



**Greater Letaba Municipality  
Annual Financial Statements  
for the year ended 30 June 2019**

# Greater Letaba Municipality

Annual Financial Statements for the year ended 30 June 2019

## General Information

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<b>Legal form of entity</b>	Local Municipality
<b>Nature of business and principal activities</b>	Providing municipal services and maintaining the best interest of the local community mainly in the Greater Letaba area.
<b>Grading of local authority</b>	Category 3 Local Municipality in terms of Remuneration of public Office Bearers Act (Act 20 of 1998)
<b>Executive committee</b>	
Mayor	Hon Cllr MP Matlou
Speaker	Hon Cllr MD Makhananisa
Chief Whip	Cllr PJ Mampeule
Members of the Executive Committee	Cllr ND Modiba (Finance) Cllr MM Nkwana (Corporate and shared Services) Cllr MR Mosila (Infrastructure) Cllr TJ Rababalela (Water and Sanitation Services) Cllr MP Masela (Economic Development) Cllr MG Selowa (Community Services) Cllr E Mathaba (Public Transport and Roads) Cllr MB Maenetsa (Agriculture and Environment) Cllr SM Rasetsoke (Sports, Arts and Culture)

# Greater Letaba Municipality

Annual Financial Statements for the year ended 30 June 2019

## General Information

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### Councillors

Cllr MV Mangoro  
Cllr DG Rabothata  
Cllr SS Malatji  
Cllr V Nkuna  
Cllr MA Lebepe  
Cllr PJ Mohale  
Cllr MS Kgatla  
Cllr ME Ralefatane  
Cllr MV Rampedi  
Cllr KE Ramaano  
Cllr ME Masedi  
Cllr S Selamolela  
Cllr NF Lebeko  
Cllr PW Selema  
Cllr MP Ngobeni  
Cllr MM Mankgeru  
Cllr R Ramoba  
Cllr MP Monaiwa  
Cllr R Ratlhaha  
Cllr KB Monyela  
Cllr MP Makomene  
Cllr ME Ramabela  
Cllr N Selowa  
Cllr BE Ngobeni  
Cllr PD Moroatshehla (Deceased)  
Cllr NL Seshoka  
Cllr SJ Hlungwani  
Cllr MF Hlapane  
Cllr RG Baloyi  
Cllr MR Maake  
Cllr MF Manyama (Deceased)  
Cllr GH Modjadji  
Cllr M Mathedimosa  
Cllr MEC Ndobela  
Cllr ZT Maluleke  
Cllr FC Pohl (Resigned)  
Cllr TJ Senyolo  
Cllr SB Rampyapedi  
Cllr MM Selomo  
Cllr SL Mohale  
Cllr R Motsinone  
Cllr MC Rasetsoke  
Cllr MI Manyama  
Cllr TJ Kgapane  
Cllr PP Ralephatana  
Cllr ML Ramalobela  
Cllr D Raphokwane  
Cllr MM Mabeba

### Audit committee

MM Makgale (Chairperson)  
FJ Mudau  
MJ Mojapelo  
TW Sebola  
R Raphalalani

### Chief Finance Officer (CFO)

MF Mankgabe (1 July 2018- 31 May 2019)  
ML Mamatlepa (Acting) (1 June 2019 -30 June 2019)

### Accounting Officer

Dr KI Sirovha

# Greater Letaba Municipality

Annual Financial Statements for the year ended 30 June 2019

## General Information

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<b>Registered office</b>	Civic Centre 44 Botha Street Modjadjiskloof Limpopo
<b>Business address</b>	Civic Centre 44 Botha Street Modjadjiskloof Limpopo
<b>Postal address</b>	PO Box 36 Modjadjiskloof 0835
<b>Bankers</b>	First National Bank
<b>Auditors</b>	Auditor General of South Africa
<b>Enabling Legislations</b>	Division of Revenue Act (Act 3 of 2016) Local Government Municipal Finance Management Act (Act 56 of 2003) Municipal Property Rates Act (Act 6 of 2004) Local Government Municipal System Act (Act 32 of 2000) Government Municipal Structures Act (Act 117 of 1998)
<b>Level of rounding</b>	Nearest Rand

# Greater Letaba Municipality

Annual Financial Statements for the year ended 30 June 2019

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

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CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
CIGFARO	Chartered Institute of Government Finance, Audit and Risk Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
VAT	Value Added Tax
PAYE	Pay As You Earn
COIDA	Compensation for Occupational Injuries and Diseases Act

## **Accounting Officer's Responsibilities and Approval**

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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 annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

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

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

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

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

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2020 and, in the light of this review and the current financial position, he is satisfied that the municipality has access to adequate resources to continue in operational existence for the foreseeable future.

The annual financial statements set out on pages 7 to 53, which have been prepared on the going concern basis, were approved by the accounting officer on 28 August 2019 and were signed by:



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**Dr G. Sirovha**  
**Municipal Manager**

# Greater Letaba Municipality

Annual Financial Statements for the year ended 30 June 2019

## Accounting Officer's Report

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The accounting officer submits his report for the year ended 30 June 2019.

### 1. Review of activities

#### Main business and operations

Net surplus of the municipality is R 74 255 506 (2018: surplus R 85 619 259).

### 2. Going concern

We draw attention to the fact that at 30 June 2019, the municipality had an accumulated surplus of R 935 868 290 and that the municipality's total assets exceed its liabilities by R 935 868 290.

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

### 3. Subsequent events

#### Adjusting events

No subsequent events occurred after year end.

### 4. Accounting Officer's interest in contracts

None have been identified.

### 5. Accounting policies

The annual 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	Changes
Dr KI Sirovha	Appointed effective April 2018

# Greater Letaba Municipality

Annual Financial Statements for the year ended 30 June 2019

## Statement of Financial Position as at 30 June 2019

Figures in Rand	Note(s)	2019	2018
<b>Assets</b>			
<b>Current Assets</b>			
Inventories	3	8 580 543	835 499
Receivables from exchange transactions	4	88 073 089	74 918 907
Receivables from non-exchange transactions	5	6 472 302	3 647 924
VAT receivable	43	315 190	22 061 586
Consumer debtors	6	6 624 548	2 127 696
Cash and cash equivalents	7	3 419 575	13 167 011
		<b>113 485 247</b>	<b>116 758 623</b>
<b>Non-Current Assets</b>			
Investment property	8	222 024	231 065
Property, plant and equipment	9	906 646 715	815 026 602
Intangible assets	10	133 822	185 281
Heritage assets	11	548 500	548 500
		<b>907 551 061</b>	<b>815 991 448</b>
<b>Total Assets</b>		<b>1 021 036 308</b>	<b>932 750 071</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Payables from exchange transactions	12	70 758 420	56 414 021
Consumer deposits	13	378 839	383 334
Unspent conditional grants and receipts	14	4 874	353 553
		<b>71 142 133</b>	<b>57 150 908</b>
<b>Non-Current Liabilities</b>			
Finance lease obligation	44	390 496	800 347
Employee benefit obligation	15	13 271 389	12 907 853
Provisions	16	364 000	314 609
		<b>14 025 885</b>	<b>14 022 809</b>
<b>Total Liabilities</b>		<b>85 168 018</b>	<b>71 173 717</b>
<b>Net Assets</b>		<b>935 868 290</b>	<b>861 576 354</b>
Accumulated surplus		935 868 290	861 576 354



# Greater Letaba Municipality

Annual Financial Statements for the year ended 30 June 2019

## Statement of Financial Performance

Figures in Rand	Note(s)	2019	2018
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Service charges	17	16 374 412	13 861 049
Rental of facilities and equipment		61 656	169 074
Interest received - outstanding receivables		13 732 818	10 309 711
Agency services		3 064 228	2 258 635
Licences and permits		14 710 661	10 675 069
Other Income		1 693 421	842 363
Gain on sale of assets		-	203 603
Interest received - investment	18	1 640 038	4 605 544
<b>Total revenue from exchange transactions</b>		<b>51 277 234</b>	<b>42 925 048</b>
<b>Revenue from non-exchange transactions</b>			
<b>Taxation revenue</b>			
Property rates	19	9 698 078	8 599 768
<b>Transfer revenue</b>			
Government grants & subsidies	20	329 371 680	291 695 123
Fines, Penalties and Forfeits		548 300	993 006
Other transfer revenue		508 163	-
<b>Total revenue from non-exchange transactions</b>		<b>340 126 221</b>	<b>301 287 897</b>
<b>Total revenue</b>	21	<b>391 403 455</b>	<b>344 212 945</b>
<b>Expenditure</b>			
Employee related costs	22	(97 374 680)	(74 714 370)
Remuneration of councillors	23	(21 943 981)	(20 873 647)
Depreciation and amortisation	24	(32 757 641)	(28 458 320)
Debt Impairment	45	(22 438 148)	(19 199 927)
Bulk purchases	25	(14 766 931)	(14 679 655)
Contracted services	26	(21 951 410)	(13 883 089)
General Expenses	27	(105 915 158)	(86 785 918)
<b>Total expenditure</b>		<b>(317 147 949)</b>	<b>(258 594 926)</b>
<b>Surplus for the year</b>		<b>74 255 506</b>	<b>85 618 019</b>

# Greater Letaba Municipality

Annual Financial Statements for the year ended 30 June 2019

## Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	677 131 108	677 131 108
Adjustments		
Surplus for the year	94 453 205	94 453 205
Prior year adjustments	4 374 022	4 374 022
<b>Balance at 01 July 2017 as restated*</b>	<b>775 958 335</b>	<b>775 958 335</b>
Changes in net assets		
Surplus for the period	85 618 019	85 618 019
Total changes	85 618 019	85 618 019
Opening balance as previously reported	872 649 375	872 649 375
Adjustments		
Correction of errors (Note 37)	(11 036 591)	(11 036 591)
<b>Restated* Balance at 01 July 2018 as restated*</b>	<b>861 612 784</b>	<b>861 612 784</b>
Changes in net assets		
Surplus for the year	74 255 506	74 255 506
Total changes	74 255 506	74 255 506
<b>Balance at 30 June 2019</b>	<b>935 868 290</b>	<b>935 868 290</b>

Note(s)

**Cash Flow Statement**

Figures in Rand	Note(s)	2019	2018
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Sale of goods and services		11 008 629	9 888 443
Grants		329 371 680	291 405 000
Interest income		15 372 856	4 605 544
Cash received from agency fees, fines & Sundry Income		5 584 997	842 363
		<u>361 338 162</u>	<u>306 741 350</u>
<b>Payments</b>			
Employee costs		(122 168 921)	(94 896 000)
Suppliers		(124 698 208)	(100 965 963)
		<u>(246 867 129)</u>	<u>(195 861 963)</u>
<b>Net cash flows from operating activities</b>	29	<b>114 471 033</b>	<b>110 879 387</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	9	(123 808 618)	(153 768 699)
Purchase of other intangible assets	10	-	(148 800)
Proceeds from sale of assets		-	577 756
<b>Net cash flows from investing activities</b>		<b>(123 808 618)</b>	<b>(153 339 743)</b>
<b>Cash flows from financing activities</b>			
Finance lease payments		(409 851)	(304 978)
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(9 747 436)</b>	<b>(42 765 334)</b>
Cash and cash equivalents at the beginning of the year		13 167 011	55 932 345
<b>Cash and cash equivalents at the end of the year</b>	7	<b>3 419 575</b>	<b>13 167 011</b>

The accounting policies on pages 14 to 36 and the notes on pages 37 to 72 form an integral part of the annual financial statements.

