248,594) | (83,879,219) |
| Finance costs | | - | (1,235,495) |
| | | <u>(164,954,679)</u> | <u>(156,821,961)</u> |
| Net cash flows from operating activities | 30 | <u>140,708,898</u> | <u>96,749,591</u> |
| Cash flows from investing activities | | | |
| Purchase of property, plant and equipment | 9 | (174,535,734) | (117,150,078) |
| Purchase of other intangible assets | 10 | (58,316) | - |
| Purchases of heritage assets | 11 | - | (60,000) |
| Proceeds from sale of financial assets | | 74,496 | 7,979,565 |
| Net cash flows from investing activities | | <u>(174,519,554)</u> | <u>(109,230,513)</u> |
| Cash flows from financing activities | | | |
| Repayment of other financial liabilities | | - | (8,705,562) |
| Net cash flows from financing activities | | <u>-</u> | <u>(8,705,562)</u> |
| Net increase/(decrease) in cash and cash equivalents | | (33,810,656) | (21,186,484) |
| Cash and cash equivalents at the beginning of the year | | 94,525,018 | 115,711,502 |
| Cash and cash equivalents at the end of the year | 7 | <u>60,714,362</u> | <u>94,525,018</u> |

* See Note 37

Greater Letaba Municipality

Financial Statements for the year ended 30 June 2016

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 41 for explanations of major variances |
|--|-----------------|-------------|--------------|------------------------------------|--|--|
|--|-----------------|-------------|--------------|------------------------------------|--|--|

Figures in Rand

Statement of Financial Performance

Revenue

Revenue from exchange transactions

| | | | | | | |
|---|-------------------|-------------------|--------------------|-------------------|---------------------|--|
| Service charges | 21,091,952 | - | 21,091,952 | 12,992,849 | (8,099,103) | |
| Rental of facilities and equipment | 128,925 | 105,650 | 234,575 | 90,519 | (144,056) | |
| Interest received - outstanding receivables | 5,876,513 | 1,420,000 | 7,296,513 | 7,752,685 | 456,172 | |
| Income from agency services | 1,821,942 | - | 1,821,942 | 1,813,180 | (8,762) | |
| Licences and permits | 5,876,513 | - | 5,876,513 | 2,901,591 | (2,974,922) | |
| Other income | 106,200 | 1,100,869 | 1,207,069 | 1,224,136 | 17,067 | |
| Receipts from investments | 33,699,000 | 32,201,441 | 65,900,441 | - | (65,900,441) | |
| Interest received | 6,800,071 | - | 6,800,071 | 5,918,591 | (881,480) | |
| Total revenue from exchange transactions | 75,401,116 | 34,827,960 | 110,229,076 | 32,693,551 | (77,535,525) | |

Revenue from non-exchange transactions

Taxation revenue

| | | | | | | |
|----------------|-----------|---|------------------|-----------|------------------|--|
| Property rates | 6,660,048 | - | 6,660,048 | 8,977,595 | 2,317,547 | |
|----------------|-----------|---|------------------|-----------|------------------|--|

Transfer revenue

| | | | | | | |
|-------------------|-------------|------------|--------------------|-------------|------------------|--|
| Government grants | 268,652,000 | 33,467,710 | 302,119,710 | 302,119,710 | - | |
| Fines | 352,813 | - | 352,813 | 1,932,180 | 1,579,367 | |

| | | | | | | |
|---|--------------------|-------------------|--------------------|--------------------|------------------|--|
| Total revenue from non-exchange transactions | 275,664,861 | 33,467,710 | 309,132,571 | 313,029,485 | 3,896,914 | |
|---|--------------------|-------------------|--------------------|--------------------|------------------|--|

| | | | | | | |
|----------------------|--------------------|-------------------|--------------------|--------------------|---------------------|--|
| Total revenue | 351,065,977 | 68,295,670 | 419,361,647 | 345,723,036 | (73,638,611) | |
|----------------------|--------------------|-------------------|--------------------|--------------------|---------------------|--|

Expenditure

| | | | | | | |
|-------------------------------|--------------|-------------|---------------------|--------------|--------------------|--|
| Employee related costs | (65,065,495) | - | (65,065,495) | (64,406,539) | 658,956 | |
| Remuneration of councillors | (17,054,287) | (825,054) | (17,879,341) | (17,728,499) | 150,842 | |
| Depreciation and amortisation | (11,213,477) | (2,681,951) | (13,895,428) | (12,770,499) | 1,124,929 | |
| Debt impairment | (5,229,159) | - | (5,229,159) | (9,513,611) | (4,284,452) | |
| Repairs and maintenance | (10,025,595) | 4,186,857 | (5,838,738) | (5,533,599) | 305,139 | |
| Bulk purchases | (12,884,742) | 3,467,912 | (9,416,830) | (8,728,768) | 688,062 | |
| Contracted Services | (9,985,300) | - | (9,985,300) | (9,272,936) | 712,364 | |
| General Expenses | (50,557,415) | (6,318,524) | (56,875,939) | (52,925,393) | 3,950,546 | |

| | | | | | | |
|--------------------------|----------------------|--------------------|----------------------|----------------------|------------------|--|
| Total expenditure | (182,015,470) | (2,170,760) | (184,186,230) | (180,879,844) | 3,306,386 | |
|--------------------------|----------------------|--------------------|----------------------|----------------------|------------------|--|

| | | | | | | |
|--------------------------|--------------------|-------------------|--------------------|--------------------|---------------------|--|
| Operating surplus | 169,050,507 | 66,124,910 | 235,175,417 | 164,843,192 | (70,332,225) | |
|--------------------------|--------------------|-------------------|--------------------|--------------------|---------------------|--|

| | | | | | | |
|--|---|---|---|----------|-----------------|--|
| Loss on disposal of assets and liabilities | - | - | - | (18,647) | (18,647) | |
|--|---|---|---|----------|-----------------|--|

| | | | | | | |
|--------------------------------|--------------------|-------------------|--------------------|--------------------|---------------------|--|
| Surplus before taxation | 169,050,507 | 66,124,910 | 235,175,417 | 164,824,545 | (70,350,872) | |
|--------------------------------|--------------------|-------------------|--------------------|--------------------|---------------------|--|

| | | | | | | |
|--|--------------------|-------------------|--------------------|--------------------|---------------------|--|
| Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement | 169,050,507 | 66,124,910 | 235,175,417 | 164,824,545 | (70,350,872) | |
|--|--------------------|-------------------|--------------------|--------------------|---------------------|--|

Greater Letaba Municipality

Financial Statements for the year ended 30 June 2016

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 41 for explanations of major variances |
|--|-----------------|-------------|--------------|------------------------------------|--|--|
|--|-----------------|-------------|--------------|------------------------------------|--|--|

Figures in Rand

Statement of Financial Position

Assets

Current Assets

| | | | | | | |
|--|--------------------|---|--------------------|--------------------|---------------------|--|
| Inventories | 3,157,624 | - | 3,157,624 | 2,888,890 | (268,734) | |
| Receivables from exchange transactions | - | - | - | 39,516,936 | 39,516,936 | |
| Receivables from non-exchange transactions | - | - | - | 5,470,219 | 5,470,219 | |
| VAT receivable | - | - | - | 17,908,067 | 17,908,067 | |
| Consumer debtors | 11,439,988 | - | 11,439,988 | 11,150,895 | (289,093) | |
| Cash and cash equivalents | 135,616,390 | - | 135,616,390 | 60,714,361 | (74,902,029) | |
| | 150,214,002 | - | 150,214,002 | 137,649,368 | (12,564,634) | |

Non-Current Assets

| | | | | | | |
|-------------------------------|--------------------|---|--------------------|--------------------|---------------------|--|
| Investment property | 279,876 | - | 279,876 | 249,048 | (30,828) | |
| Property, plant and equipment | 675,122,037 | - | 675,122,037 | 612,369,408 | (62,752,629) | |
| Intangible assets | 776,368 | - | 776,368 | 208,103 | (568,265) | |
| Heritage assets | - | - | - | 548,500 | 548,500 | |
| | 676,178,281 | - | 676,178,281 | 613,375,059 | (62,803,222) | |

Total Assets

| | | | | | | |
|--|--------------------|---|--------------------|--------------------|---------------------|--|
| | 826,392,283 | - | 826,392,283 | 751,024,427 | (75,367,856) | |
|--|--------------------|---|--------------------|--------------------|---------------------|--|

Liabilities

Current Liabilities

| | | | | | | |
|---|-------------------|---|-------------------|-------------------|---------------------|--|
| Other financial liabilities | 991,774 | - | 991,774 | - | (991,774) | |
| Payables from exchange transactions | 23,248,528 | - | 23,248,528 | 55,032,928 | 31,784,400 | |
| Consumer deposits | 349,390 | - | 349,390 | 351,303 | 1,913 | |
| Unspent conditional grants and receipts | 16,079,872 | - | 16,079,872 | - | (16,079,872) | |
| | 40,669,564 | - | 40,669,564 | 55,384,231 | 14,714,667 | |

Non-Current Liabilities

| | | | | | | |
|-----------------------------|-------------------|---|-------------------|-------------------|------------------|--|
| Employee benefit obligation | 8,548,148 | - | 8,548,148 | 11,002,979 | 2,454,831 | |
| Provisions | 2,344,170 | - | 2,344,170 | 2,416,800 | 72,630 | |
| | 10,892,318 | - | 10,892,318 | 13,419,779 | 2,527,461 | |

Total Liabilities

| | | | | | | |
|--|-------------------|---|-------------------|-------------------|-------------------|--|
| | 51,561,882 | - | 51,561,882 | 68,804,010 | 17,242,128 | |
|--|-------------------|---|-------------------|-------------------|-------------------|--|

Net Assets

| | | | | | | |
|--|--------------------|---|--------------------|--------------------|---------------------|--|
| | 774,830,401 | - | 774,830,401 | 682,220,417 | (92,609,984) | |
|--|--------------------|---|--------------------|--------------------|---------------------|--|

Greater Letaba Municipality

Financial Statements for the year ended 30 June 2016

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 41 for explanations of major variances |
|--|--------------------|-------------|--------------------|--|---|--|
| Figures in Rand | | | | | | |
| Net Assets | | | | | | |
| Net Assets Attributable to Owners of Controlling Entity | | | | | | |
| Reserves | | | | | | |
| Accumulated surplus | 774,830,401 | - | 774,830,401 | 682,220,417 | (92,609,984) | |

Greater Letaba Municipality

Financial Statements for the year ended 30 June 2016

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 41 for explanations of major variances |
|--|-----------------|-------------|--------------|------------------------------------|--|--|
|--|-----------------|-------------|--------------|------------------------------------|--|--|

Figures in Rand

Cash Flow Statement

Cash flows from operating activities

Receipts

| | | | | | | |
|--|--------------------|------------------|--------------------|--------------------|--------------------|--|
| Cash received from trade services, assessment rates and rental | 26,000,000 | - | 26,000,000 | 17,477,365 | (8,522,635) | |
| Grants | 268,652,000 | - | 268,652,000 | 277,830,000 | 9,178,000 | |
| Interest income | 9,661,000 | 1,420,000 | 11,081,000 | 13,671,276 | 2,590,276 | |
| Cash received from agency fees, fines and sundry income | 11,196,000 | 1,207,000 | 12,403,000 | 19,400,700 | 6,997,700 | |
| | 315,509,000 | 2,627,000 | 318,136,000 | 328,379,341 | 10,243,341 | |

Payments

| | | | | | | |
|-------------------------|----------------------|------------------|----------------------|----------------------|------------------|--|
| Suppliers and employees | (165,170,867) | 1,779,984 | (163,390,883) | (155,837,852) | 7,553,031 | |
| Finance costs | (200,000) | 200,000 | - | - | - | |
| | (165,370,867) | 1,979,984 | (163,390,883) | (155,837,852) | 7,553,031 | |

| | | | | | | |
|---|--------------------|------------------|--------------------|--------------------|-------------------|--|
| Net cash flows from operating activities | 150,138,133 | 4,606,984 | 154,745,117 | 172,541,489 | 17,796,372 | |
|---|--------------------|------------------|--------------------|--------------------|-------------------|--|

Cash flows from investing activities

| | | | | | | |
|---|-------------------|---------------------|----------------------|-------------------|---------------------|--|
| Purchase of property, plant and equipment | (169,050,507) | (67,795,671) | (236,846,178) | (174,253,797) | 62,592,381 | |
| Net increase in cash and cash equivalents | (18,912,374) | (63,188,687) | (82,101,061) | (1,712,308) | 80,388,753 | |
| Cash and cash equivalents at the beginning of the year | 73,341,305 | 32,201,441 | 105,542,746 | 95,525,018 | (10,017,728) | |
| Cash and cash equivalents at the end of the year | 54,428,931 | (30,987,246) | 23,441,685 | 93,812,710 | 70,371,025 | |

Greater Letaba Municipality

Financial Statements for the year ended 30 June 2016

Accounting Policies

1. Basis of preparation

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

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

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

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

1.1 Presentation currency

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

1.2 Going concern assumption

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

1.3 Significant judgements and sources of estimation uncertainty

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

Loans and receivables

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

Fair value estimation

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

Impairment testing

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

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 16 - Provisions.

Greater Letaba Municipality

Financial Statements for the year ended 30 June 2016

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

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

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

Post retirement benefits

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

Other key assumptions for post retirement benefit obligations are based on current market conditions. Additional information is disclosed in Note 15.

Effective interest rate

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

Debtors impairment

Consumer debtors

The provision for impairment is measured with reference to the aging of debtors. The municipality provide for all debtors >120 days excluding government and debtors with credit balances. An impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired.

Traffic fines debtors

The provision for impairment is measured with reference to the recoverability rate.

1.4 Investment property

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

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

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

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

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

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

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

Greater Letaba Municipality

Financial Statements for the year ended 30 June 2016

Accounting Policies

1.4 Investment property (continued)

Cost model

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

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

| Item | Useful life |
|----------------------|-------------|
| Property - buildings | 30 years |

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

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

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

1.5 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

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

Greater Letaba Municipality

Financial Statements for the year ended 30 June 2016

Accounting Policies

1.5 Property, plant and equipment (continued)

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

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 |
|---|---------------------|---------------------|
| Infrastructure | Straight line | |
| • Roads, pavements, bridges and storm water | | 10 - 100 |
| • Street names, signs and parking meters | | 5 |
| • Water reservoirs and reticulation | | 15 -20 |
| • Electricity reticulation | | 20 -50 |
| • Sewerage purification and reticulation | | 15 - 20 |
| • Refuse sites | | 15 |
| • Security measures | | 5 |
| Community | Straight line | |
| • Parks and gardens | | 10 -30 |
| • Sports fields | | 20 -30 |
| • Community halls | | 30 |
| • Libraries | | 30 |
| • Recreational facilities | | 30 |
| • Cemeteries | | 30 |
| Other assets | Straight line | |
| • Motor vehicles | | 7 - 15 |
| • Plant and equipment | | 2 - 5 |
| • IT equipment | | 5 |
| • Office 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.

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

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

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

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

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.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

Greater Letaba Municipality

Financial Statements for the year ended 30 June 2016

Accounting Policies

1.6 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 municipality or from other rights and obligations.

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

An intangible asset is recognised when:

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

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

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.

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

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

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

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

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

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

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, other | 3 years |

1.7 Heritage assets

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

Recognition

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

Greater Letaba Municipality

Financial Statements for the year ended 30 June 2016

Accounting Policies

1.7 Heritage assets (continued)

Initial measurement

Heritage assets are measured at cost.

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

Subsequent measurement

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

Impairment

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

Transfers

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

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

Derecognition

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

The gain or loss arising from the derecognition of a heritage asset is included in surplus or deficit when the item is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

1.8 Financial instruments

1.9 Cash and cash equivalents

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

1.10 Leases

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

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

Operating leases - lessee

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

1.11 Inventories

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

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

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

Greater Letaba Municipality

Financial Statements for the year ended 30 June 2016

Accounting Policies

1.11 Inventories (continued)

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

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

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

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

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

1.12 Related parties

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

1.13 Events after the reporting date

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

1.14 Value added tax

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

1.15 Impairment of cash-generating assets

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

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

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

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

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

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

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

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

Greater Letaba Municipality

Financial Statements for the year ended 30 June 2016

Accounting Policies

1.15 Impairment of cash-generating assets (continued)

Useful life is either:

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

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

Identification

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

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

Value in use

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

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

Basis for estimates of future cash flows

In measuring value in use the municipality:

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

Composition of estimates of future cash flows

Estimates of future cash flows include:

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

Estimates of future cash flows exclude:

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

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

Discount rate

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

Greater Letaba Municipality

Financial Statements for the year ended 30 June 2016

Accounting Policies

1.15 Impairment of cash-generating assets (continued)

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Cash-generating units

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

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

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

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

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

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

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

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

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

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

Greater Letaba Municipality

Financial Statements for the year ended 30 June 2016

Accounting Policies

1.15 Impairment of cash-generating assets (continued)

Reversal of impairment loss

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

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

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

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

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

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

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

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

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

Redesignation

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

1.16 Impairment of non-cash-generating assets

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

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

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

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

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

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

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

Greater Letaba Municipality

Financial Statements for the year ended 30 June 2016

Accounting Policies

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

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

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

Useful life is either:

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

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:

Depreciated replacement cost approach

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

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Greater Letaba Municipality

Financial Statements for the year ended 30 June 2016

Accounting Policies

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

Reversal of an impairment loss

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

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

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

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

Redesignation

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

1.17 Employee benefits

Employee benefits are all forms of consideration given by an municipality 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 include items such as:

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

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

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

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

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

Greater Letaba Municipality

Financial Statements for the year ended 30 June 2016

Accounting Policies

1.17 Employee benefits (continued)

Retirement benefits

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

Post-employment benefits: Defined contribution plans

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

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

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

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

Post-employment benefits: Defined benefit plans

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

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

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

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

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

Greater Letaba Municipality

Financial Statements for the year ended 30 June 2016

Accounting Policies

1.17 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

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

Other post retirement obligations

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

1.18 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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

The municipality does not recognise contingent liabilities or contingent assets. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable. Contingent assets and liabilities are disclosed in note 32.

Greater Letaba Municipality

Financial Statements for the year ended 30 June 2016

Accounting Policies

1.19 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.

1.20 Revenue from exchange transactions

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

Measurement

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

Service charges

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

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

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

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

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

Interest

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

Greater Letaba Municipality

Financial Statements for the year ended 30 June 2016

Accounting Policies

1.20 Revenue from exchange transactions (continued)

Agency Services

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

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

Collection charges are recognised when such amounts are incurred.

1.21 Revenue from non-exchange transactions

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

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

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

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

Rates (including collection charges and penalty interest)

The municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met. 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 property

Government grants, transfers and donations

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.

Greater Letaba Municipality

Financial Statements for the year ended 30 June 2016

Accounting Policies

1.21 Revenue from non-exchange transactions (continued)

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. Government Grants can be in the form of grants to acquire or construct fixed assets (capital grants), grants for the further of national and provincial government policy objectives and general grants to subsidise the cost incurred by municipalities rendering services.

Capital grants and general grants for the furtherance of government policy objectives are usually restricted revenue in the stipulations are imposed in their use.

Conditional grants, donations and funding were recognised as revenue in the Statement of Financial Performance to the extent that the Municipality has complied with any criteria, conditions or obligations embodied in the agreement/arrangement. To the extent that the criteria, conditions and obligations have not been met a liability is raised in the Statement of Financial Position.

Unconditional grants, donations and funding are recognised as revenue in the Statement of Financial Position at the earlier date of receipt or when the amount is receivable. Stipulations can either be in the form of conditions or in the form of restrictions. For both conditions and restrictions a recipient may be required to use the transferred asset for a particular purpose. However the difference between a restriction and a condition is that a condition has an additional requirement which states that the asset or its future economic benefits or service potential should be returned to the transferor should the recipient not use the asset for the particular purpose stipulated.

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

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

1.22 Borrowing costs

Borrowing costs are interest and other expenses incurred by the municipality in connection with the borrowing of funds.

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

1.23 Comparative information

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

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.24 Unauthorised expenditure

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act 56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

Greater Letaba Municipality

Financial Statements for the year ended 30 June 2016

Accounting Policies

1.25 Fruitless and wasteful expenditure

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

1.26 Irregular expenditure

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

1.27 Investments

Where the carrying amount of an investment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the statement of financial performance.

Investments in securities

Investments in securities are recognised and initially measured at cost.

1.28 Conditional grants and receipts

Revenue received from conditional grants, 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.

1.29 Budget information

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

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

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

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

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

The municipality consider all variances which are +/-10% to be material and explanations are provided for them

Comparative information is not required.

Greater Letaba Municipality

Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2016 or later periods:

GRAP 20: Related parties

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

2.2 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2016 or later periods but are not relevant to its operations:

Greater Letaba Municipality

Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements

| Figures in Rand | 2016 | 2015 |
|-----------------------------------|------------------|------------------|
| 3. Inventories | | |
| Consumable stores | 736,890 | 941,305 |
| Unsold properties held for resale | 2,152,000 | 2,152,000 |
| | 2,888,890 | 3,093,305 |

The total of consumable store's is represented by items held for use in operations. The unsold properties held for resale are stated at market value and agree to the latest approved valuation roll.

4. Receivables from exchange transactions

| | | |
|--|-------------------|-------------------|
| Deposits | 1,398,503 | 793,464 |
| Sundry debtors | 1,332,684 | 1,674,139 |
| Cash suspense | 1,195,208 | 9,406 |
| Mopani District Municipality (Water and Sanitation function) | 35,643,638 | 18,470,534 |
| Less: Allowance for impairment | (53,097) | (53,097) |
| | 39,516,936 | 20,894,446 |

Receivables from exchange transactions pledged as security

None of the receivables from exchange transactions were pledged as security for any financial liability.

Fair value of receivables approximates the carrying amount thereof.

Receivables from exchange transactions impaired

As of 30 June 2016, receivables from exchange transactions of 53,097 (2015: 53 097) were impaired and provided for.