# Greater Letaba Municipality

Annual Financial Statements for the year ended 30 June 2019

## 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	Reference
Figures in Rand						
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue from exchange transactions</b>						
Service charges	18 902 000	13 808 000	<b>32 710 000</b>	16 374 412	<b>(16 335 588)</b>	
Rental of facilities and equipment	957 000	-	<b>957 000</b>	61 656	<b>(895 344)</b>	
Interest received (trading)	8 441 000	10 786 000	<b>19 227 000</b>	13 732 818	<b>(5 494 182)</b>	
Agency services	2 176 000	-	<b>2 176 000</b>	3 064 228	<b>888 228</b>	
Licences and permits	8 085 000	14 600 000	<b>22 685 000</b>	14 710 661	<b>(7 974 339)</b>	
Other income	34 786 000	2 623 000	<b>37 409 000</b>	1 693 421	<b>(35 715 579)</b>	
Interest received - investment	4 520 000	-	<b>4 520 000</b>	1 640 038	<b>(2 879 962)</b>	
Gains on disposal of assets	577 000	-	<b>577 000</b>	-	<b>(577 000)</b>	
<b>Total revenue from exchange transactions</b>	<b>78 444 000</b>	<b>41 817 000</b>	<b>120 261 000</b>	<b>51 277 234</b>	<b>(68 983 766)</b>	
<b>Revenue from non-exchange transactions</b>						
<b>Taxation revenue</b>						
Property rates	12 255 000	4 608 000	<b>16 863 000</b>	9 698 078	<b>(7 164 922)</b>	
<b>Transfer revenue</b>						
Government grants & subsidies	248 358 000	-	<b>248 358 000</b>	329 371 680	<b>81 013 680</b>	
Fines, Penalties and Forfeits	1 200 000	-	<b>1 200 000</b>	548 300	<b>(651 700)</b>	
Other transfer revenue	-	-	-	508 163	<b>508 163</b>	
<b>Total revenue from non-exchange transactions</b>	<b>261 813 000</b>	<b>4 608 000</b>	<b>266 421 000</b>	<b>340 126 221</b>	<b>73 705 221</b>	
<b>Total revenue</b>	<b>340 257 000</b>	<b>46 425 000</b>	<b>386 682 000</b>	<b>391 403 455</b>	<b>4 721 455</b>	
<b>Expenditure</b>						
Employee related costs	(78 304 000)	(16 962 000)	<b>(95 266 000)</b>	(97 374 680)	<b>(2 108 680)</b>	
Remuneration of councillors	(22 468 000)	(414 000)	<b>(22 882 000)</b>	(21 943 981)	<b>938 019</b>	
Depreciation and amortisation	(5 043 000)	(899 000)	<b>(5 942 000)</b>	(32 757 641)	<b>(26 815 641)</b>	
Debt Impairment	(1 957 000)	-	<b>(1 957 000)</b>	(22 438 148)	<b>(20 481 148)</b>	
Bulk purchases	(17 097 000)	-	<b>(17 097 000)</b>	(14 766 931)	<b>2 330 069</b>	
Contracted Services	(15 119 000)	(4 257 000)	<b>(19 376 000)</b>	(21 951 410)	<b>(2 575 410)</b>	
General Expenses	(83 443 000)	(29 500 000)	<b>(112 943 000)</b>	(105 915 158)	<b>7 027 842</b>	
<b>Total expenditure</b>	<b>(223 431 000)</b>	<b>(52 032 000)</b>	<b>(275 463 000)</b>	<b>(317 147 949)</b>	<b>(41 684 949)</b>	
<b>Surplus before capital expenditure</b>	<b>179 269 000</b>	<b>14 393 000</b>	<b>193 662 000</b>	<b>117 618 268</b>	<b>(76 043 732)</b>	
Capital expenditure	(179 277 000)	(14 393 000)	<b>(193 670 000)</b>	(124 316 781)	<b>69 353 219</b>	
<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	<b>(8 000)</b>	<b>-</b>	<b>(8 000)</b>	<b>(6 698 513)</b>	<b>(6 690 513)</b>	

# Greater Letaba Municipality

Annual Financial Statements for the year ended 30 June 2019

## 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
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Figures in Rand

### Statement of Financial Position

#### Assets

##### Current Assets

Inventories	3 215 000	-	3 215 000	8 580 543	5 365 543	
Receivables from exchange transactions	44 274 000	-	44 274 000	88 073 089	43 799 089	
Receivables from non-exchange transactions	12 078 000	-	12 078 000	6 472 302	(5 605 698)	
VAT receivable	-	-	-	315 190	315 190	
Consumer debtors	6 900 000	-	6 900 000	6 624 548	(275 452)	
Cash and cash equivalents	29 721 000	(25 695 000)	4 026 000	3 419 575	(606 425)	
	<b>96 188 000</b>	<b>(25 695 000)</b>	<b>70 493 000</b>	<b>113 485 247</b>	<b>42 992 247</b>	

##### Non-Current Assets

Investment property	249 000	-	249 000	222 024	(26 976)	
Property, plant and equipment	853 916 000	(5 306 000)	848 610 000	906 646 715	58 036 715	
Intangible assets	208 000	-	208 000	133 822	(74 178)	
Heritage assets	548 500	-	548 500	548 500	-	
	<b>854 921 500</b>	<b>(5 306 000)</b>	<b>849 615 500</b>	<b>907 551 061</b>	<b>57 935 561</b>	
<b>Total Assets</b>	<b>951 109 500</b>	<b>(31 001 000)</b>	<b>920 108 500</b>	<b>1 021 036 308</b>	<b>100 927 808</b>	

#### Liabilities

##### Current Liabilities

Payables from exchange transactions	35 693 000	-	35 693 000	70 758 421	35 065 421	
Consumer deposits	370 000	-	370 000	378 839	8 839	
Unspent conditional grants and receipts	-	-	-	4 874	4 874	
	<b>36 063 000</b>	<b>-</b>	<b>36 063 000</b>	<b>71 142 134</b>	<b>35 079 134</b>	

##### Non-Current Liabilities

Finance lease obligation	-	-	-	390 496	390 496	
Employee benefit obligation	-	-	-	13 271 389	13 271 389	
Provisions	14 744 000	-	14 744 000	364 000	(14 380 000)	
	<b>14 744 000</b>	<b>-</b>	<b>14 744 000</b>	<b>14 025 885</b>	<b>(718 115)</b>	
<b>Total Liabilities</b>	<b>50 807 000</b>	<b>-</b>	<b>50 807 000</b>	<b>85 168 019</b>	<b>34 361 019</b>	
<b>Net Assets</b>	<b>900 302 500</b>	<b>(31 001 000)</b>	<b>869 301 500</b>	<b>935 868 289</b>	<b>66 566 789</b>	

#### Net Assets

##### Net Assets Attributable to Owners of Controlling Entity

##### Reserves

Accumulated surplus	900 302 500	(31 001 000)	869 301 500	935 868 289	66 566 789	
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# Greater Letaba Municipality

Annual Financial Statements for the year ended 30 June 2019

## 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						
<b>Cash Flow Statement</b>						
<b>Cash flows from operating activities</b>						
<b>Receipts</b>						
Cash received from trade services, assessment rates and rental	20 332 000	14 305 000	<b>34 637 000</b>	11 008 629	<b>(23 628 371)</b>	
Grants	310 801 000	-	<b>310 801 000</b>	329 371 680	<b>18 570 680</b>	
Interest income	9 584 000	8 513 000	<b>18 097 000</b>	15 372 856	<b>(2 724 144)</b>	
Cash received from agency fees, fines and sundry income	-	-	-	5 584 997	<b>5 584 997</b>	
Other cash item	28 562 000	28 580 000	<b>57 142 000</b>	-	<b>(57 142 000)</b>	
	<b>369 279 000</b>	<b>51 398 000</b>	<b>420 677 000</b>	<b>361 338 162</b>	<b>(59 338 838)</b>	
<b>Payments</b>						
Employee costs	-	-	-	(122 168 921)	<b>(122 168 921)</b>	
Suppliers and employees	(217 786 000)	(49 779 000)	<b>(267 565 000)</b>	(124 698 011)	<b>142 866 989</b>	
	<b>(217 786 000)</b>	<b>(49 779 000)</b>	<b>(267 565 000)</b>	<b>(246 866 932)</b>	<b>20 698 068</b>	
<b>Net cash flows from operating activities</b>	<b>151 493 000</b>	<b>1 619 000</b>	<b>153 112 000</b>	<b>114 471 230</b>	<b>(38 640 770)</b>	
<b>Cash flows from investing activities</b>						
Purchase of property, plant and equipment	(145 091 000)	(18 243 000)	<b>(163 334 000)</b>	(123 808 618)	<b>39 525 382</b>	
Proceeds from sale of property, plant and equipment	577 000	-	<b>577 000</b>	-	<b>(577 000)</b>	
<b>Net cash flows from investing activities</b>	<b>(144 514 000)</b>	<b>(18 243 000)</b>	<b>(162 757 000)</b>	<b>(123 808 618)</b>	<b>38 948 382</b>	
Net increase/(decrease) in cash and cash equivalents	6 979 000	(16 624 000)	<b>(9 645 000)</b>	(9 337 388)	<b>307 612</b>	
Cash and cash equivalents at the beginning of the year	13 671 000	-	<b>13 671 000</b>	13 167 011	<b>(503 989)</b>	
Finance lease payments	-	-	-	(409 851)	<b>(409 851)</b>	
<b>Cash and cash equivalents at the end of the year</b>	<b>20 650 000</b>	<b>(16 624 000)</b>	<b>4 026 000</b>	<b>3 419 772</b>	<b>(606 228)</b>	
<b>Reconciliation</b>						

## **Accounting Policies**

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### **1. Basis of preparation**

The annual 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 annual 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 annual financial statements, are disclosed below.