5. Receivables from non-exchange transactions

| | | |
|--------------------------|------------------|------------------|
| Fines | 5,378,345 | 3,653,440 |
| Consumer debtors - Rates | 5,254,459 | 4,583,198 |
| Impairment of fines | (5,162,585) | (3,610,170) |
| | 5,470,219 | 4,626,468 |

Receivables from non-exchange transactions impaired

As of 30 June 2016, property rates allowance for impairment was 29,900,130 (2015: 23,603,100)

The ageing of rates is as follows:

| | | |
|--------------------------------|-------------------|-------------------|
| Current (0 - 30 days) | 1,072,453 | 1,028,376 |
| 31 - 60 days | 829,728 | 755,347 |
| 61 - 90 days | 784,879 | 718,541 |
| 91 -120 days | 745,950 | - |
| 121 - 365 days | 5,608,642 | 4,831,054 |
| >365 days | 26,112,937 | 20,852,980 |
| | 35,154,589 | 28,186,298 |
| Less: Allowance for impairment | (29,900,130) | (23,603,100) |
| | 5,254,459 | 4,583,198 |

Greater Letaba Municipality

Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements

| Figures in Rand | 2016 | 2015 |
|--|---------------------|---------------------|
| 6. Consumer debtors | | |
| Gross balances | | |
| Electricity | 14,720,136 | 13,570,550 |
| Refuse | 33,348,471 | 27,877,331 |
| Other | 18,792,920 | 18,164,602 |
| | 66,861,527 | 59,612,483 |
| Less: Allowance for impairment | | |
| Electricity | (6,486,600) | (10,676,663) |
| Refuse | (30,873,390) | (25,662,384) |
| Other | (18,350,642) | (17,707,418) |
| | (55,710,632) | (54,046,465) |
| Net balance | | |
| Electricity | 8,233,536 | 2,893,887 |
| Refuse | 2,475,081 | 2,214,947 |
| Other | 442,278 | 457,184 |
| | 11,150,895 | 5,566,018 |
| Included in above is receivables from exchange transactions | | |
| Electricity | 3,303,821 | 2,893,887 |
| Refuse | 2,475,081 | 2,214,947 |
| Other | 442,278 | 457,184 |
| | 6,221,180 | 5,566,018 |
| Net balance | 6,221,180 | 5,566,018 |
| Electricity | | |
| Current (0 -30 days) | 1,282,915 | 1,029,253 |
| 31 - 60 days | 611,012 | 562,513 |
| 61 - 90 days | 521,157 | 337,868 |
| 91 - 120 days | 460,897 | 343,576 |
| 121 - 365 days | 2,584,152 | 2,411,537 |
| > 365 days | 9,260,253 | 9,570,315 |
| | 14,720,386 | 14,255,062 |
| Refuse | | |
| Current (0 -30 days) | 605,427 | 552,736 |
| 31 - 60 days | 551,293 | 512,095 |
| 61 - 90 days | 528,818 | 478,365 |
| 91 - 120 days | 517,084 | 468,878 |
| 121 - 365 days | 3,964,527 | 3,469,714 |
| > 365 days | 27,181,324 | 22,400,444 |
| | 33,348,473 | 27,882,232 |
| Other (specify) | | |
| Current (0 -30 days) | 69,614 | 94,123 |
| 31 - 60 days | 68,720 | 69,379 |
| 61 - 90 days | 68,759 | 71,853 |
| 91 - 120 days | 71,748 | 70,685 |
| 121 - 365 days | 562,301 | 527,896 |
| > 365 days | 17,951,528 | 17,330,666 |
| | 18,792,670 | 18,164,602 |

Greater Letaba Municipality

Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements

| Figures in Rand | 2016 | 2015 |
|--|-------------------|-------------------|
| 6. Consumer debtors (continued) | | |
| Summary of debtors by customer classification | | |
| Consumers | | |
| Current (0 -30 days) | 1,482,863 | 1,327,221 |
| 31 - 60 days | 1,069,345 | 955,867 |
| 61 - 90 days | 956,081 | 834,846 |
| 91 - 120 days | 891,190 | 763,950 |
| 121 - 365 days | 6,218,648 | 5,664,723 |
| > 365 days | 51,543,980 | 46,032,747 |
| | 62,162,107 | 55,579,354 |
| Industrial/ commercial | | |
| Current (0 -30 days) | 420,857 | 306,685 |
| 31 - 60 days | 122,866 | 149,060 |
| 61 - 90 days | 119,144 | 105,866 |
| 91 - 120 days | 115,956 | 88,994 |
| 121 - 365 days | 651,259 | 572,537 |
| > 365 days | 2,203,833 | 2,120,158 |
| | 3,633,915 | 3,343,300 |
| National and provincial government | | |
| Current (0 -30 days) | 53,217 | 44,111 |
| 31 - 60 days | 37,852 | 37,723 |
| 61 - 90 days | 42,242 | 23,507 |
| 91 - 120 days | 41,520 | 23,540 |
| 121 - 365 days | 231,846 | 164,352 |
| > 365 days | 631,892 | 385,970 |
| | 1,038,569 | 679,203 |
| Other: Ageing | | |
| Current (0-30 days) | 1,021 | 937 |
| 31-60 days | 961 | 1,179 |
| 61-90 days | 1,266 | 884 |
| 91-120 days | 1,064 | 790 |
| 121-365 days | 9,227 | 6,269 |
| >365 days | 13,398 | 3,568 |
| | 26,937 | 23,399 |
| Total | | |
| Current (0 -30 days) | 1,957,957 | 1,675,954 |
| 31 - 60 days | 1,231,025 | 1,143,829 |
| 61 - 90 days | 1,118,733 | 965,103 |
| 91 - 120 days | 1,049,730 | 877,273 |
| 121 - 365 days | 7,110,979 | 6,407,882 |
| > 365 days | 54,393,103 | 48,542,442 |
| | 66,861,527 | 59,612,483 |
| Less: Allowance for impairment | (55,710,632) | (54,046,465) |
| | 11,150,895 | 5,566,018 |
| Less: Allowance for impairment | | |
| > 120 days | (55,710,632) | (54,046,465) |

Greater Letaba Municipality

Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements

| Figures in Rand | 2016 | 2015 |
|---|---------------------|---------------------|
| 6. Consumer debtors (continued) | | |
| Reconciliation of allowance for impairment | | |
| Balance at beginning of the year | (54,046,465) | (43,735,984) |
| Contributions to allowance | (1,664,167) | (10,310,481) |
| | (55,710,632) | (54,046,465) |

Consumer debtors pledged as security

No consumer debtors were pledged as security for any liabilities.

Fair value of consumer debtors

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

Consumer debtors impaired

As of 30 June 2016, consumer debtors of 90,540,477 (2015: 82,579,280) were impaired and provided for.

The amount of the provision movement was 7,961,197 as of 30 June 2016 (2015: 15,654,103).

7. Cash and cash equivalents

Cash and cash equivalents consist of:

| | | |
|---------------------|-------------------|-------------------|
| Bank balances | 1,229,111 | 31,380,968 |
| Short-term deposits | 57,491,850 | 61,252,868 |
| Call account | 1,993,400 | 1,891,182 |
| | 60,714,361 | 94,525,018 |

The municipality had the following bank accounts

| Account number / description | Bank statement balances | | | Cash book balances | | |
|------------------------------|-------------------------|-------------------|-------------------|--------------------|-------------------|-------------------|
| | 30 June 2016 | 30 June 2015 | 30 June 2014 | 30 June 2016 | 30 June 2015 | 30 June 2014 |
| FNB - 52100005761 | 476,160 | 27,880,019 | 31,055,339 | 471,257 | 27,154,756 | 31,073,531 |
| FNB - 62051705534 | 757,855 | 4,226,135 | 24,601,153 | 757,854 | 4,226,212 | 24,672,340 |
| FNB - 62051706409 | - | - | 17,930 | - | - | 17,930 |
| Total | 1,234,015 | 32,106,154 | 55,674,422 | 1,229,111 | 31,380,968 | 55,763,801 |

8. Investment property

| | 2016 | | | 2015 | | |
|---------------------|------------------|---|----------------|------------------|---|----------------|
| | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value |
| Investment property | 480,511 | (231,463) | 249,048 | 480,511 | (222,446) | 258,065 |

Reconciliation of investment property - 2016

| | | | |
|---------------------|-----------------|--------------|---------|
| | Opening balance | Depreciation | Total |
| Investment property | 258,065 | (9,017) | 249,048 |

Greater Letaba Municipality

Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements

Figures in Rand 2016 2015

8. Investment property (continued)

Reconciliation of investment property - 2015

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

Pledged as security

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

The residual value and useful lives of investment property were reviewed and possible impairment has been assessed at reporting date.

9. Property, plant and equipment

| | 2016 | | | 2015 | | |
|----------------|---------------------|---|--------------------|---------------------|---|--------------------|
| | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value |
| Land | 31,570,092 | - | 31,570,092 | 31,570,092 | - | 31,570,092 |
| Buildings | 175,269,007 | (27,119,370) | 148,149,637 | 152,234,691 | (19,263,837) | 132,970,854 |
| Infrastructure | 461,870,782 | (53,530,178) | 408,340,604 | 312,042,701 | (45,026,014) | 267,016,687 |
| Other assets | 51,934,225 | (27,625,150) | 24,309,075 | 50,315,914 | (22,629,562) | 27,686,352 |
| Total | 720,644,106 | (108,274,698) | 612,369,408 | 546,163,398 | (86,919,413) | 459,243,985 |

Reconciliation of property, plant and equipment - 2016

| | Opening balance | Additions | Assets under construction | Disposals | Depreciation | Impairment loss | Total |
|----------------|--------------------|-------------------|------------------------------|-----------------|---------------------|--------------------|--------------------|
| Land | 31,570,092 | - | - | - | - | - | 31,570,092 |
| Buildings | 132,970,854 | 5,861,085 | 17,173,231 | - | (4,710,927) | (3,144,606) | 148,149,637 |
| Infrastructure | 267,016,687 | 79,193,669 | 70,677,643 | (37,818) | (8,486,521) | (23,056) | 408,340,604 |
| Other assets | 27,686,352 | 1,630,106 | - | (5,130) | (4,996,451) | (5,802) | 24,309,075 |
| | 459,243,985 | 86,684,860 | 87,850,874 | (42,948) | (18,193,899) | (3,173,464) | 612,369,408 |

Reconciliation of property, plant and equipment - 2015

| | Opening balance | Additions | Additions : Work in Progress | Depreciation | Impairment loss | Total |
|----------------|--------------------|-------------------|------------------------------------|---------------------|--------------------|--------------------|
| Land | 20,990,092 | 10,580,000 | - | - | - | 31,570,092 |
| Buildings | 117,321,752 | 1,725,430 | 17,078,935 | (3,155,263) | - | 132,970,854 |
| Infrastructure | 197,853,316 | 19,625,631 | 55,999,444 | (6,461,704) | - | 267,016,687 |
| Other assets | 19,806,867 | 12,140,638 | - | (4,260,730) | (423) | 27,686,352 |
| | 355,972,027 | 44,071,699 | 73,078,379 | (13,877,697) | (423) | 459,243,985 |

Pledged as security

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

The residual value and useful lives of property plant and equipment were reviewed and possible impairment has been assessed at reporting date

Greater Letaba Municipality

Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements

Figures in Rand 2016 2015

9. Property, plant and equipment (continued)

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.