#### **1.1 Presentation currency**

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

#### **1.2 Going concern assumption**

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for the next unforeseeable future.

#### **1.3 Significant judgements and sources of estimation uncertainty**

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

##### **Receivables**

The municipality assesses its 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.

##### **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.

# Greater Letaba Municipality

Annual Financial Statements for the year ended 30 June 2019

## Accounting Policies

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

#### Post retirement benefits

The Municipality has defined benefit plan. 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 per individual debtors using the recoverability rate per debtors. The municipality provide for debtors excluding government debtors 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.

#### Cost model

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

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

Item	Useful life
Property - buildings	30 years



# Greater Letaba Municipality

Annual Financial Statements for the year ended 30 June 2019

## Accounting Policies

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### 1.4 Investment property (continued)

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.

Work in progress is carried at cost. The retention is recorded at cost under payables

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.

# Greater Letaba Municipality

Annual Financial Statements for the year ended 30 June 2019

## Accounting Policies

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

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

Item	Depreciation method	Average useful life
Land		Indefinite
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
	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
Work-in progress		Not depreciated

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 method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The municipality assesses at each reporting date whether there is any indication that the municipality expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

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.

### 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.

# Greater Letaba Municipality

Annual Financial Statements for the year ended 30 June 2019

## Accounting Policies

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### 1.6 Intangible assets (continued)

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	5 years

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note ).

### 1.7 Heritage assets

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

#### Recognition

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

#### Initial measurement

Heritage assets are measured at cost.

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

# Greater Letaba Municipality

Annual Financial Statements for the year ended 30 June 2019

## Accounting Policies

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### 1.7 Heritage assets (continued)

#### Subsequent measurement

After recognition as an asset, a class of heritage assets is carried at its cost/fair value 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

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

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

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

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

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

A financial asset is:

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

# Greater Letaba Municipality

Annual Financial Statements for the year ended 30 June 2019

## Accounting Policies

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### 1.8 Financial instruments (continued)

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

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

#### Initial recognition

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

The entity recognises financial assets using trade date accounting.

#### Initial measurement of financial assets and financial liabilities

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

#### Subsequent measurement of financial assets and financial liabilities

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

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

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

#### Fair value measurement considerations

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

#### Reclassification

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

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

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

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

#### Gains and losses

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

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

## **Accounting Policies**

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### **1.8 Financial instruments (continued)**

#### **Impairment and uncollectibility of financial assets**

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

Financial assets measured at amortised cost:

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

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

Financial assets measured at cost:

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

#### **Derecognition**

##### **Financial assets**

The municipality derecognises a financial asset only when:

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

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

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

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

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

# Greater Letaba Municipality

Annual Financial Statements for the year ended 30 June 2019

## Accounting Policies

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### 1.8 Financial instruments (continued)

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

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

#### Financial liabilities

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

#### Presentation

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

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

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

### 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.

#### Finance leases - lessee

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

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

## **Accounting Policies**

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### **1.10 Leases (continued)**

#### **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.

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 market value as per the approved municipality valuation roll.

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**

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. Key Management Personnel is defined as the Municipal Manager, Chief Financial Officer, and all other Directors reporting directly to the Municipal Manager or designated by the Municipal Manager as well as the Mayor and Councillors

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

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

### **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 accrual basis.

### **1.15 Impairment of cash-generating assets**

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.



## **Accounting Policies**

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### **1.15 Impairment of cash-generating assets (continued)**

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 used 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.

Useful life is either:

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

#### **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.

## **Accounting Policies**

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### **1.15 Impairment of cash-generating assets (continued)**

#### **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.

#### **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.

## **Accounting Policies**

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### **1.15 Impairment of cash-generating assets (continued)**

#### **Cash-generating units**

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

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

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

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

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

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

In allocating an impairment loss, the 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.

## **Accounting Policies**

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### **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 used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

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 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.

# Greater Letaba Municipality

Annual Financial Statements for the year ended 30 June 2019

## Accounting Policies

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### 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:

- the period of time over which an asset is expected to be used by the municipality; or
- 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 current 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.

## **Accounting Policies**

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### **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 entity in exchange for service rendered by employees.

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

#### **Short-term employee benefits**

Short-term employee benefits 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.

## **Accounting Policies**

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### **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

Annual Financial Statements for the year ended 30 June 2019

## Accounting Policies

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### 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.



# Greater Letaba Municipality

Annual Financial Statements for the year ended 30 June 2019

## Accounting Policies

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### 1.18 Provisions and contingencies (continued)

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 31.

### 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.

#### Sale of goods

Revenue from the sale of goods is recognised when substantially all the risks and rewards of ownership of the goods is passed to the consumer.

Revenue from the sale of erven is recognised when all conditions associated with the deed of sale have been met.

#### 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 Income

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

# Greater Letaba Municipality

Annual Financial Statements for the year ended 30 June 2019

## Accounting Policies

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### 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.

Traffic 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.

#### Property 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

#### Gain/ Loss on assets:

Gain/ loss on assets are recognised in the on the statement of financial performance as revenue from non-exchange transaction or non-cash expenditure

#### Government grants and transfers

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

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

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

# Greater Letaba Municipality

Annual Financial Statements for the year ended 30 June 2019

## Accounting Policies

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

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

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

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

### 1.22 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

### 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

Annual Financial Statements for the year ended 30 June 2019

## Accounting Policies

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### 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. Fruitless and wasteful expenditure is also disclosed on the notes. It get de-recognised when condoned by the Council

### 1.26 Irregular expenditure

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

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. If conditions or obligations have not been met a liability is recognised. If the obligation has been exceeded an asset is recognised.

### 1.29 Expenditure

Expenditure is recognised as an expense when it is incurred (Accrual basis).

### 1.30 Budget information

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

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

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

The approved budget covers the fiscal period from 2018/07/01 to 2019/06/30.

The annual 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

## **Accounting Policies**

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### **1.30 Budget information (continued)**

Comparative information is not required.

# Greater Letaba Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

### 2. New standards and interpretations

#### 2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

<b>Standard/ Interpretation:</b>	<b>Effective date: Years beginning on or after</b>	<b>Expected impact:</b>
<ul style="list-style-type: none"><li>IGRAP 19: Liabilities to Pay Levies</li></ul>	01 April 2019	Unlikely there will be a material impact The impact of the is not material.
<ul style="list-style-type: none"><li>GRAP 12 (as amended 2016): Inventories</li></ul>	01 April 2018	
<ul style="list-style-type: none"><li>GRAP 16 (as amended 2016): Investment Property</li></ul>	01 April 2018	
<ul style="list-style-type: none"><li>GRAP 17 (as amended 2016): Property, Plant and Equipment</li></ul>	01 April 2018	
<ul style="list-style-type: none"><li>GRAP 21 (as amended 2016): Impairment of non-cash-generating assets</li></ul>	01 April 2018	
<ul style="list-style-type: none"><li>GRAP 26 (as amended 2016): Impairment of cash-generating assets</li></ul>	01 April 2018	
<ul style="list-style-type: none"><li>GRAP 27 (as amended 2016): Agriculture</li></ul>	01 April 2018	
<ul style="list-style-type: none"><li>GRAP 31 (as amended 2016): Intangible Assets</li></ul>	01 April 2018	
<ul style="list-style-type: none"><li>GRAP 103 (as amended 2016): Heritage Assets</li></ul>	01 April 2018	
<ul style="list-style-type: none"><li>Directive 12: The Selection of an Appropriate Reporting Framework by Public Entities</li></ul>	01 April 2018	

#### 2.2 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 2019 or later periods:

<b>Standard/ Interpretation:</b>	<b>Effective date: Years beginning on or after</b>	<b>Expected impact:</b>
<ul style="list-style-type: none"><li>GRAP 37: Joint Arrangements</li></ul>	01 April 2099	Unlikely there will be a material impact Unlikely there will be a material impact Unlikely there will be a material impact Unlikely there will be a material impact Unlikely there will be a material impact Unlikely there will be a material impact Unlikely there will be a material impact Unlikely there will be a material impact Unlikely there will be a material impact Unlikely there will be a material impact Unlikely there will be a material impact Unlikely there will be a material impact Unlikely there will be a material impact Unlikely there will be a material impact Unlikely there will be a material impact Unlikely there will be a material impact
<ul style="list-style-type: none"><li>GRAP 38: Disclosure of Interests in Other Entities</li></ul>	01 April 2099	
<ul style="list-style-type: none"><li>Guideline: Accounting for Arrangements Undertaken i.t.o the National Housing Programme</li></ul>	01 April 2099	
<ul style="list-style-type: none"><li>GRAP 110: Living and Non-living Resources</li></ul>	01 April 2020	
<ul style="list-style-type: none"><li>GRAP 110 (as amended 2016): Living and Non-living Resources</li></ul>	01 April 2020	
<ul style="list-style-type: none"><li>GRAP 6 (as revised 2010): Consolidated and Separate Financial Statements</li></ul>	01 April 2019	
<ul style="list-style-type: none"><li>GRAP 7 (as revised 2010): Investments in Associates</li></ul>	01 April 2019	
<ul style="list-style-type: none"><li>GRAP 8 (as revised 2010): Interests in Joint Ventures</li></ul>	01 April 2019	
<ul style="list-style-type: none"><li>GRAP 18 (as amended 2016): Segment Reporting</li></ul>	01 April 2019	
<ul style="list-style-type: none"><li>GRAP 20: Related parties</li></ul>	01 April 2019	
<ul style="list-style-type: none"><li>GRAP 32: Service Concession Arrangements: Grantor</li></ul>	01 April 2019	
<ul style="list-style-type: none"><li>GRAP 105: Transfers of functions between entities under common control</li></ul>	01 April 2019	
<ul style="list-style-type: none"><li>GRAP 106 (as amended 2016): Transfers of functions between entities not under common control</li></ul>	01 April 2019	
<ul style="list-style-type: none"><li>GRAP 107: Mergers</li></ul>	01 April 2019	

# Greater Tzabala Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

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

• GRAP 108: Statutory Receivables	01 April 2019	Unlikely there will be a material impact
• GRAP 109: Accounting by Principals and Agents	01 April 2019	Unlikely there will be a material impact
• IGRAP 11: Consolidation – Special purpose entities	01 April 2019	Unlikely there will be a material impact
• IGRAP 12: Jointly controlled entities – Non-monetary contributions by ventures	01 April 2019	Unlikely there will be a material impact
• IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset	01 April 2019	Unlikely there will be a material impact
• IGRAP 18: Interpretation of the Standard of GRAP on Recognition and Derecognition of Land	01 April 2019	Unlikely there will be a material impact

# Greater Letaba Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand	2019	2018
<b>3. Inventories</b>		
Work in progress	5 184 940	-
Consumable stores	3 395 603	835 499
	<b>8 580 543</b>	<b>835 499</b>

The total of consumable store's is represented by items held for use in operations. The work-in progress inventory is for electricity projects which will be transferred to Eskom upon completion.

### 4. Receivables from exchange transactions

Deposits	1 833 693	1 638 821
Sundry debtors	4 013 866	3 253 934
Cash suspense	-	189
Mopani District Municipality (Water and Sanitation Function)	83 261 530	71 111 963
Less: Allowance for impairment	(1 036 000)	(1 086 000)
	<b>88 073 089</b>	<b>74 918 907</b>

#### Allowance for impairment

As of 30 June 2019, trade and other receivables of R1 036 000 (2018: R1 086 000) were impaired and provided for.

### 5. Receivables from non-exchange transactions

Traffic Fines	8 022 737	7 541 530
Consumer Debtors - Rates	65 680 724	52 803 629
Impairment of Consumer debtors - Rates	(59 279 104)	(49 155 705)
Impairment debtors - Traffic fines	(7 952 055)	(7 541 530)
	<b>6 472 302</b>	<b>3 647 924</b>

#### Receivables from non-exchange transactions

The ageing of rates is as follows:

Current (0 - 30 days)	1 453 532	1 198 437
31 -60 days	1 376 904	1 006 185
61 - 90 days	1 337 659	969 488
91 - 120 days	1 302 855	940 505
>365 days	60 209 772	41 708 619
	<b>65 680 724</b>	<b>52 803 629</b>
less: Impairment	(59 313 960)	(49 155 705)
	<b>6 366 763</b>	<b>3 647 924</b>



**Notes to the Annual Financial Statements**

Figures in Rand	2019	2018
<b>6. Consumer debtors</b>		
<b>Gross balances</b>		
Electricity	26 170 420	18 835 844
Refuse	55 183 131	46 777 780
Other	20 610 791	19 934 498
	<b>101 964 342</b>	<b>85 548 122</b>
<b>Less: Allowance for impairment</b>		
Electricity	(23 426 282)	(17 575 926)
Refuse	(54 421 968)	(46 150 041)
Other	(17 491 544)	(19 694 459)
	<b>(95 339 794)</b>	<b>(83 420 426)</b>
<b>Net balance</b>		
Electricity	2 744 138	1 259 918
Refuse	761 163	627 739
Other	3 119 247	240 039
	<b>6 624 548</b>	<b>2 127 696</b>
<b>Electricity</b>		
Current (0 -30 days)	1 950 881	1 220 098
31 - 60 days	760 722	779 022
61 - 90 days	706 469	575 599
91 - 120 days	1 679 404	462 598
121 - 365 days	503 369	3 520 037
> 365 days	20 569 574	12 278 489
Less : Impairment	(23 426 281)	(17 575 925)
	<b>2 744 138</b>	<b>1 259 918</b>
<b>Refuse</b>		
Current (0 -30 days)	847 815	750 225
31 - 60 days	814 177	699 361
61 - 90 days	790 294	680 005
91 - 120 days	777 993	663 987
121 - 365 days	766 780	5 062 927
> 365 days	51 186 027	38 921 275
	(54 421 923)	(46 150 041)
	<b>761 163</b>	<b>627 739</b>
<b>Other</b>		
Current (0 -30 days)	66 504	69 733
31 - 60 days	66 506	68 685
61 - 90 days	66 505	68 844
91 - 120 days	66 407	68 688
121 - 365 days	66 392	548 362
> 365 days	20 278 474	19 110 186
Less : impairment	(17 491 541)	(19 694 459)
	<b>3 119 247</b>	<b>240 039</b>

# Greater Letaba Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

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### 6. Consumer debtors (continued)

#### Summary of debtors by customer classification

##### Consumers

Current (0 -30 days)	1 812 077	1 531 910
31 - 60 days	1 277 445	1 297 985
61 - 90 days	1 238 816	1 210 088
91 - 120 days	2 214 079	1 045 115
121 - 365 days	1 124 480	8 215 287
> 365 days	90 201 643	66 757 796
	<b>97 868 540</b>	<b>80 058 181</b>

##### Industrial/ commercial

Current (0 -30 days)	712 111	432 742
31 - 60 days	294 256	237 740
61 - 90 days	260 004	103 373
91 - 120 days	262 038	139 181
121 - 365 days	170 521	840 268
> 365 days	4 705 304	2 981 535
	<b>6 404 234</b>	<b>4 734 839</b>

##### National and provincial government

Current (0 -30 days)	325 301	74 423
31 - 60 days	55 602	10 509
61 - 90 days	50 527	10 159
91 - 120 days	33 816	10 155
121 - 365 days	27 914	69 417
> 365 days	980 954	537 338
	<b>1 474 114</b>	<b>712 001</b>

##### Other: Ageing

Current (0 - 30 days)	15 711	982
31 - 60 days	14 102	934
61 - 90 days	13 922	828
91 - 120 days	13 852	822
121 - 365	13 626	6 354
>365 days	1 120 068	33 281
	<b>1 191 281</b>	<b>43 201</b>

##### Total

Current (0 -30 days)	2 865 200	2 040 056
31 - 60 days	1 641 406	1 547 068
61 - 90 days	1 563 268	1 324 448
91 - 120 days	2 523 784	1 195 274
121 - 365 days	1 336 541	9 131 326
> 365 days	92 034 097	70 309 950
	<b>101 964 296</b>	<b>85 548 122</b>
Less: Allowance for impairment	<b>(95 339 748)</b>	<b>(83 420 426)</b>
	<b>6 624 548</b>	<b>2 127 696</b>

##### Less: Allowance for impairment

> 365 days	<b>(95 339 794)</b>	<b>(83 420 426)</b>
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# Greater Letaba Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

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### 6. Consumer debtors (continued)

#### Reconciliation of allowance for impairment

Balance at beginning of the year	(83 420 426)	(73 725 274)
Contributions to allowance	(11 919 368)	(9 695 152)
	<b>(95 339 794)</b>	<b>(83 420 426)</b>

#### 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.

### 7. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	1 064 299	451 661
Short-term deposits	-	10 378 254
Call account	2 355 276	2 337 096
	<b>3 419 575</b>	<b>13 167 011</b>

#### The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2019	30 June 2018	30 June 2017	30 June 2019	30 June 2018	30 June 2017
FNB Bank - 52100005761	391 023	202 775	9 141 172	517 956	206 435	723 894
FNB Bank - 62051705534	389 636	245 227	1 189 742	546 343	245 227	1 577 818
Old Mutual	103 206	95 109	-	103 206	95 109	-
ABSA	110 606	103 202	-	110 606	103 202	-
Nedbank	2 141 463	2 038 297	-	2 141 464	2 038 297	-
Investec	-	10 378 254	-	-	10 378 254	-
Momentum RMB	-	100 488	-	-	100 487	-
<b>Total</b>	<b>3 135 934</b>	<b>13 163 352</b>	<b>10 330 914</b>	<b>3 419 575</b>	<b>13 167 011</b>	<b>2 301 712</b>

### 8. Investment property

	2019			2018		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	480 511	(258 487)	222 024	480 511	(249 446)	231 065

#### Reconciliation of investment property - 2019

	Opening balance	Depreciation	Total
Investment property	231 065	(9 041)	222 024

# Greater Letaba Municipality

Annual Financial Statements for the year ended 30 June 2019

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### 8. Investment property (continued)

#### Reconciliation of investment property - 2018

	Opening balance	Depreciation	Total
Investment property	240 057	(8 992)	231 065

#### Pledged as security

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

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

### 9. Property, plant and equipment

	2019			2018		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	33 830 077	-	33 830 077	33 830 077	-	33 830 077
Buildings	214 142 097	(48 142 309)	165 999 788	203 771 396	(41 044 733)	162 726 663
Infrastructure	635 076 420	(107 698 190)	527 378 230	562 256 206	(87 385 210)	474 870 996
Other assets	62 745 080	(33 267 688)	29 477 392	50 669 361	(28 332 242)	22 337 119
Finance Leases	1 054 641	(718 811)	335 830	1 054 641	(367 585)	687 056
WIP - Infrastructure	43 564 468	-	43 564 468	53 045 851	-	53 045 851
WIP - Buildings	106 060 930	-	106 060 930	67 528 840	-	67 528 840
<b>Total</b>	<b>1 096 473 713</b>	<b>(189 826 998)</b>	<b>906 646 715</b>	<b>972 156 372</b>	<b>(157 129 770)</b>	<b>815 026 602</b>

**Greater Letaba Municipality**  
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**9. Property, plant and equipment (continued)**

**Reconciliation of property, plant and equipment - 2019**

	Opening balance	Additions	Transfers in	Transfers out	Depreciation	Impairment loss	Total
Land	33 830 077	-	-	-	-	-	33 830 077
Buildings	162 726 663	-	10 370 141	-	(7 027 324)	(69 692)	165 999 788
Infrastructure	474 870 996	-	72 820 214	-	(19 528 232)	(784 748)	527 378 230
Other assets	22 338 359	11 937 101	138 617	-	(4 748 485)	(188 200)	29 477 392
Finance Leases	687 056	-	-	-	(351 226)	-	335 830
WIP - Infrastructure	53 045 851	61 589 130	-	(71 070 513)	-	-	43 564 468
WIP - Buildings	67 528 840	50 790 550	-	(12 258 460)	-	-	106 060 930
	<b>815 027 842</b>	<b>124 316 781</b>	<b>83 328 972</b>	<b>(83 328 973)</b>	<b>(31 655 267)</b>	<b>(1 042 640)</b>	<b>906 646 715</b>

**Reconciliation of property, plant and equipment - 2018**

	Opening balance	Additions	Disposals	Transfers received	Transfers	Depreciation	Impairment loss	Total
Land	33 830 077	-	-	-	-	-	-	33 830 077
Buildings	132 592 102	-	-	37 204 740	-	(6 237 927)	(832 252)	162 726 663
Infrastructure	427 605 494	-	-	64 016 978	-	(16 195 939)	(555 537)	474 870 996
Other assets	23 677 348	4 592 850	(474 836)	-	(687 055)	(4 628 267)	(141 681)	22 338 359
Finance Leases	687 056	-	-	-	-	-	-	687 056
WP - Infrastructure	36 691 239	76 546 190	-	-	(60 191 578)	-	-	53 045 851
WP - Buildings	35 929 340	72 629 659	-	-	(41 030 159)	-	-	67 528 840
	<b>691 012 656</b>	<b>153 768 699</b>	<b>(474 836)</b>	<b>101 221 718</b>	<b>(101 908 792)</b>	<b>(27 062 133)</b>	<b>(1 529 470)</b>	<b>815 027 842</b>