10. Intangible assets

| | 2016 | | | 2015 | | |
|-------------------|------------------|---|----------------|------------------|---|----------------|
| | Cost / Valuation | Accumulated amortisation and accumulated impairment | Carrying value | Cost / Valuation | Accumulated amortisation and accumulated impairment | Carrying value |
| Computer software | 1,149,965 | (941,862) | 208,103 | 1,091,649 | (724,953) | 366,696 |

Reconciliation of intangible assets - 2016

| | Opening balance | Additions | Amortisation | Total |
|--------------------------|-----------------|---------------|------------------|----------------|
| Computer software, other | 366,696 | 58,316 | (216,909) | 208,103 |
| | 366,696 | 58,316 | (216,909) | 208,103 |

Reconciliation of intangible assets - 2015

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

Pledged as security

No intangible assets were pledged as security:

Other information

The residual value and useful lives of intangible assets were reviewed and possible impairment has been assessed at reporting date

11. Heritage assets

| | 2016 | | | 2015 | | |
|----------------------------------|------------------|-------------------------------|----------------|------------------|-------------------------------|----------------|
| | Cost / Valuation | Accumulated impairment losses | Carrying value | Cost / Valuation | Accumulated impairment losses | Carrying value |
| Waterfall picnic site | 103,000 | - | 103,000 | 103,000 | - | 103,000 |
| Historical monuments and statues | 190,500 | - | 190,500 | 190,500 | - | 190,500 |
| Mayoral gold chain | 195,000 | - | 195,000 | 195,000 | - | 195,000 |
| Paintings | 60,000 | - | 60,000 | 60,000 | - | 60,000 |
| Total | 548,500 | - | 548,500 | 548,500 | - | 548,500 |

Reconciliation of heritage assets 2016

| | Opening balance | Total |
|----------------------------------|-----------------|---------|
| Waterfall picnic site | 103,000 | 103,000 |
| Historical monuments and statues | 190,500 | 190,500 |

Greater Letaba Municipality

Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements

| Figures in Rand | 2016 | 2015 |
|--|----------------|----------------|
| 11. Heritage assets (continued) | | |
| Mayoral gold chain | 195,000 | 195,000 |
| Painting | 60,000 | 60,000 |
| | 548,500 | 548,500 |

Reconciliation of heritage assets 2015

| | Opening balance | Additions | Fair value adjustment | Total |
|----------------------------------|-----------------|---------------|-----------------------|----------------|
| Waterfall picnic site | - | - | 103,000 | 103,000 |
| Historical monuments and statues | 190,500 | - | - | 190,500 |
| Mayoral gold chain | 195,000 | - | - | 195,000 |
| Other (specify class) | - | 60,000 | - | 60,000 |
| | 385,500 | 60,000 | 103,000 | 548,500 |

Pledged as security

No heritage assets were pledged as security:

The residual value and useful lives of heritage assets were reviewed and possible impairment has been assessed at reporting date

12. Payables from exchange transactions

| | | |
|-------------------------------|-------------------|-------------------|
| Trade payables | 13,894,390 | 6,794,855 |
| Payments received in advanced | 3,448,122 | 2,353,001 |
| Retentions | 28,600,935 | 12,971,124 |
| Accrued leave pay | 7,535,956 | 6,804,930 |
| Accrued bonus | 1,300,311 | 1,214,903 |
| Other payables | 253,213 | 244,843 |
| | 55,032,927 | 30,383,656 |

13. Consumer deposits

| | | |
|-------------|---------|---------|
| Electricity | 351,303 | 345,003 |
|-------------|---------|---------|

Consumer deposits are raised when a services account is opened and is refunded to the consumer after the account is closed.

No interest is paid on consumer deposits.

14. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

| | | |
|--|---|-------------------|
| Unspent conditional grants and receipts | | |
| Finance Management Grant (FMG) | - | 308,195 |
| Municipal Infrastructure Grant (MIG) | - | 23,896,515 |
| Municipal Systems Improvement Grant (MSIG) | - | 85,000 |
| | - | 24,289,710 |

Greater Letaba Municipality

Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements

| Figures in Rand | 2016 | 2015 |
|--|-------------------|-------------------|
| 14. Unspent conditional grants and receipts (continued) | | |
| Movement during the year | | |
| Balance at the beginning of the year | 24,289,710 | 16,079,872 |
| Additions during the year | 83,496,000 | 57,705,000 |
| Income recognition during the year | (93,253,710) | (48,930,162) |
| Paid back to Treasury | (14,532,000) | (565,000) |
| | - | 24,289,710 |
| See note 20 for reconciliation of grants from National / Provincial Government. | | |
| 15. Employee benefit obligations | | |
| Defined benefit plans | | |
| The total amounts recognised in the statement of financial position are as follows: | | |
| Defined benefit obligation - Post retirement medical aid plan | 8,284,614 | 7,644,119 |
| Defined benefit obligation - Long service awards | 2,718,365 | 2,746,341 |
| | 11,002,979 | 10,390,460 |
| 17.1 Post retirement medical aid plan | | |
| The post-employment health care benefits valuation considers all current employees, retired employees and their dependants who participate in the health care arrangements and are entitled to a post-employment medical scheme subsidy. The post-employment health care liability is not a funded arrangement, i.e. no separate assets have been set aside to meet this liability. The effective date of the valuation is 30 June 2016. | | |
| The amounts recognised in the statement of financial position are as follows: | | |
| Carrying value | | |
| Present value of the define benefit obligation-wholly unfunded. | 8,285,000 | 7,644,119 |
| Changes in the present value of the defined benefit obligation are as follows: | | |
| Opening balance | 7,644,119 | 5,768,145 |
| Benefits paid | (88,000) | (93,772) |
| Net expenses recognised in the statement of financial performance | 728,881 | 1,969,746 |
| | 8,285,000 | 7,644,119 |
| Net expense recognised in the statement of financial performance in general expenses | | |
| Current service cost | 1,031,595 | 680,191 |
| Interest cost | 759,394 | 546,361 |
| Actuarial (gains) losses | (1,062,108) | 743,194 |
| | 728,881 | 1,969,746 |

Greater Letaba Municipality

Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements

| Figures in Rand | 2016 | 2015 |
|---|-------------|---------|
| 15. Employee benefit obligations (continued) | | |
| Calculation of actuarial gains and losses | | |
| Actuarial(gains) losses - Obligation | (1,062,108) | 743,194 |
| Key assumptions used | | |
| Discounted rates used | 8.51 % | 8.94 % |
| Medical aid and contribution inflation | 8.21 % | 8.05 % |
| Average retirement age | 63 | 63 |

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

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

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

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

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

We used the nominal and real zero curves as at 30 June 2016 supplied by the JSE to determine our discount rates and CPI assumptions at each relevant time period. In the event that the valuation is performed prior to the effective valuation date, we use the prevailing yield at the time of performing our calculations. We have changed this methodology from a point estimate in order to present a more accurate depiction of the liability. For example a liability which pays out in 1 year will be discounted at a different rate than a liability which pays out in 30 years. Previously only one discount rate was used to value all the liabilities.

Other assumptions

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

| | One percentage point Increase | One percentage point decrease |
|---|-------------------------------|-------------------------------|
| Effect on the aggregate of the service cost and interest cost | 1,808,899 | 1,773,079 |
| Effect on defined benefit obligation | 8,367,850 | 8,202,150 |
| | 10,176,749 | 9,975,229 |

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

| | 2016 R | 2015 R | 2014 R | 2013 R | 2012 R |
|----------------------------|-------------|-------------|-------------|-------------|-------------|
| Defined benefit obligation | 8,285,000 | 7,644,119 | 5,768,145 | 4,668,968 | 3,710,727 |
| Surplus (deficit) | (8,285,000) | (7,644,119) | (5,768,145) | (4,668,968) | (3,710,727) |

Greater Letaba Municipality

Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements

Figures in Rand 2016 2015

15. Employee benefit obligations (continued)

17.2 Long service awards obligation

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

An actuarial valuation of the obligation has been performed by ZAQ Consultants and Actuaries on all 203 employees that are entitled to long service awards as at 30 June 2016 (2015: 206). As at the valuation date, the long service leave award liability of the Municipality was unfunded, i.e. no dedicated assets have been set aside to meet this liability.

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

Carrying value

| | | |
|---|-----------|-----------|
| Present value of the defined benefit obligation-wholly unfunded | 2,933,023 | 2,746,341 |
|---|-----------|-----------|

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

| | | |
|--|------------------|------------------|
| Opening balance | 3,089,549 | 2,746,341 |
| Benefits paid | (234,412) | (236,607) |
| Net expense recognised in the statement of financial performance | 421,093 | 579,815 |
| | 3,276,230 | 3,089,549 |

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

| | | |
|--------------------------|----------------|----------------|
| Current service cost | 341,412 | 340,402 |
| Interest cost | 256,648 | 200,134 |
| Actuarial (gains) losses | (176,967) | 39,279 |
| | 421,093 | 579,815 |

Calculation of actuarial gains and losses

| | | |
|---------------------------------------|-----------|--------|
| Actuarial (gains) losses – Obligation | (176,967) | 39,279 |
|---------------------------------------|-----------|--------|

Key assumptions used

Assumptions used at the reporting date:

| | | |
|-------------------------------|--------|--------|
| Discount rates used | 8.47 % | 7.96 % |
| Expected increase in salaries | 6.00 % | 7.33 % |
| Average retirement age | 63 | 63 |

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

We have derived the underlying future rate of consumer price index (CPI inflation) from the relationship between the (yield curve based) inflation-linked Bond rate for each relevant time period. Our assumed rate of salary inflation was set as the assumed value of CPI plus 1%. The salaries used in the valuation include an assumed increase on 1 July 2016 of 6%. The next salary increase was assumed to take place on 1 July 2017.

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

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

Greater Letaba Municipality

Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements

Figures in Rand 2016 2015

15. Employee benefit obligations (continued)

We use the nominal and real zero curves as at **30 June 2016** supplied by the JSE to determine our discounted rates and CPI assumptions at each relevant time period. For example a liability which pays out in 1 year will be discounted at a different rate than a liability which pays out in 30 years.

Other assumptions

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

| | One percentage point increase | One percentage point decrease |
|---|-------------------------------------|--|
| Effect on the aggregate of the service cost and interest cost | 604,041 | 592,079 |
| Effect on defined benefit obligation | 2,962,353 | 2,903,693 |

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

| | 2016 | 2015 | 2014 | 2013 | 2012 |
|----------------------------|-------------|-------------|-------------|-------------|-------------|
| Defined benefit obligation | 2,933,023 | 2,746,341 | 2,388,485 | 1,975,489 | 1,692,079 |
| Surplus (deficit) | (2,933,023) | (2,746,341) | (2,388,485) | (1,975,489) | (1,692,079) |

Defined contribution plan

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

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

The amount recognised as an expense for defined contribution plans is - 10,925,329

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

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

16. Provisions

Reconciliation of provisions - 2016

| | Opening Balance | Additions | Total |
|-------------------------|--------------------|-----------|-----------|
| Landfill rehabilitation | 2,236,803 | 179,997 | 2,416,800 |

Reconciliation of provisions - 2015

| | Opening Balance | Total |
|------------------------------|--------------------|-----------|
| Environmental rehabilitation | 2,236,803 | 2,236,803 |

Greater Letaba Municipality

Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements

| Figures in Rand | 2016 | 2015 |
|---|----------------------|----------------------|
| 16. Provisions (continued) | | |
| Landfill rehabilitation provision | | |
| In terms of the Mineral and Petroleum Recourses Development Act, 2002 (Act No 28 of 2002), it is required from the municipality to execute the environmental management program to restore landfill sites and quarries. | | |
| 17. Service charges | | |
| Sale of electricity | 9,346,308 | 10,475,124 |
| Refuse removal | 3,693,210 | 3,581,413 |
| Free basic services rebate | (46,669) | (39,848) |
| | 12,992,849 | 14,016,689 |
| 18. Investment revenue | | |
| Interest revenue | | |
| Bank | 1,993,515 | 2,783,487 |
| Interest received - Investments | 3,925,076 | 3,674,794 |
| | 5,918,591 | 6,458,281 |
| 19. Property rates | | |
| Rates received | | |
| Residential | 4,463,669 | 4,349,511 |
| Commercial | 4,075,624 | 3,971,390 |
| Government | 527,810 | 514,311 |
| Municipal | 313,661 | 305,639 |
| Other | 2,840,344 | 2,767,702 |
| Less: Income forgone | (3,243,513) | (3,223,488) |
| | 8,977,595 | 8,685,065 |
| Valuations | | |
| Residential | 873,029,200 | 873,029,200 |
| Commercial | 150,118,000 | 150,118,000 |
| Government | 103,232,000 | 103,232,000 |
| Municipal | 61,347,450 | 61,347,450 |
| Other | 555,530,140 | 555,530,140 |
| | 1,743,256,790 | 1,743,256,790 |

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

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

Greater Letaba Municipality

Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements

| Figures in Rand | 2016 | 2015 |
|--|---------------------------|---------------------------|
| 20. Government grants and subsidies | | |
| Operating grants | | |
| Equitable share | 208,866,000 | 167,589,000 |
| Finance Management Grant | 1,675,000 | 1,533,317 |
| Municipal Systems Improvement Grant | 930,000 | 1,806,067 |
| National Electrification Grant | 1,489,000 | 1,731,000 |
| | <u>212,960,000</u> | <u>172,659,384</u> |
| Capital grants | | |
| Municipal Infrastructure Grant | 89,159,710 | 43,859,778 |
| | <u>89,159,710</u> | <u>43,859,778</u> |
| | <u>302,119,710</u> | <u>216,519,162</u> |

Equitable Share

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

Finance Management Grant (FMG)

| | | |
|--|-------------|----------------|
| Balance unspent at beginning of year | 308,195 | 241,512 |
| Current-year receipts | 1,675,000 | 1,600,000 |
| Conditions met - transferred to revenue | (1,675,000) | (1,533,317) |
| Paid back to Treasury | (308,195) | - |
| Conditions still to be met - transferred to liabilities | - | 308,195 |

Conditions still to be met - remain liabilities (see note 14).

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

Municipal Infrastructure Grant (MIG)

| | | |
|--|--------------|-------------------|
| Balance unspent at beginning of year | 23,896,514 | 14,863,294 |
| Current-year receipts | 79,402,000 | 53,440,000 |
| Conditions met - transferred to revenue | (89,159,709) | (43,859,780) |
| Paid back to Treasury | (14,138,805) | (547,000) |
| Conditions still to be met - transferred to liabilities | - | 23,896,514 |

Conditions still to be met - remain liabilities (see note 14).

This grant was used to construct municipal infrastructure to provide basic services for the benefit of communities. In 2015/2016 financial year all the conditions of the grant were met. In 2014/2015 financial year the conditions of the grant were partially met and resulting on unspent grant.

Municipal Systems Improvement Grant (MSIG)

| | | |
|---|-----------|---------------|
| Balance unspent at beginning of year | 85,000 | 975,067 |
| Current-year receipts | 930,000 | 934,000 |
| Conditions met - transferred to revenue | (930,000) | (1,806,067) |
| Paid back to Treasury | (85,000) | (18,000) |
| | <u>-</u> | <u>85,000</u> |

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

Greater Letaba Municipality

Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements

| Figures in Rand | 2016 | 2015 |
|---|--------------------|--------------------|
| 20. Government grants and subsidies (continued) | | |
| Extended Public Works Grant | | |
| Current-year receipts | 1,489,000 | 1,731,000 |
| Conditions met - transferred to revenue | (1,489,000) | (1,731,000) |
| | - | - |
| 21. Revenue | | |
| Service charges | 12,992,849 | 14,016,689 |
| Rental of facilities and equipment | 90,519 | 87,907 |
| Interest received - outstanding receivables | 7,752,685 | 6,937,101 |
| Agency services | 1,813,180 | 1,737,708 |
| Licences and permits | 2,901,591 | 2,914,588 |
| Other income | 1,224,136 | 2,735,615 |
| Interest received - investment | 5,918,591 | 6,458,281 |
| Property rates | 8,977,595 | 8,685,065 |
| Government grants and subsidies | 302,119,710 | 216,519,162 |
| Traffic fines | 1,932,180 | 970,685 |
| | 345,723,036 | 261,062,801 |
| The amount included in revenue arising from exchanges of goods or services are as follows: | | |
| Service charges | 12,992,849 | 14,016,689 |
| Rental of facilities and equipment | 90,519 | 87,907 |
| Interest received - outstanding receivables | 7,752,685 | 6,937,101 |
| Agency services | 1,813,180 | 1,737,708 |
| Licences and permits | 2,901,591 | 2,914,588 |
| Other income | 1,224,136 | 2,735,615 |
| Interest received - investment | 5,918,591 | 6,458,281 |
| | 32,693,551 | 34,887,889 |
| The amount included in revenue arising from non-exchange transactions is as follows: | | |
| Taxation revenue | | |
| Property rates | 8,977,595 | 8,685,065 |
| Transfer revenue | | |
| Government grants and subsidies | 302,119,710 | 216,519,162 |
| Traffic fines | 1,932,180 | 970,685 |
| | 313,029,485 | 226,174,912 |
| 22. Employee related costs | | |
| Salaries and wages | 40,648,962 | 38,600,170 |
| Bonus | 3,001,520 | 2,865,205 |
| Medical aid benefits | 2,774,478 | 2,356,656 |
| UIF | 374,751 | 375,781 |
| Leave pay provision charge | 1,073,848 | 1,594,626 |
| Pension fund and other fund contributions | 8,633,797 | 9,626,959 |
| Overtime payments | 4,264,517 | 3,236,113 |
| Travel and car allowance | 3,049,722 | 2,040,766 |
| Housing benefits and allowances | 584,944 | 598,270 |
| | 64,406,539 | 61,294,546 |

Greater Letaba Municipality

Financial Statements for the year ended 30 June 2016

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| Figures in Rand | 2016 | 2015 |
|---|-------------------|-------------------|
| 22. Employee related costs (continued) | | |
| Remuneration of Municipal Manager | | |
| Annual Remuneration | 848,224 | 834,032 |
| Car Allowance | 204,000 | 204,000 |
| Contributions to UIF, Medical and Pension Funds | 214,800 | 206,100 |
| | 1,267,024 | 1,244,132 |
| Remuneration of Chief Finance Officer | | |
| Annual Remuneration | 551,920 | 487,920 |
| Car Allowance | 252,000 | 252,000 |
| Contributions to UIF, Medical and Pension Funds | 60,000 | 60,000 |
| | 863,920 | 799,920 |
| Remuneration of Director Infrastructure Planning and Development | | |
| Annual Remuneration | 126,312 | 628,324 |
| Car Allowance | 36,000 | 210,000 |
| Contributions to UIF, Medical and Pension Funds | 5,000 | 86,000 |
| Acting Allowance | 24,355 | - |
| | 191,667 | 924,324 |
| One Director resigned effective from 31 August 2015. There was an Acting Director effective from 1 September 2015 to 30 June 2016 (Excluding month December 2015) | | |
| Remuneration of Director Corporate Services | | |
| Annual Remuneration | 622,667 | 248,500 |
| Car Allowance | 168,000 | 74,500 |
| Contributions to UIF, Medical and Pension Funds | 36,000 | 77,000 |
| Housing Allowance | 5,333 | - |
| | 832,000 | 400,000 |
| Remuneration of Director Community Services | | |
| Annual Remuneration | 653,738 | 590,125 |
| Car Allowance | 180,000 | 180,000 |
| Contributions to UIF, Medical and Pension Funds | 166,400 | 154,200 |
| | 1,000,138 | 924,325 |
| 23. Remuneration of councillors | | |
| Executive Mayor's salary | 568,509 | 538,871 |
| Executive committee salary | 1,413,756 | 1,333,698 |
| Speaker's salary | 454,808 | 431,094 |
| Councillors' salary | 10,465,654 | 9,400,884 |
| Travel allowance | 3,648,469 | 3,330,034 |
| Cell phone allowance | 1,177,303 | 1,190,561 |
| | 17,728,499 | 16,225,142 |
| Remuneration per councillor | | |
| Refer to note 36 for detail of remuneration per councillor. | | |

Greater Letaba Municipality

Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements

| Figures in Rand | 2016 | 2015 |
|--|-------------------|-------------------|
| 24. Depreciation and amortisation | | |
| Property, plant and equipment | 21,353,119 | 13,878,136 |
| Investment property | 9,016 | 8,992 |
| Intangible assets | 207,404 | 208,360 |
| | 21,569,539 | 14,095,488 |
| 25. Finance costs | | |
| DBSA Loan - Interest paid | - | 1,216,296 |
| Other interest paid | - | 19,199 |
| | - | 1,235,495 |
| 26. Bulk purchases | | |
| Electricity | 8,728,768 | 8,476,095 |
| 27. Contracted services | | |
| Meter reading services | 328,945 | 407,454 |
| Security services | 5,909,836 | 4,371,444 |
| Operating leases | 232,048 | 291,248 |
| Specialist services | 114,430 | 124,035 |
| Other contractors | 1,212,939 | 2,509,132 |
| Refuse removal | 1,474,738 | 1,368,754 |
| | 9,272,936 | 9,072,067 |

Greater Letaba Municipality

Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements

| Figures in Rand | 2016 | 2015 |
|-----------------------------------|-------------------|-------------------|
| 28. General expenses | | |
| Advertising | 1,070,177 | 967,451 |
| Auditor's remuneration | 3,659,634 | 2,886,163 |
| Bank charges | 255,503 | 260,818 |
| Consulting and professional fees | 4,205,914 | 2,612,596 |
| Entertainment | 19,692 | 11,688 |
| Hire | - | 9,859 |
| Insurance | 1,168,036 | 1,072,427 |
| Conferences and seminars | 332,932 | 311,415 |
| Motor vehicle expenses | 130,886 | 112,036 |
| Stores and material | 790,734 | 638,636 |
| Fuel and oil | 3,371,612 | 2,804,119 |
| Postage and courier | 73,398 | 61,689 |
| Printing and stationery | 1,188,823 | 1,173,805 |
| SAIMSA games | 912,402 | 349,733 |
| Youth empowerment project | 47,040 | 247,314 |
| Youth desk development | 261,937 | 147,650 |
| Subscriptions and membership fees | 1,737,090 | 1,850,932 |
| Telephone and fax | 1,445,245 | 1,255,344 |
| Training | 211,748 | 559,881 |
| Travel - local | 5,380,250 | 5,108,786 |
| Electricity | 1,459,573 | 706,649 |
| Tourism development | - | 132,253 |
| Bursary scheme | 4,613,300 | 3,580,941 |
| Capacity building | 63,522 | 434,877 |
| Catering | 428,360 | 528,621 |
| Interns | 2,399,850 | 3,275,213 |
| Free basic services | 430,571 | 360,790 |
| Gender desk activities | 3,408,200 | 1,173,538 |
| Public participation | 1,978,150 | 1,657,118 |
| Workshops and meetings | 4,190,054 | 3,495,818 |
| Other expenses | 7,291,418 | 8,901,409 |
| | 52,526,051 | 46,689,569 |