**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

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

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

#### Expenditure incurred to repair and maintain property, plant and equipment

#### Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance

Infrastructure	16 747 243	2 844 000
Other assets ( Motor vehicles, machines and other)	6 551 884	5 471 650
Buildings	727 270	931 302
	<b>24 026 397</b>	<b>9 246 952</b>

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

	2019			2018		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	1 319 316	(1 185 494)	133 822	1 319 316	(1 134 035)	185 281

#### Reconciliation of intangible assets - 2019

	Opening balance	Amortisation	Total
Computer software	185 281	(51 459)	133 822
	<b>185 281</b>	<b>(51 459)</b>	<b>133 822</b>

#### Reconciliation of intangible assets - 2018

	Opening balance	Additions	Amortisation	Total
Computer software	116 697	148 800	(80 216)	185 281

#### 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

# Greater Letaba Municipality

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### 11. Heritage assets

	2019			2018		
	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
<b>Total</b>	<b>548 500</b>	<b>-</b>	<b>548 500</b>	<b>548 500</b>	<b>-</b>	<b>548 500</b>

#### Reconciliation of heritage assets 2019

	Opening balance	Total
Waterfall picnic site	103 000	103 000
Historical monuments and statues	190 500	190 500
Mayoral gold chain	195 000	195 000
Painting	60 000	60 000
	<b>548 500</b>	<b>548 500</b>

#### Reconciliation of heritage assets 2018

	Opening balance	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
	<b>548 500</b>	<b>548 500</b>

#### Pledged as security

No carrying value of heritage assets were pledged as security

### 12. Payables from exchange transactions

Trade payables	30 904 744	20 538 074
Payments received in advance	1 434 310	748 671
Retentions	22 169 049	22 562 492
Accrued leave pay	12 102 191	9 202 307
Accrued annual bonus	1 737 441	1 424 336
Other payables	-	182 708
Unkown deposits	2 410 685	1 755 438
	<b>70 758 420</b>	<b>56 414 026</b>

### 13. Consumer deposits

Electricity	378 839	383 334
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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.

# Greater Letaba Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

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### 14. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Finance Management Grant (FMG)	4 874	-
Integrated National Electrification Grant ( INEP)	-	353 553
	<b>4 874</b>	<b>353 553</b>

### Movement during the year

Balance at the beginning of the year	353 553	643 677
Additions during the year	91 103 478	69 307 000
Income recognition during the year	(91 452 157)	(69 597 124)
	<b>4 874</b>	<b>353 553</b>

### 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	9 257 717	9 547 636
Defined benefit obligation - Long service awards	4 013 041	3 360 218
	<b>13 270 758</b>	<b>12 907 854</b>

#### 16.1 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 2019.

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

Present value of the defined benefit obligation unfunded	9 257 717	9 547 636
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Changes in the present value of the defined benefit obligation are as follows:

Opening balance	9 547 636	9 200 742
Benefits paid	(95 325)	(89 264)
Net expenses recognised in the statement of financial performance	(194 594)	436 158
	<b>9 257 717</b>	<b>9 547 636</b>

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

Current service costs	844 756	844 183
Interest cost	936 637	967 924
Actuarial (gains) / Losses	(1 975 987)	(1 375 949)
	<b>(194 594)</b>	<b>436 158</b>



## Notes to the Annual Financial Statements

Figures in Rand	2019	2018
<b>15. Employee benefit obligations (continued)</b>		
<b>Calculation of actuarial gains and losses</b>		
Actuarial (gains) / losses - Obligation	(1 975 987)	(1 375 949)
<b>Key assumptions used</b>		
Discounted rates used	9,76 %	9,84 %
Medical aid contribution	7,16 %	7,56 %
Average retirement age	62	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 2017 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 aggregated of the service cost and interest cost	2 163 000	1 657 000

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

	2019 R	2018 R	2017 R	2016 R	2015 R
Defined benefit obligation	9 257 717	9 547 636	9 200 742	8 285 000	7 644 119
Surplus (deficit)	(9 257 717)	(9 547 636)	(9 200 742)	(8 285 000)	(7 644 119)

# Greater Letaba Municipality

Annual Financial Statements for the year ended 30 June 2019.

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### 15. Employee benefit obligations (continued)

#### 16.2 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 Arch Actuarial Consulting on all 258 employees that are entitled to long service awards as at 30 June 2019 (2018: 205). 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	4 013 049	3 360 218
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Changes in the present value of the defined benefit obligation are as follows:

Opening balance	3 366 902	3 015 427
Benefits paid	(240 490)	(338 858)
Net expense recognised in the statement of financial performance	893 321	690 333
	<b>4 019 733</b>	<b>3 366 902</b>

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

Current service cost	370 773	347 109
Adjustments	(11 767)	47 691
Interest cost	278 162	245 748
Actuarial (gains) losses	256 153	49 785
	<b>893 321</b>	<b>690 333</b>

Calculation of actuarial gains and losses

Actuarial (gains) losses – Obligation	256 153	49 785
---------------------------------------	---------	--------

#### Key assumptions used

Assumptions used at the reporting date:

Discount rates used	8,21 %	8,61 %
Expected increase in salaries	6,50 %	6,21 %
Average retirement age	62	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. The salaries used in the valuation include an assumed increase on 1 July 2019 of 6.50%. The next salary increase was assumed to take place on 1 July 2020.

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

Annual Financial Statements for the year ended 30 June 2019

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### 15. Employee benefit obligations (continued)

We use the nominal and real zero curves as at 30 June 2019 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	747 700	643 500

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

	2019	2018	2017	2016	2015
Defined benefit obligation	4 013 049	3 360 218	3 015 427	2 933 023	2 746 341
Plan assets	(4 013 049)	(3 360 218)	(3 015 427)	(2 933 023)	(2 746 341)

#### 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.

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 - 2019

	Opening Balance	Additions	Total
Landfill rehabilitation	314 609	49 391	364 000

#### Reconciliation of provisions - 2018

	Opening Balance	Additions	Total
Landfill rehabilitation	296 801	17 808	314 609

#### 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.

# Greater Tsetaba Municipality

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## Notes to the Annual Financial Statements

Figures in Rand	2019	2018
<b>17. Service charges</b>		
Sale of electricity	11 823 591	9 667 754
Refuse removal	4 550 821	4 193 295
	<b>16 374 412</b>	<b>13 861 049</b>
<b>18. Investment revenue</b>		
<b>Interest revenue</b>		
Bank	1 139 635	1 621 315
Interest received - Investments	500 403	2 984 229
	<b>1 640 038</b>	<b>4 605 544</b>
<b>19. Property rates</b>		
<b>Rates earned</b>		
Residential	6 098 164	3 888 155
Commercial	2 921 239	1 504 506
Government	620 917	459 758
Municipal	-	273 220
Other	57 758	2 474 129
	<b>9 698 078</b>	<b>8 599 768</b>
<b>20. Government grants and subsidies</b>		
<b>Operating grants</b>		
Equitable share	243 262 669	222 507 999
Finance Management Grant	2 145 000	2 145 000
Extended Public Works Programme	1 521 000	2 384 000
	<b>246 928 669</b>	<b>227 036 999</b>
<b>Capital grants</b>		
Municipal Infrastructure Grant	76 460 011	58 368 000
Integrated National Electrification Grant	5 983 000	6 290 124
	<b>82 443 011</b>	<b>64 658 124</b>
	<b>329 371 680</b>	<b>291 695 123</b>

### 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)

Current-year receipts	2 145 000	2 145 000
Conditions met - transferred to revenue	(2 140 116)	(2 145 000)
<b>Conditions still to be met - transferred to liabilities</b>	<b>4 884</b>	<b>-</b>

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.

# Greater Letaba Municipality

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## Notes to the Annual Financial Statements

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

#### Municipal Infrastructure Grant (MIG)

Current-year receipts	80 394 304	61 162 000
Conditions met - transferred to revenue	(80 394 304)	(61 162 000)
<b>Conditions still to be met - transferred to liabilities</b>	<b>-</b>	<b>-</b>

This grant was used to construct municipal infrastructure to provide basic services for the benefit of communities. In 2018/19 and 2017/18 financial years all the conditions of the grant were met.

#### Extended Public Works Grant (EPWP)

Current-year receipts	1 521 000	2 384 000
Conditions met - transferred to revenue	(1 521 000)	(2 384 000)
	-	-

#### Integrated National Electrification Grant (INEG)

Balance unspent at beginning of year	353 553	643 677
Current-year receipts	5 983 000	6 000 000
Conditions met - transferred to revenue	(6 336 553)	(6 290 124)
	-	<b>353 553</b>

### 21. Revenue

Service charges	16 374 412	13 861 049
Rental of facilities and equipment	61 656	169 074
Interest received - outstanding receivables	13 732 818	10 309 711
Agency services	3 064 228	2 258 635
Licences and permits	14 710 661	10 675 069
Other income	1 693 421	842 363
Gain on assets	-	203 603
Interest received - investment	1 640 038	4 605 544
Property rates	9 698 078	8 599 768
Government grants and subsidies	329 371 680	291 695 123
Traffic fines	548 300	993 006
Gain on assets	508 163	-
	<b>391 403 455</b>	<b>344 212 945</b>

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

Service charges	16 374 412	13 861 049
Rental of facilities and equipment	61 656	169 074
Interest received - outstanding receivables	13 732 818	10 309 711
Agency services	3 064 228	2 258 635
Licences and permits	14 710 661	10 675 069
Other income	1 693 421	842 363
Gain on assets	-	203 603
Interest received - investment	1 640 038	4 605 544
	<b>51 277 234</b>	<b>42 925 048</b>

**Notes to the Annual Financial Statements**

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**21. Revenue (continued)**

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

<b>Taxation revenue</b>		
Property rates	9 698 078	8 599 768
<b>Transfer revenue</b>		
Government grants and subsidies	329 371 680	291 695 123
Traffic fines	548 300	993 006
Gain on assets	508 163	-
	<b>340 126 221</b>	<b>301 287 897</b>

**22. Employee related costs**

Salaries and wages	60 990 078	45 210 929
Annual bonus	3 316 743	2 922 409
Medical aid benefits	4 298 836	3 629 796
UIF	499 490	403 192
WCA	1 562 187	469 314
Leave pay provision charge	4 280 400	1 541 100
Pension fund and other fund contributions	11 512 597	10 137 519
Overtime payments	3 548 231	4 557 051
Travel and car allowance	5 017 345	4 333 619
Housing benefits and allowances	2 348 773	1 509 441
	<b>97 374 680</b>	<b>74 714 370</b>

**Remuneration of Municipal Manager (DR Sirovha KI)**

Annual Remuneration	799 762	256 356
Transport Allowance	180 000	57 800
Contributions to UIF, Medical and Pension Funds	60 000	171 838
Housing allowance	288 000	54 400
	<b>1 327 762</b>	<b>540 394</b>

**Remuneration of Chief Finance Officer (Mankgabe MF)**

Annual Remuneration	718 162	294 517
Car Allowance	165 000	82 800
Contributions to UIF, Medical and Pension Funds	88 000	92 029
Other Allowances	45 056	-
	<b>1 016 218</b>	<b>469 346</b>

MF Mankgabe was appointed effective from April 2018 to 31 May 2019. Mr L Mamatlépa acted for the month June 2019. His acting allowance is included above.

**Remuneration of Director Technical Services (Malungana M)**

Annual Remuneration	929 896	318 387
Contributions to UIF, Medical and Pension Funds	36 000	25 000
Other Allowances	12 000	15 000
	<b>977 896</b>	<b>358 387</b>

# Greater Letaba Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

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### 22. Employee related costs (continued)

#### Remuneration of Director Corporate Services (Dr Letsoalo MB)

Annual Remuneration	720 480	240 160
Car Allowance	120 000	40 000
Contributions to UIF, Medical and Pension Funds	60 000	20 000
Other Allowances	48 000	-
	<b>948 480</b>	<b>300 160</b>

#### Remuneration of Director Community Services (Dr Mokoena M)

Annual Remuneration	659 895	319 510
Car Allowance	84 000	50 000
Contributions to UIF, Medical and Pension Funds	185 974	89 049
Other Allowance	36 000	-
	<b>965 869</b>	<b>458 559</b>

#### Remuneration of Director Development and Planning ( Sewape MO )

Annual Remuneration	833 869	387 457
Car Allowance	36 000	-
Contributions to UIF, Medical and Pension Funds	60 000	-
Other	41 000	-
	<b>970 869</b>	<b>387 457</b>

#### Acting Municipal Manager (Mhangwana D)

Acting allowance	-	137 338
	-	<b>137 338</b>

D Mhangwane was Acting Municipal Manager from August 2017 to March 2018, seconded from Coghsta

#### Acting Chief Financial Officer ( Mr Thoka BJ )

Annual Remuneration	-	270 451
Housing allowance	-	5 576
Bonuses	-	38 636
Contributions to UIF, Medical and Pension Funds	-	59 499
Acting allowance	-	58 269
Transport allowance	-	67 612
	-	<b>500 043</b>

BJ Thoka was Acting Chief Finance Officer from September 2017 to March 2018.

#### Acting Director Corporate Services ( Dr Mokoena MD )

Annual Remuneration	-	370 534
Car Allowance	-	56 000
Bonuses	-	38 178
Contributions to UIF, Medical and Pension Funds	-	81 518
Acting allowance	-	39 226
	-	<b>585 456</b>

Dr MD Mokoena was Acting Director Corporate Services from July 2017 to February 2018.

# Greater Letaba Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

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	2019	2018
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### 22. Employee related costs (continued)

#### Acting Director Community Services (E Stoltz )

Annual Remuneration	-	270 451
Car Allowance	-	67 613
Performance Bonuses	-	38 635
Contributions to UIF, Medical and Pension Funds	-	86 596
Other	-	28 549
	-	<b>491 844</b>

Stoltz was Acting Community Services Director from August to February 2017 .

### 23. Remuneration of councillors

Mayor's salary	868 549	596 965
Executive committee salary	2 320 670	1 498 577
Speaker's salary	702 999	477 548
Councillors' salary	11 277 311	11 261 793
Travel allowance	3 426 914	4 613 222
Cell phone allowance	2 646 454	2 425 569
Back pay	701 083	-
	<b>21 943 980</b>	<b>20 873 674</b>

#### Remuneration per councillor

Refer to note 36 for detail of remuneration per councillor.



# Greater Letaba Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand	2019	2018
<b>24. Depreciation and amortisation</b>		
Property, plant and equipment	32 697 190	28 368 566
Investment property	8 992	8 992
Intangible assets	51 459	80 762
	<b>32 757 641</b>	<b>28 458 320</b>
<b>25. Bulk purchases</b>		
Electricity	14 766 931	14 679 655
<b>26. Contracted services</b>		
Meter Reading Services	1 056 384	155 919
Security Services	8 868 621	7 093 022
Refuse Removal	2 841 837	2 279 289
Other Contractors	9 184 568	4 354 859
<b>Contractors</b>	<b>21 951 410</b>	<b>13 883 089</b>
<b>27. General expenses</b>		
Advertising	1 491 222	655 379
Auditor's remuneration	4 820 424	4 233 634
Bank charges	406 710	287 010
Consulting and professional fees	6 142 298	4 997 213
Household Electrification	-	11 087 721
Entertainment	12 058	12 393
Insurance	1 673 713	1 576 398
Conferences and seminars	467 222	311 613
Stores and material	2 012 504	517 921
Fuel and oil	4 937 082	3 635 783
Postage and courier	-	25 780
Printing and stationery	1 303 808	775 898
SAIMSA games	1 351 300	667 745
Repairs and maintenance	24 174 659	9 246 952
Youth empowerment project and network upgrade	32 858	1 388 510
Youth desk development	175 708	351 006
Subscriptions and membership fees	1 456 201	2 494 947
Telephone and fax	2 876 045	1 386 847
Training	715 823	163 919
Travel - local	10 812 081	8 497 617
Lease rentals on operating lease	180 396	169 041
Electricity	3 627 580	3 625 002
Tourism development	-	42 951
Bursary scheme	1 359 179	1 626 902
Capacity building	29 010	85 543
Catering	856 093	369 218
Interns	2 494 872	3 003 646
Free basic services and rebates	742 059	854 724
Gender desk activities and development activities	2 815 669	1 698 213
Public participation	4 770 808	4 961 421
Workshops and meetings	4 399 921	3 611 250
Other expenses	19 777 855	14 423 721
	<b>105 915 158</b>	<b>86 785 918</b>

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

**Notes to the Annual Financial Statements**

Figures in Rand	2019	2018
<b>28. Auditor's remuneration</b>		
Fees	4 820 424	4 233 634
<b>29. Cash generated from operations</b>		
Surplus	74 255 506	85 618 019
<b>Adjustments for:</b>		
Depreciation and amortisation	32 757 641	28 458 320
Debt impairment	22 438 148	19 199 927
Movements in retirement benefit assets and liabilities	363 536	692 017
Movements in provisions	49 391	17 808
Fair value adjustment	507 966	-
Effect of prior period adjustment	-	11 151 891
<b>Changes in working capital:</b>		
Inventories	(7 745 044)	(5 487 275)
Receivables from exchange transactions	(13 104 182)	(18 801 552)
Consumer debtors	(16 416 220)	(8 854 852)
Other receivables from non-exchange transactions	(13 358 302)	(9 525 068)
Payables from exchange transactions	13 329 371	20 564 146
VAT	21 746 396	(11 883 478)
Unspent conditional grants and receipts	(348 679)	(290 124)
Consumer deposits	(4 495)	19 608
	<b>114 471 033</b>	<b>110 879 387</b>

**30. Commitments**

**Authorised capital expenditure**

**Already contracted for but not provided for**

• capital	132 686 707	125 835 369
• Operation	82 824 510	24 064 631
	<b>215 511 217</b>	<b>149 900 000</b>

**Total capital commitments**

Already contracted for but not provided for	215 511 217	149 900 000
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**Authorised operational expenditure**

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

**Operating leases - as lessee (expense)**

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.

**Operating leases - as lessor (income)**

Certain of the municipality's equipment is held to generate rental income. Rental of equipment is expected to generate rental yields of -% on an ongoing basis. Lease agreements are non-cancellable and have terms from 3 to 6 years. There are no contingent rents receivable.

# Greater Letaba Municipality

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### 31. Contingencies

#### Contigent Liabilities

##### Hennox 60 CC vs Greater Letaba Municipality

The plaintiff is suing the Municipality for damages caused to the plaintiff's house due to maintenance of the storm water pipes crossing the plaintiff's house R3 635 593 (2018: R3 635 593)

##### Monyela Masedi vs Greater Letaba Municipality

The plaintiff alleges that he suffered damages as a result of an accident caused by unmaintained roads by the municipality which allegedly led to his involvement in an accident. He is suing for general damages as well as loss of income R4 035 000

##### Star Miris Vs Greater Letaba Municipality

The plaintiff alleges that while appointed as a service provider for the municipality, the Municipality paid a person so authorised by the plaintiff.(R 7 069 436).

##### Giyani Cedrick Maluleke Vs Greater Letaba Municipality

The plaintiff is suing the Municipality for the unlawful arrest as he alleges that the municipal traffic officer arrested him on a case which was later withdrawn by the court (R 400 000).

##### Terror Trading enterprise Vs Greater Letaba Municipality

The plaintiff is suing the Municipality for the unlawful termination of Seatlaeleng Street Paving contract R4 374 783

### 32. Unauthorised expenditure

Opening balance	146 325 622	95 125 853
Unauthorised expenditure in the current year	48 653 618	51 199 769
<b>Closing balance</b>	<b>194 979 240</b>	<b>146 325 622</b>
<b>Reconciliation of budgeted vs actual expenditure - Per income statement</b>		
Actual expenditure	317 147 949	258 593 686
Approved budget	(275 463 476)	(223 599 635)
Over spending of operating budget	41 684 473	34 994 051
<b>Total net effect of overspending of budget</b>	<b>41 684 473</b>	<b>34 994 051</b>

The overall budget for expenditure for 2019 was overspend:

The unauthorised expenditure during 2019 amounting to R50 125 163 was as a result of operating budget overspending on Executive and Council, community services, Technical Services, and Budget & Treasury related to non-cash item for provision for bad debts and depreciation.

The unauthorised expenditure during 2018 was as a result of overspending of R51 199 769 on Executive and Council, related to non-cash item for provision for bad debts and depreciation and infrastructure Development and Planning 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.