Included on "Other expenses" is insurance, skills levies, EPWP expenses e.t.c

29. Auditor's remuneration

| | | |
|------|-----------|-----------|
| Fees | 3,659,634 | 2,886,163 |
|------|-----------|-----------|

Greater Letaba Municipality

Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements

| Figures in Rand | 2016 | 2015 |
|--|--------------------|-------------------|
| 30. Cash generated from operations | | |
| Surplus | 156,204,429 | 83,126,710 |
| Adjustments for: | | |
| Depreciation and amortisation | 21,569,539 | 14,095,488 |
| Gain on sale of assets and liabilities | 18,647 | - |
| Debt impairment | 9,513,611 | 16,476,391 |
| Movements in retirement benefit assets and liabilities | 612,519 | 2,219,182 |
| Movements in provisions | 179,997 | - |
| Fair value adjustment | (26,449) | (103,000) |
| Changes in working capital: | | |
| Inventories | 204,415 | (189,340) |
| Receivables from exchange transactions | (18,622,490) | (15,956,876) |
| Consumer debtors | (15,098,488) | (14,953,816) |
| Other receivables from non-exchange transactions | (843,751) | 208,116 |
| Payables from exchange transactions | 24,649,270 | 7,305,447 |
| VAT | (13,368,941) | (3,700,165) |
| Unspent conditional grants and receipts | (24,289,710) | 8,209,838 |
| Consumer deposits | 6,300 | 11,616 |
| | 140,708,898 | 96,749,591 |

31. Commitments

Authorised capital expenditure

Approved and contracted for

| | | |
|---------------------------------|-------------|-------------|
| • Property, plant and equipment | 138,618,195 | 141,403,930 |
|---------------------------------|-------------|-------------|

Approved and not yet contracted for

| | | |
|---------------------------------|------------|---|
| • Property, plant and equipment | 34,994,503 | - |
|---------------------------------|------------|---|

Property plant and equipment

| | | |
|-------------------------------------|--------------------|--------------------|
| Approved and contracted for | 138,618,195 | 141,403,930 |
| Approved and not yet contracted for | 34,994,503 | - |
| | 173,612,698 | 141,403,930 |

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

Operating leases - as lessee (expense)

Minimum lease payments due

| | | |
|-------------------------------------|---------------|----------------|
| - within one year | 62,256 | 206,848 |
| - in second to fifth year inclusive | - | 62,256 |
| | 62,256 | 269,104 |

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

Greater Letaba Municipality

Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements

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32. Contingencies

Contigent Liabilities

Ramalepe vs Greater Letaba Municipality

The Plaintiff is suing the municipality on allegations that the municipality has sold one site initially allocated to him to a second person. R155 000 (2015: R89 000)

Merifon (Pty) Ltd vs Greater Letaba Municipality

The Plaintiff is suing the municipality for a specific performance forcing the municipality to commit to the initial agreement of purchasing the plaintiff's land R52 000 000 (2015: R52 000 000).

Hennox 60 CC vs Greater Letaba Municipality

The municipality is sued for an amount of R3 635 593 (2015: R3 635 593) for damages suffered as a result of defective storm water pipes running through the plaintiff's property which has flooded the plaintiff's house.

All of Us Trading CC vs Greater Letaba Municipality

The plaintiff is suing the municipality for an amount of R128 500 (2015: R128 500) for services rendered as well as the costs for hiring the equipment

Anna Magaretha Botes vs Greater Letaba Municipality

The plaintiff is suing the municipality for an amount of R0 (2015: R950 000) for vicarious liability in that she alleges that she sustained injuries after falling into a manhole which was left open by the municipality and its employees.

Qualis Consultants vs Greater Letaba Municipality

The plaintiff is suing the municipality for the services rendered to the amount of R0 (2015: R213 659). The plaintiff was appointed as a service provider and they are alleging that services have been rendered. The municipality has got reservations about the quality and completion of the work.

Ben Bonthuys vs Greater Letaba Municipality

The plaintiff alleges that he suffered damages as a result of high voltage electricity which caused damages to his household electric appliances to the value of R0 (2015: R7 077)

Wimpy van Wyk vs Greater Letaba Municipality

The plaintiff alleges that he suffered damages as a result of high voltage electricity which caused damages to his household electric appliances to the value of R0 (2015: R88 459)

J.P Marx vs Greater Letaba Municipality

The plaintiff alleges that he suffered damages as a result of high voltage electricity which caused damages to his household electric appliances to the value of R0 (2015: R147 599)

Motlatso Samuel Sekgota vs Greater Letaba Municipality

It is alleged that due to the negligence construction of the storm water pipes by the municipality, the plaintiff suffered damages as a result of water overflowing his house and he is claiming R95 190 (2015: R95 190) from the municipality

SB Consulting vs Greater Letaba Municipality

The plaintiff was rendering the service for the municipality and he is suing the municipality on allegations that the outstanding amount was paid to a different individual R509 990

The Municipality currently has labour disputes with the following employees:

- Malatji N.S
- Ngolele J.H
- Magabane M.L
- Selowa M.J

Contigent Assets

The municipality has a contingent asset related to flexible investment with Momentum as a result of money market ABIL Retention Fund R83 394 (2015 : R74 496)

Greater Letaba Municipality

Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements

| Figures in Rand | 2016 | 2015 |
|--|--------------------|-------------------|
| 33. Unauthorised expenditure | | |
| Opening balance | 54,635,707 | 54,635,707 |
| Unauthorised expenditure in the current year | 9,393,411 | 42,261,407 |
| Less: condoned by council | - | (42,261,407) |
| Closing balance | 64,029,118 | 54,635,707 |
| Reconciliation of budgeted vs actual expenditure - Per income statement | | |
| Actual expenditure | 180,842,462 | 177,936,094 |
| Approved operational budget | (184,186,228) | (159,089,747) |
| Over / (Under) spending of budget | (3,343,766) | 18,846,347 |
| Total net effect of overspending of budget | (3,343,766) | 18,846,347 |

The overall budget for expenditure was not overspend 2016: R0 (2015: R18 846 347).

Unauthorised expenditure during 2015 was as a result of overspending of budget per vote amounted to R42 261 407

The unauthorised expenditure during 2016 was as a results of overspending of R9 393 411 on Executive and council vote

These over expenditure amounts are not recoverable and must still be investigated and condoned by Council in terms of Section 32 of the MFMA.

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

34. Fruitless and wasteful expenditure

| | | |
|--|----------------|----------------|
| Opening balance | 21,668 | 204,590 |
| Condoned by Council | - | (204,590) |
| Interest paid to service providers | 99,460 | 21,668 |
| Add: Stock losses due to theft and shortages | 202,642 | 147,493 |
| Fruitless and wasteful expenditure awaiting condonement | 323,770 | 169,161 |

Interest accrued on late payments

Interest and penalties relates to late payments to suppliers and SARS. The interest would have been avoided had reasonable care been exercised. The total value of the interest was R99 460 (2015 : R21 668)

Interest on late payment of Eskom account: R29 124 (2015 : R505)

Interest on late payment of Telkom account: R1 184 (2015: R1964)

Interest on late payment to Auditor General of South Africa: R0 (2015 : R19 199)

Interest and penalties on SARS : R69 153 (2015 : R0)

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

35. Irregular expenditure

| | | |
|---|-------------------|---------------|
| Opening balance | 57,742,541 | 109,584,002 |
| Add: Irregular Expenditure - current year | 122,613,712 | 55,580,749 |
| Less: Amounts condoned | - | (107,422,210) |
| 180,356,253 | 57,742,541 | |

Greater Letaba Municipality

Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements

| Figures in Rand | 2016 | 2015 |
|--|--------------------|-------------------|
| 35. Irregular expenditure (continued) | | |
| Analysis of expenditure awaiting condonation per age classification | | |
| Current year | 122,613,712 | 55,580,749 |
| Prior years | 57,742,541 | 109,584,002 |
| Condoned by council | - | (107,422,210) |
| | 180,356,253 | 57,742,541 |

The matters above have been submitted to Council and the Council referred them to MPAC for investigation. In 2015 financial year the Council held a special meeting on 29 August 2014 and condoned the irregular expenditure amounting to R107 422 210.

Greater Letaba Municipality

Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements

36. Related parties

Relationships

Mopani District Municipality loan account

Members of key management

R35 643 638 (2015: R18 470 534)

TG Mashaba (Municipal Manager)

MF Mankgaba (Chief Financial Officer)

CW Molokomme (Director Planning and Development)

MB Letsoalo (Director Corporate Services)

DI Mogale (Director Community Services)

Councillors - Refer to list of Councillors below

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

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

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

There are no share based payments.

| Remuneration per councillor | Salary | Travel allowance | Cellphone allowance | Total package |
|-----------------------------|---------|------------------|---------------------|---------------|
| 2016 | - | - | - | - |
| GH Modjadji (Mayor) | 568,509 | 189,503 | 20,868 | 778,880 |
| MM Nkwana | 454,808 | 151,602 | 20,868 | 627,278 |
| MP Malola | 426,383 | 142,128 | 20,868 | 589,379 |
| TC Shai | 426,383 | 142,128 | 20,868 | 589,379 |
| NM Kgatla | 426,383 | 142,128 | 20,868 | 589,379 |
| PJ Mampeule | 426,383 | 142,128 | 20,868 | 589,379 |
| MJ Baloyi | 397,955 | 132,651 | 20,867 | 551,473 |
| NE Phatudi | 235,626 | 78,542 | 20,868 | 335,036 |
| MP Satekga | 235,626 | 78,542 | 20,868 | 335,036 |
| TJ Rababalela | 235,626 | 78,542 | 20,868 | 335,036 |
| MC Seala | 235,626 | 78,542 | 20,868 | 335,036 |
| NN Baloi | 235,626 | 78,542 | 20,868 | 335,036 |
| MF Moroatshehla | 235,626 | 78,542 | 20,868 | 335,036 |
| LR Mashapa | 171,361 | 57,120 | 20,868 | 249,349 |
| F Morwatshehla | 293,217 | - | 20,868 | 314,085 |
| MJ Kgatla | 171,361 | 57,120 | 20,868 | 249,349 |
| GJ Mkansi | 293,217 | - | 20,868 | 314,085 |
| N Selowa | 171,361 | 57,120 | 20,868 | 249,349 |
| RE Sekhonoane | 171,361 | 57,120 | 20,868 | 249,349 |
| ME Machethe | 171,361 | 57,120 | 20,868 | 249,349 |
| ZT Maluleke | 228,481 | - | 20,868 | 249,349 |
| MJ Masutha | 171,361 | 57,120 | 20,868 | 249,349 |
| MD Rabapana | 67,358 | 22,452 | 8,695 | 98,505 |
| MA Lebepe | 219,913 | 73,304 | 20,868 | 314,085 |
| TD Mokhari | 228,481 | - | 20,868 | 249,349 |
| MF Manyama | 171,361 | 57,120 | 20,868 | 249,349 |
| DL Selowa | 171,361 | 57,120 | 20,868 | 249,349 |
| M Serekele | 171,361 | 57,120 | 20,868 | 249,349 |
| TE Makgatho | 219,913 | 73,304 | 20,868 | 314,085 |
| MV Makgwathela | 171,361 | 57,120 | 20,868 | 249,349 |
| MV Mashapa | 228,481 | - | 20,868 | 249,349 |
| TJ Senyolo | 171,361 | 57,120 | 20,868 | 249,349 |
| AM Manthlaka | 219,913 | 73,304 | 20,868 | 314,085 |
| MM Mankgero | 171,361 | 57,120 | 20,868 | 249,349 |
| M Mathedimosa | 171,361 | 57,120 | 20,868 | 249,349 |

Greater Letaba Municipality

Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements

36. Related parties (continued)

Remuneration per councillor 2016 (continued)

| | | | | |
|-----------------|-------------------|------------------|------------------|-------------------|
| MF Maruthoane | 228,481 | - | 20,868 | 249,349 |
| MA Lebepe | 171,361 | 57,120 | 20,868 | 249,349 |
| MG Ntuli | 171,361 | 57,120 | 20,868 | 249,349 |
| SS Malatji | 171,361 | 57,120 | 20,868 | 249,349 |
| MI Manyama | 219,913 | 73,304 | 20,868 | 314,085 |
| NT Machethe | 228,481 | - | 20,868 | 249,349 |
| MSS Sebelemetja | 171,361 | 57,120 | 20,868 | 249,349 |
| MJ Nakana | 171,361 | 57,120 | 20,868 | 249,349 |
| BE Ngobeni | 171,361 | 57,120 | 20,868 | 249,349 |
| MF Makhubela | 219,913 | 73,304 | 20,868 | 314,085 |
| ME Lebepe | 219,913 | 73,304 | 20,868 | 314,085 |
| RJ Makhananisa | 171,361 | 57,120 | 20,868 | 249,349 |
| DI Matloga | 228,481 | - | 20,868 | 249,349 |
| MD Makhananisa | 171,361 | 57,120 | 20,868 | 249,349 |
| FN Maake | 171,361 | 57,120 | 20,868 | 249,349 |
| MF Mokwakwala | 171,361 | 57,120 | 20,868 | 249,349 |
| MG Selowa | 171,361 | 57,120 | 20,868 | 249,349 |
| SP Mabale | 171,361 | 57,120 | 20,868 | 249,349 |
| MF Kgamede | 171,361 | 57,120 | 20,868 | 249,349 |
| ME Mafona | 219,913 | 73,304 | 20,868 | 314,085 |
| MP Masela | 171,361 | 57,120 | 20,868 | 249,349 |
| MA Makgeru | 171,361 | 57,120 | 20,868 | 249,349 |
| | 12,902,737 | 3,648,460 | 1,177,302 | 17,728,499 |

Remuneration per councillor

2015

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

Greater Letaba Municipality

Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements

36. Related parties (continued)

| | | | | |
|----------------|-------------------|------------------|------------------|-------------------|
| MP Satekge | 222,283 | 74,094 | 20,868 | 317,245 |
| RR Ramalatso | 58,763 | 21,182 | 8,695 | 88,640 |
| MJ Nakana | 161,661 | 53,887 | 20,868 | 236,416 |
| BE Ngobeni | 161,661 | 53,887 | 20,868 | 236,416 |
| MF Makhubela | 169,295 | 56,432 | 20,868 | 246,595 |
| NM Kgatla | 404,152 | 134,717 | 20,868 | 559,737 |
| ME Lebepe | 169,295 | 56,432 | 20,868 | 246,595 |
| MD Rabapana | 161,661 | 53,887 | 20,868 | 236,416 |
| MA Lebepe | 169,295 | 56,432 | 20,868 | 246,595 |
| TD Mokhari | 215,548 | - | 20,868 | 236,416 |
| MF Manyama | 161,661 | 53,887 | 20,868 | 236,416 |
| DL Selowa | 161,661 | 53,887 | 20,868 | 236,416 |
| M Serekele | 161,661 | 53,887 | 20,868 | 236,416 |
| TE Makgatho | 169,295 | 56,432 | 20,868 | 246,595 |
| MV Makgwathela | 161,661 | 53,887 | 20,868 | 236,416 |
| TJ Rababalela | 222,283 | 74,094 | 20,868 | 317,245 |
| MV Mashapa | 215,548 | - | 20,868 | 236,416 |
| TJ Senyolo | 161,661 | 53,887 | 20,868 | 236,416 |
| AM Mantlhakga | 169,295 | 56,432 | 20,868 | 246,595 |
| MM Mankgeru | 161,661 | 53,887 | 20,868 | 236,416 |
| LR Mashapa | 161,661 | 53,887 | 20,868 | 236,416 |
| F Morwatshehla | 225,726 | - | 20,868 | 246,594 |
| MJ Kgatla | 161,661 | 53,886 | 20,868 | 236,415 |
| GJ Mkansi | 225,726 | - | 20,868 | 246,594 |
| N Selowa | 161,661 | 53,887 | 20,868 | 236,416 |
| RE Sekhonoane | 165,897 | 49,651 | 20,868 | 236,416 |
| ME Machete | 161,661 | 53,887 | 20,868 | 236,416 |
| ZT Maluleke | 207,075 | 8,471 | 20,868 | 236,414 |
| | 11,704,549 | 3,330,032 | 1,190,561 | 16,225,142 |

Refer to note 22 for remuneration detail of Section 57 managers.

Greater Letaba Municipality

Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements

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37. Prior period adjustments

Annual Bonus Provision

The annual bonus provision as at 30 June 2015 was overstated by R95 092 in the prior year financial statements. The disclosure has been corrected in the current year reporting period by restating the opening balances for annual bonus provision.

Provision for post employment benefit: Long service award

The provision for post employment benefits: Long service award as at 30 June 2015 was understated by R14 648 in the prior year financial statements. The disclosure has been corrected in the current year reporting period by restating the opening balances

Consumer debtors

Consumer debtors as at 30 June 2015 was overstated by R4 630 783. The financial statements has been corrected in the current year by restating the opening balances and expenses.

Provision for doubtful debts

Provision for doubtful debt as at 30 June 2015 was overstated by R4 929 715. The financial statements has been corrected in the current year by restating the opening balances and expenses.

VAT

The VAT receivable balance as at 30 June 2015 was understated by R247 415, Builing overstated by R63 016 and Roads overstated by R184 399. The financial statements have been corrected in the current year by restating the opening balances.

Cash and cash equivalent

The cash and cash equivalent as at 30 June 2015 was understated by the interest of R6 378 on investment which was omitted. The financial statements have been corrected in the current year by restating the opening balances.

Investments

The investments as at 30 June 2015 was overstated by R74 496 related to contingent assets which was incorrectly disclosed. The financial statements have been corrected in the current year by restating the opening balances.

Accumulated depreciation

Accumulated depreciation as at 30 June 2015 was understated by R1 489 729 as a result of depreciation incorrectly calculated. The financial statements have been corrected in the current year by restating the opening balance.

Property, Plant and Equipment

Assets balance as at 30 June 2015 was understated by R2 593 555 as a result of assets not included in the assets registers. The financial statements have been corrected in the current year by restating the opening balances.

The correction of the errors results in adjustments as follows:

| Statement of financial position | As previously reported | Correction of error | 2015 Restated |
|-------------------------------------|------------------------|---------------------|---------------|
| Property, plant and equipment | 458,387,574 | 856,411 | 459,243,985 |
| Consumer debtors | 9,850,286 | 298,932 | 10,149,218 |
| Vat receivable | 4,291,711 | 247,415 | 4,539,126 |
| Payables from exchange transactions | (30,478,748) | 95,092 | (30,383,656) |
| Employment benefit obligation | (10,375,812) | (14,648) | (10,390,460) |
| Accumulated surplus | (524,600,913) | (1,415,084) | (526,015,997) |

Greater Letaba Municipality

Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements

Figures in Rand

37. Prior period adjustments (continued)

| | | | |
|--------------------------------------|------------------|----------|------------------|
| Cash and cash equivalents | 94,518,640 | 6,378 | 94,525,018 |
| Other financial assets (Non-current) | 74,496 | (74,496) | - |
| | 1,667,234 | - | 1,667,234 |

38. Deviation from supply chain management regulations

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

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the financial statements. The total deviations for the year under review amounted to R54 657 603 (2015: R48 728 870).

Refer to Appendix C for detail.

39. Financial instruments disclosure

Categories of financial instruments

2016

Financial assets

| | At amortised cost | Total |
|--|----------------------|--------------------|
| Trade and other receivables from exchange transactions | 38,853,114 | 38,853,114 |
| Other receivables from non-exchange transactions | 215,760 | 215,760 |
| Consumer debtors | 11,475,639 | 11,475,639 |
| Cash and cash equivalents | 60,714,361 | 60,714,361 |
| | 111,258,874 | 111,258,874 |

Greater Letaba Municipality

Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements

Figures in Rand

Financial instruments disclosure (continued)

Financial liabilities

| | At amortised cost | Total |
|---|----------------------|------------|
| Trade and other payables from exchange transactions | 54,625,028 | 54,625,028 |

2015

Financial assets

| | At amortised cost | Total |
|--|----------------------|--------------------|
| Other financial assets | 74,496 | 74,496 |
| Trade and other receivables from exchange transactions | 20,894,446 | 20,894,446 |
| Other receivables from non-exchange transactions | 43,270 | 43,270 |
| Consumer debtors | 5,219,501 | 5,219,501 |
| Cash and cash equivalents | 94,525,018 | 94,525,018 |
| | 120,756,731 | 120,756,731 |

Financial liabilities

| | At amortised cost | Total |
|---|----------------------|------------|
| Trade and other payables from exchange transactions | 30,390,111 | 30,390,111 |

40. Risk management

Financial risk management

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

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

Liquidity risk

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

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

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

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

Greater Letaba Municipality

Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements

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40. Risk management (continued)

| At 30 June 2016 | Less than 1 year | Between 1 and 2 years | Between 2 and 5 years | Over 5 years |
|--------------------------|------------------|-----------------------|-----------------------|--------------|
| Trade and other payables | 56,032,928 | - | - | - |
| At 30 June 2015 | Less than 1 year | Between 1 and 2 years | Between 2 and 5 years | Over 5 years |
| Trade and other payables | 30,383,656 | - | - | - |

Credit risk

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

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

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

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

| Financial instrument | 2016 | 2015 |
|--|------------|------------|
| Other receivables from exchange transactions | 39,516,936 | 20,894,446 |
| Other receivables from non-exchange transactions | 215,760 | 43,270 |
| Cash and cash equivalents | 60,714,361 | 94,525,018 |
| Consumer debtors | 16,405,354 | 10,149,216 |

Market risk

Interest rate risk

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

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

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

Greater Letaba Municipality

Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements

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41. Budget information

Explanation of variances between approved and final amounts

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

Explanation of material variances: Final budget and actual amounts

Statement of financial position

Current assets

The variance is high and this is due to cash and cash equivalents is less than half of the budgeted amount. Cash and cash equivalent has a lesser balance due to projects implemented 100%, cash withdrawn to finance the projects..

The municipality did not budget for receivables from exchange transactions. The receivables from exchange transaction keeps on increasing the 2015/2016 due to mopani loan account..

Cash and cash equivalent has decreased because of improvement on implementation of projects.

Non-current assets

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

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

Current liability

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

Non-current liabilities

Employee benefit obligation. The total variance been confirmed by the certified actuarial company.

Statement of financial performance

Revenue

Property rates

There is a positive variance of R 2 317 547 , this means more revenue was realised than estimated.

Licences and permits

There is a negative variance of R2 974 922. The municipality projected that there will be an increase in renewing vehicle licences as we have two DLTC offices in Modjadjiskloof and Ga-Kgapane.