### 33. Fruitless and wasteful expenditure

Opening balance	551 143	471 425
Interest paid to the service provider	49 090	24 678
Stock losses due to theft and shortages	405 303	72 848
Less: Amounts written	-	(17 808)
<b>Fruitless and wasteful expenditure awaiting condonement</b>	<b>1 005 536</b>	<b>551 143</b>

# Greater Letaba Municipality

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### 34. Irregular expenditure

Opening balance	124 392 210	181 581 241
Add: Irregular Expenditure - current year	33 062 815	85 971 567
Add: Irregular expenditure incurred in prior year but identified in current year	-	10 404 988
Less: Amounts written off	-	(153 565 586)
	<b>157 455 025</b>	<b>124 392 210</b>

### Analysis of expenditure awaiting condonation per age classification

Current year	478 624	85 971 567
Prior years	156 976 401	38 420 643
	<b>157 455 025</b>	<b>124 392 210</b>

The Irregular expenditure was caused by non compliance with the SCM policy and regulations.

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

#### SALGA

Current year subscription / fee	780 961	743 318
Amount paid - current year	(780 961)	(743 318)
	-	-

#### Audit fees

Current year fees	4 820 424	4 233 634
Amount paid - current year	(4 820 424)	(4 233 634)
	-	-

#### PAYE, UIF and SDL

Current year subscription / fee	20 393 658	16 783 040
Amount paid - current year	(20 393 658)	(16 783 040)
	-	-

#### Pension and Medical Aid Deductions

Current year subscription / fee	24 305 303	18 997 423
Amount paid - current year	(24 305 303)	(18 997 423)
	-	-

#### VAT

VAT receivable	315 190	22 061 586
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#### Councillors' arrear consumer accounts

None of the Councillors had an arrear accounts outstanding for more than 30 days at 30 June 2019:(2018:0)

# Greater Letaba Municipality

Annual Financial Statements for the year ended 30 June 2019

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### 36. Related parties

#### Relationships

District Municipality

Mopani District Municipality (Water and Sewerage Transactions)

#### Members of key management

Dr KI Sirovha (Municipal Manager)

MF Mankgaba (Chief Financial Officer)

Dr MB Letsoalo (Director Corporate Services)

Dr M Mokoena (Director Community Services)

O Sewape (Director Town Planning)

M Malungana ( Director Technical 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 or operational decision.

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 decision.

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

# Greater Letaba Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

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### 36. Related parties (continued)

#### Remuneration of Councillors

#### Remuneration per Councillor

2019

Name	Salary	Cellphone allowance	Car allowance	Back pay	Total
Hon Cllr MP Matlou (Mayor)	604 894	40 800	201 631	21 224	868 549
Hon Cllr MD Makhnanisa (Speaker)	483 915	40 800	161 305	16 979	702 999
Cllr TJ Rababalela	253 093	40 800	84 364	8 880	387 137
Cllr MP Masela	253 093	40 800	84 364	8 880	387 137
Cllr MG Selowa	253 093	40 800	84 364	8 880	387 137
Cllr D Raphokwane	20 813	3 400	6 937	-	31 150
Cllr MM Mabeba	145 695	23 800	48 565	-	218 060
Cllr SM Rasetsoke	253 093	40 800	84 364	8 880	387 137
Cllr R Mosifa	453 671	40 800	151 223	15 919	661 613
Cllr ND Modiba	453 671	40 800	151 223	15 917	661 611
Cllr MM Nkwana	453 671	40 800	151 223	15 917	661 611
Cllr MI Manyama	481 021	44 122	160 340	15 598	701 081
Cllr PJ Mampeule	453 671	40 800	151 223	15 917	661 611
Cllr SS Malatji	245 664	40 800	81 888	8 619	376 971
Cllr BE Ngobeni	245 664	40 800	81 888	8 619	376 971
Cllr MA Lebepe	245 664	40 800	81 888	8 619	376 971
Cllr MP Ngobeni	245 664	40 800	81 888	8 619	376 971
Cllr KE Ramaano	245 664	40 800	81 888	8 619	376 971
Cllr MM Mankgero	245 664	40 800	81 888	8 619	376 971
Cllr TJ Kgapano	245 664	40 800	81 888	8 619	376 971
Cllr PD Moroatshehla	16 485	2 774	5 495	-	24 754
Cllr N Selowa	245 664	40 800	81 888	8 619	376 971
Cllr M Mathedimosa	191 426	40 800	63 809	6 717	302 752
Cllr MF Manyama	158 682	34 000	52 894	6 716	252 292
Cllr TJ Senyolo	191 426	40 800	63 808	6 716	302 750
Cllr ZT Maluleke	191 426	40 800	63 808	6 716	302 750
Cllr ME Mathaba	217 594	40 800	72 531	6 987	337 912

**Greater Letaba Municipality**  
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**36. Related parties (continued)**

Cllr PP Ralephatana	191 426	40 800	63 808	6 716	302 750
Cllr V Nkuna	191 426	40 800	63 808	6 716	302 750
Cllr MR Maake	191 426	40 800	63 808	6 716	302 750
Cllr MR Motsinone	191 426	40 800	63 808	6 716	302 750
Cllr CM Rasetsoke	191 426	40 800	63 808	6 716	302 750
Cllr MP Makomene	191 426	40 800	63 808	6 716	302 750
Cllr M Ramoba	191 426	40 800	63 808	6 716	302 750
Cllr MM Selomo	191 426	40 800	63 808	6 716	302 750
Cllr ME Ralefatane	191 426	40 800	63 808	6 716	302 750
Cllr MP Monaiwa	191 426	40 800	63 808	6 716	302 750
Cllr MB Maenetsa	248 022	40 800	82 674	8 610	380 106
Cllr MV Rampedi	191 426	40 800	63 808	6 716	302 750
Cllr PC Pohl	142 310	30 600	47 436	6 506	226 852
Cllr KB Monyela	191 426	40 800	63 808	6 716	302 750
Cllr MS Kgatla	191 426	40 800	63 808	6 716	302 750
Cllr PJ Mohale	191 426	40 800	63 808	6 716	302 750
Cllr MF Hlapane	191 426	40 800	63 808	6 716	302 750
Cllr MV Mangoro	191 426	40 800	63 808	6 716	302 750
Cllr SB Rampyapedi	191 426	40 800	63 808	6 716	302 750
Cllr DG Rabothata	191 426	40 800	63 808	6 716	302 750
Cllr NF Lebeko	200 704	40 800	66 901	33 534	341 939
Cllr NL Seshoka	191 426	40 800	63 808	6 716	302 750
Cllr MEC Ndobela	191 426	40 800	63 808	6 716	302 750
Cllr ME Ramabela	191 426	40 800	63 808	6 716	302 750
Cllr RG Baloyi	191 426	40 800	63 808	6 716	302 750
Cllr R Rathaha	191 426	40 800	63 808	6 716	302 750
Cllr WP Selema	191 426	40 800	63 808	6 716	302 750
Cllr S Selamolela	241 203	40 800	80 132	8 144	370 279
Cllr SJ Hlungwani	191 426	40 800	63 808	6 716	302 750
Cllr ME Masedi	191 426	40 800	63 808	6 716	302 750
Cllr SL Mohale	191 426	40 800	63 808	6 716	302 750
Cllr MJ Ramatobela	175 684	37 400	58 561	5 877	277 522
Cllr GH Modjadji	191 426	40 800	63 808	6 716	302 750
Cllr MJ Mohale	128 457	27 200	42 819	3 358	201 831
Cllr MM Mabeba	81 230	17 000	27 076	8 610	153 916
Cllr Raphokwane	175 684	37 400	58 561	6 716	278 361

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**36. Related parties (continued)**

2018

	14 248 967	2 420 096	4 749 359	525 198	21 943 620
	Salary	Cellphone Allowance	Car Allowance	Commission, gain or surplus sharing arrangement	Total
Hon Cllr MP Maitou (Mayor)	596 935	40 800	198 978	-	836 713
Hon Cllr MD Makhnanisa (Speaker)	477 548	40 800	159 183	-	677 531
Cllr TJ Rababalela	249 764	40 800	83 254	-	373 818
Cllr MP Masela	249 760	40 800	83 254	-	373 814
Cllr MG Selowa	249 764	40 800	83 254	-	373 818
Cllr D Raphokwane	249 764	40 800	83 254	-	373 818
Cllr MM Mabeba	249 764	40 800	83 254	-	373 818
Cllr SM Rasetsoke	249 764	40 800	83 254	-	373 818
Cllr R Mosila	447 702	40 800	149 234	-	637 736
Cllr ND Modiba	447 702	40 800	149 234	-	637 736
Cllr MM Nkwana	219 913	20 868	73 304	-	314 085
Cllr MI Manyama	447 702	40 800	149 234	-	637 736
Cllr PJ Mampoule	242 432	40 800	80 810	-	364 042
Cllr SS Malatji	242 432	40 800	80 810	-	364 042
Cllr BE Ngobeni	242 432	40 800	80 810	-	364 042
Cllr MA Lebepe	242 432	40 800	80 810	-	364 042
Cllr MP Ngobeni	242 432	40 800	80 810	-	364 042
Cllr KE Ramaano	242 432	40 800	80 810	-	364 042
Cllr MM Mankgero	242 432	40 800	80 810	-	364 042
Cllr TJ Kgapane	242 432	40 800	80 810	-	364 042
Cllr PD Moroatshehla	242 432	40 800	80 810	-	364 042
Cllr N Selowa	242 432	40 800	80 810	-	364 042
Cllr M Mathedimosa	188 908	40 800	62 969	-	292 677
Cllr MF Manyama	188 908	40 800	62 969	-	292 677
Cllr TJ Senyolo	188 908	40 800	62 969	-	292 677
Cllr ZT Maluleke	174 056	58 702	59 919	-	292 677
Cllr ME Mathaba	188 908	40 800	62 969	-	292 677



# Greater Letaba Municipality

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### 36. Related parties (continued)