Rental of facilities and equipment

The municipality had projected R234 575. The negative variance is at R144 056. The municipality is unable to rent out machinery due to prioritisation of service delivery.

Greater Letaba Municipality

Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements

Figures in Rand

41. Budget information (continued)

Interest: Outstanding receivables

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

Interest: External investments

The variance is not material. This resulted due to the withdrawal from Investec investment.

Traffic fines

Traffic fines projections R352 873. The actual revenue on traffic fines R1 932 180. more fines were issued than projected. This means there is a high rate of offenders on traffic legislation of our roads .

Service charges

Revenue from service charges consist of electricity sales and refuse removal. The negative variance is influenced by electricity consumption which relate to the purchases amounting to R8 728 768. The variance is in relation to the decrease in sale of electricity.

Gain on disposal of Property, Plant and equipment

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

Expenditure

Employee related costs

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

Depreciation and amortisation

This depreciation projection is informed by the projects which in the budget for 2015/16 financial year the projects are still in progress and they could not be depreciated hence the variance

Finance costs

The variance resulted from the DBSA loan which was settled. Settling these loan reduced finance costs drastically.

Debt impairment

The debtors were impaired using the past historically data. The estimated impairment was too low. The municipality was optimistic that the debts will be settled.

Contracted services

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

General expenses

General expenses has a negative variance is below the budgeted projection. It shows that spending was reduced..

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

Cash flow statement

Net cash flow from operating activities

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

Net cash flow from investing activities

The variance is high compared to last financial year due to withdrawal made during the year..

Greater Letaba Municipality

Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements

| Figures in Rand | 2016 | 2015 |
|--|--------------------|--------------------|
| 42. Material losses | | |
| Electricity distribution losses | 2016 | 2015 |
| kWh units purchased from Eskom | (10,013,218) | (10,981,495) |
| kWh units sold per billing system statistics | 7,765,608 | 7,772,626 |
| Distribution losses | (2,247,610) | (3,208,869) |
| Losses as a percentage of units purchased | 21.46 % | 29.22 % |
| The losses are as a result of illegal connections, faulty meters, incorrect meter readings and other sundry distribution losses. | | |
| 43. VAT receivable | | |
| VAT | 17,908,067 | 4,539,126 |
| 44. Other revenue | | |
| Other income | 1,224,136 | 2,735,615 |
| 45. Debt impairment | | |
| Debt impairment - consumer debtors | 7,961,196 | 15,654,261 |
| Debt impairment - traffic fines and other | 1,552,415 | 822,130 |
| | 9,513,611 | 16,476,391 |

46. Going concern

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

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

Greater Letaba Municipality

Unaudited Appendix B

June 2016

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

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

Land and buildings

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

Infrastructure

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

Greater Letaba Municipality

Unaudited Appendix B

June 2016

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

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

Other assets

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

Greater Letaba Municipality

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June 2016

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

Cost/Revaluation **Accumulated depreciation**

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

Greater Letaba Municipality

Unaudited Appendix B

June 2016

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

| | Cost/Revaluation | | | | | | Accumulated depreciation | | | | | | | |
|---------------------------------------|--------------------|------------------|-----------|-----------|-----------------------|---------------------------|--------------------------|---------------------|-----------|-----------|--------------------|--------------------|---------------------|--------------------|
| | Opening Balance | Additions | Disposals | Transfers | Fair value adjustment | Assets under construction | Closing Balance | Opening Balance | Disposals | Transfers | Depreciation | Impairment loss | Closing Balance | Carrying value |
| Land and buildings | | | | | | | | | | | | | | |
| Land (Separate for AFS purposes) | 20,990,092 | - | - | - | - | - | 20,990,092 | - | - | - | - | - | - | 20,990,092 |
| Buildings (Separate for AFS purposes) | 96,912,781 | 9,150,711 | - | - | - | 20,442,693 | 126,506,185 | (11,959,365) | - | - | (2,377,695) | - | (14,337,060) | 112,169,128 |
| | 117,902,873 | 9,150,711 | - | - | - | 20,442,693 | 147,496,277 | (11,959,365) | - | - | (2,377,695) | - | (14,337,060) | 133,159,220 |
| Infrastructure | | | | | | | | | | | | | | |
| Roads | 174,863,860 | 6,124,374 | - | (582,474) | - | 23,290,612 | 203,696,372 | (22,708,114) | - | - | (4,871,632) | (3,560,523) | (31,140,269) | 172,555,972 |
| Electricity | 26,301,226 | - | - | 582,474 | - | 7,640,024 | 34,523,724 | (3,714,780) | - | - | (1,302,276) | (52,419) | (5,069,475) | 29,454,249 |
| Solid waste | 2,811,180 | - | - | - | - | - | 2,811,180 | (2,458,292) | - | - | (28,000) | - | (2,486,292) | 324,888 |
| Cemeteries | 82,146 | - | - | - | - | - | 82,146 | (10,962) | - | - | (2,738) | - | (13,700) | 68,446 |
| | 204,058,412 | 6,124,374 | - | - | - | 30,930,636 | 241,113,422 | (28,892,148) | - | - | (6,204,646) | (3,612,942) | (38,709,736) | 202,403,555 |

Greater Letaba Municipality

Unaudited Appendix B

June 2016

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

Cost/Revaluation **Accumulated depreciation**

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

Greater Letaba Municipality

Unaudited Appendix B

June 2016

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

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

Appendix C

June 2016

Deviation Register 30 June 2016

Cost/Revaluation

Accumulated Depreciation

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

Appendix D

June 2016

Segmental Statement of Financial Performance for the year ended
2016 **2015**

| Actual Income | Actual Expenditure | Surplus /(Deficit) | | Actual Income | Actual Expenditure | Surplus /(Deficit) |
|---------------------|-----------------------|-----------------------|--|------------------|-----------------------|-----------------------|
| Municipality | | | | | | |
| - | - | - | - Executive & Council/Mayor and Council | - | - | - |
| - | - | - | - Finance & Admin/Finance | - | - | - |
| - | - | - | - Planning and Development/Economic Development/Plan | - | - | - |
| - | - | - | - Health/Clinics | - | - | - |
| - | - | - | - Comm. & Social/Libraries and archives | - | - | - |
| - | - | - | - Housing | - | - | - |
| - | - | - | - Public Safety/Police | - | - | - |
| - | - | - | - Sport and Recreation | - | - | - |
| - | - | - | - Environmental Protection/Pollution Control | - | - | - |
| - | - | - | - Waste Water Management/Sewerage | - | - | - |
| - | - | - | - Road Transport/Roads | - | - | - |
| - | - | - | - Water/Water Distribution | - | - | - |
| - | - | - | - Electricity /Electricity Distribution | - | - | - |
| - | - | - | - Other/Air Transport | - | - | - |
| - | - | - | | - | - | - |
| - | - | - | | - | - | - |
| - | - | - | | - | - | - |
| - | - | - | | - | - | - |
| - | - | - | | - | - | - |
| - | - | - | | - | - | - |
| - | - | - | | - | - | - |
| - | - | - | | - | - | - |
| - | - | - | | - | - | - |
| - | - | - | | - | - | - |
| - | - | - | | - | - | - |
| - | - | - | | - | - | - |
| - | - | - | | - | - | - |
| - | - | - | | - | - | - |
| - | - | - | | - | - | - |
| - | - | - | | - | - | - |
| - | - | - | | - | - | - |
| - | - | - | | - | - | - |
| - | - | - | | - | - | - |
| - | - | - | | - | - | - |
| - | - | - | | - | - | - |
| - | - | - | | - | - | - |
| - | - | - | | - | - | - |
| - | - | - | | - | - | - |
| - | - | - | | - | - | - |
| - | - | - | | - | - | - |
| - | - | - | | - | - | - |
| - | - | - | | - | - | - |
| - | - | - | | - | - | - |
| - | - | - | | - | - | - |
| - | - | - | | - | - | - |

Appendix E(1)

June 2016

Actual versus Budget(Revenue and Expenditure) for 2016

| | | Adjusted budget | | | Explanation of Significant greater than 10% versus |
|-------------------------|---|----------------------------|---------------------|---------------------|---|
| Revenue | | | | | |
| - - - - - | Service charges | 12,992,850 - | 21,091,952 - | (8,099,102)- | (38.4) - - |
| - - - - - | Rental of facilities and equipment | 90,519 - | 234,575 - | (144,056)- | (61.4) - - |
| - - - - - | Interest received (trading) | 7,752,685 - | 7,296,513 - | 456,172 - | 6.3 - - |
| - - - - - | Agency services | 1,813,180 - | 1,821,942 - | (8,762)- | (0.5) - - |
| - - - - - | Licences and permits | 2,901,591 - | 5,876,513 - | (2,974,922)- | (50.6) - - |
| - - - - - | Other income 1 | 1,224,136 - | 1,207,069 - | 17,067 - | 1.4 - - |
| - - - - - | Interest received - investment | 1,993,515 - | 6,800,071 - | (4,806,556)- | (70.7) - - |
| - - - - - | Interest received - other | 3,925,076 - | - | 3,925,076 - | - |
| | | <u>32,693,552</u> | <u>44,328,635</u> | <u>(11,635,083)</u> | <u>(26.2)</u> |
| Expenses | | | | | |
| - - - - - | Personnel | (64,406,542)- | 65,065,495 - | (682,705)- | (1.0) - - |
| - - - - - | Remuneration of councillors | (17,728,499)- | 17,879,341 - | (150,842)- | (0.8) - - |
| - - - - - | Depreciation | (21,362,136)- | 13,895,428 - | 216,876 - | 1.6 - - |
| - - - - - | Amortisation | (207,404)- | - | (207,404)- | - |
| - - - - - | Finance costs | - | - | - | - |
| - - - - - | Bad debts written off | (9,513,611)- | - | 9,513,611 - | - |
| - - - - - | Repairs and maintenance - General | (5,754,017)- | 5,838,738 - | (305,139)- | (5.2) - - |
| - - - - - | Bulk purchases | (8,728,768)- | 9,416,830 - | (688,062)- | (7.3) - - |
| - - - - - | Contracted Services | (9,272,936)- | 9,985,300 - | (712,364)- | (7.1) - - |
| - - - - - | General Expenses | <u>(52,526,052)-</u> | <u>55,205,179 -</u> | <u>(2,459,783)-</u> | <u>(4.5) - -</u> |
| | | (189,499,965) | 177,286,311 | 4,524,188 | 2.6 |
| Other revenue and costs | | | | | |
| - - - - - | Gain or loss on disposal of assets and liabilities | (18,647)- | - | (18,647)- | - |
| | | <u>(18,647)</u> | <u>-</u> | <u>(18,647)</u> | <u>-</u> |
| | Net surplus/ (deficit) for the year | <u>(156,825,060)</u> | <u>221,614,946</u> | <u>(7,129,542)</u> | <u>(3.2)</u> |

Appendix F
Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003
 June 2016

| Name of Grants | Name of organ of state or municipal entity | Quarterly Receipts | | | | | Quarterly Expenditure | | | | | Grants and Subsidies delayed / withheld | | | | | Reason for delay/withholding of funds | Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act | Reason for noncompliance |
|----------------|--|--------------------|---|---|---|---|-----------------------|---|---|---|---|---|---|---|---|---|---------------------------------------|--|--------------------------|
| | | | | | | | | | | | | | | | | | | | |
| | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | | No | |
| | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | | | |
| | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | | | |
| | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | | | |
| | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | | | |
| | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | | | |

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