Clr PP Ralephatana	188 908	40 800	62 969	-	292 677
Clr V Nkuna	188 908	40 800	62 969	-	292 677
Clr MR Maake	188 908	40 800	62 969	-	292 677
Clr MR Motsinone	188 908	40 800	62 969	-	292 677
Clr CM Rasetsoke	188 908	40 800	62 969	-	292 677
Clr MP Makomene	188 908	40 800	62 969	-	292 677
Clr M Ramoba	188 908	40 800	62 969	-	292 677
Clr MM Selomo	188 908	40 800	62 969	-	292 677
Clr ME Ralefatane	188 908	40 800	62 969	-	292 677
Clr MP Monaiwa	188 908	40 800	62 969	-	292 677
Clr MB Maenetsa	188 908	40 800	62 969	-	292 677
Clr MV Rampedi	188 908	40 800	62 969	-	292 677
Clr PC Pohl	188 908	40 800	62 969	-	292 677
Clr KB Monyela	188 908	40 800	62 969	-	292 677
Clr MS Kgatla	188 908	40 800	62 969	-	292 677
Clr PJ Mohale	188 908	40 800	62 969	-	292 677
Clr MF Hlapane	188 908	40 800	62 969	-	292 677
Clr MV Mangoro	188 908	40 800	62 969	-	292 677
Clr SB Rampyapedi	188 908	40 800	62 969	-	292 677
Clr DG Raboithata	188 908	40 800	62 969	-	292 677
Clr NF Lebeko	188 908	40 800	62 969	-	292 677
Clr NL Seshoka	188 908	40 800	62 969	-	292 677
Clr MEC Ndobela	188 908	40 800	62 969	-	292 677
Clr ME Ramabela	188 908	40 800	62 969	-	292 677
Clr RG Baloyi	188 908	40 800	62 969	-	292 677
Clr R Rathaha	188 908	40 800	62 969	-	292 677
Clr WP Selema	188 908	40 800	62 969	-	292 677
Clr S Selamolela	188 908	40 800	62 969	-	292 677
Clr SJ Hlungwani	188 908	40 800	62 969	-	292 677
Clr ME Masedi	188 907	40 800	62 969	-	292 676
Clr SL Mohale	188 907	40 800	62 969	-	292 676
Clr MJ Maluleke	94 454	20 400	31 485	-	146 339
Clr GH Modjadji	188 907	40 800	62 969	-	292 676
	<b>13 834 867</b>	<b>2 425 570</b>	<b>4 613 206</b>	<b>-</b>	<b>20 873 643</b>

Executive management

**Notes to the Annual Financial Statements**

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**36. Related parties (continued)**

**2018**

**37. Deviation from supply chain management regulations**

Paragraph 12(1)(d)(i) of Government Gazette No. 27638 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 annual financial statements. The total deviations for the year under review amounted to R3 752 409 (2018: R3 550 897)

**38. Financial instruments disclosure**

**Categories of financial instruments**

**2019**

**Financial assets**

Trade and other receivables from exchange transactions		
Other receivables from non-exchange transactions		
Consumer debtors		
Cash and cash equivalents		
	At amortised cost	Total
	88 126 351	88 126 351
	6 472 302	6 472 302
	6 624 548	6 624 548
	3 419 575	3 419 575
	<b>104 642 776</b>	<b>104 642 776</b>

# Greater Letaba Municipality

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### Financial instruments disclosure (continued)

#### Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	70 758 421	70 758 421
VAT payable	448 555	448 555
	<b>71 206 976</b>	<b>71 206 976</b>

2018

#### Financial assets

	At amortised cost	Total
Trade and other receivables from exchange transactions	74 918 907	74 918 907
Other receivables from non-exchange transactions	3 647 924	3 647 924
Consumer debtors	2 127 696	2 127 696
Cash and cash equivalents	13 167 011	13 167 011
VAT Receivable	22 061 586	22 061 586
	<b>115 923 124</b>	<b>115 923 124</b>

#### Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	56 414 026	56 414 026

### 39. 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.

#### Default and breaches

There was no fault and breaches for the applicable liabilities of the municipality

#### 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. No changes were made to the funding method and method used to assess the risk.

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

# Greater Letaba Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

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### 39. Risk management (continued)

At 30 June 2019	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Consumer deposits	378 839	-	-	-
Unspent grant	4 885	-	-	-
Trade and other payables	70 758 421	-	-	-
Provision	364 000	-	-	-
Finance lease obligation	390 496	-	-	-

  

At 30 June 2018	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Consumer deposit	383 334	-	-	-
Unspent grant	353 553	-	-	-
Trade and other payables	56 414 026	-	-	-
Provision	314 609	-	-	-
Finance Lease Obligation	800 347	-	-	-

#### 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 is managed on through implementation of the municipality credit risk policy.

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 annual basis. The municipality is required in terms of law to provide services to all its customer base within its jurisdiction. Risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. No changes were made on the method of assessment.

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

Financial instrument	30 June 2019	30 June 2018
Other receivables from exchange transactions	88 126 351	74 918 907
Other receivables from non exchange transactions	6 472 302	3 647 924
Cash and cash equivalent	3 419 575	13 167 011
Consumer debtors	6 624 548	2 127 696
VAT receivables	-	22 025 783

For financial assets which are past due and impaired refer to note 4, 5 and 6. None of the financial assets terms have been renegotiated. None of the financial assets were used as security or collateral

#### 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 risk arises from receivables and financial assets

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. Currently the municipality does not have any long term borrowing.

The interest risk is managed through the implementation of the credit control policy by the revenue unit and applying a fixed interest rate. There was no change on the policy and the method used

# Greater Letaba Municipality

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### 40. Events after the reporting date

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

## Notes to the Annual 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 performance

##### Revenue

###### Service charges

The underperformance was as a result of high expectation/optimism since Municipality was installing prepaid meter system.

###### Rental Facilities

Increased budget compared to prior year due to the completion of additional facilities that was ready for use by management.

###### Interest received (Trading)

Linked to prepaid meter installation for electricity because the plan was to apportion ne prepaid purchases by certain portions to reduce the outstanding debt.Special traetment for clients with large number of fleet.

###### Agency Services

Municipality revisited their clients relations and approach especially for the ones that were lost.Special traetment for clients with large number of fee

###### Licences and permits

Due to change in managements's approach to clients as for agency fees, management anticipated more licences and permits which however, did not materialise.

###### Interest on investment

Two call accounts were fully withdrawn which resulted in less interest income to what wa anticipated.

###### Other Income

Less responses on buying tender documents

###### Gains on disposal of assets

No assets were disposed

###### Property rates

There were plans to develop a portion in Modjadjiskloof which ended up not materialising.

###### Government Grants and subsidies

Counter funding on MIG Grants which led to more projects

###### Fines, penalties and Forfeits

Due to implementation of new prepaid system, the Municipality anticipated more fines and penalties due to anticipated tempering of meters judging from past experience.

##### Expenditure

**Notes to the Annual Financial Statements**

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**41. Budget information (continued)**

**Employee related costs**

The variance is due to annual increase and filling of vacant posts.

**Councillors Remuneration**

There was an underspent because two councillors died and one resigned during the year. The other two councillors have not been replaced.

**Depreciation and amortisation**

Depreciation was higher than anticipated due additions of assets.

**Debt impairment**

The negative variance was caused by change in the methodology to recoverable rate.

**Bulk purchases**

Due to transition to prepaid meters users monitored their household usage and also illegal connections were reduced.

**Contracted services**

The actual expenditure is above the budget. The variance was due to additional securities to new completed facilities.

**General expenses**

A lot of maintenance of roads was undertaken during the year and this resulted in an increase in related expenditure such as advertising, fuel and oil.

**Capital expenditure**

Prior year overspending due to earlier implementation of projects resulted in current year underspending.

**42. Material losses**

Electricity distribution losses

Kwh units purchased from Eskom	(14 725 166)	(16 058 008)
Kwh units sold per billing system statistics	10 207 520	8 399 434
<b>Distribution losses</b>	<b>(4 517 646)</b>	<b>(7 658 574)</b>
	<u>30,00 %</u>	<u>47,69 %</u>

The losses are as a result of illegal connections, faulty meters, incorrect meter readings and other sundry distribution losses. The current year value of the losses was R 4 517 646 ( 2018: R7 207 383)

**43. VAT receivable**

VAT	315 190	22 061 586
	<u>                    </u>	<u>                    </u>

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

# Greater Letaba Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

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<b>44. Finance lease obligation</b>		
<b>Minimum lease payments due</b>		
- within one year	390 496	411 156
- in second to fifth year inclusive	-	389 190
<b>Present value of minimum lease payments</b>	<b>390 496</b>	<b>800 346</b>

It is municipality policy to lease certain equipment under finance leases. The Municipality have entered into a finance lease to lease multipurpose printers with EduSolution

The average lease term was 3 years

Interest rates are linked to prime at the contract date.

### 45. Debt impairment

Debt impairment - consumer debtors	22 027 623	17 980 255
Debt impairment - traffic fines and other	410 525	1 219 672
	<b>22 438 148</b>	<b>19 199 927</b>

### 46. Going concern

We draw attention to the fact that at 30 June 2019, the municipality had an accumulated surplus of R 935 868 290 and that the municipality's total assets exceed its liabilities by R935 868 290.

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

### 47. Prior period error

The following prior period errors were identified and the corrections have now been made to amounts previously reported in the annual financial statements of the college.

#### Property, Plant and Equipment:

Accumulated repreciation related to Property plant and equipment was misstated in prior year by R222 419.66. The error was corrected in current year

Property, Plant and equipment related to roads was misstated in prior year due to rentention of R238 772.34. The error was corrected in current year

#### Finance lease obligations:

Finance Lease liabilities was misstated in prior year by R64 168.69. The error was corrected in current year

#### Payables from exchange transactions

The retentions to the value of R274 486 was not raised in the year 2018

#### VAT Receivable

VAT of R35 802 relating to retentions was not raised.

#### Inventory

The expenditure amounting to R11 087 721 relating to the electrication of households was not expensed.

#### General expenses



# Greater Letaba Municipality

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## Notes to the Annual Financial Statements

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### 47. Prior period error (continued)

The general expenses were understated by R11 087 721 relating to the electrification of households and R64 168.69 relating to finance lease.

#### Depreciation

Depreciation was overstated by R223 747.

The correction of the errors results in adjustments as follows:

#### Statement of financial position

	As previously reported	Correction of error	Re - Classification	2018 Restated
Property, plant and equipment	814 565 410	222 420	238 772	815 026 602
Vat receivable	22 025 783	35 802	-	22 061 585
Inventory	11 923 220	(11 087 721)	-	835 499
Payables from exchange transactions	(56 139 539)	(274 486)	-	(56 414 025)
Finance Lease Obligations	(736 178)	(64 169)	-	(800 347)
	<b>791 638 696</b>	<b>(11 168 154)</b>	<b>238 772</b>	<b>780 709 314</b>

#### Statement of financial performance

	As previously reported	Correction of error	2018 Restated
Depreciation and amortisation	28 680 827	(223 747)	28 457 080
General expenses	75 634 028	11 151 890	86 785 918
	<b>104 314 855</b>	<b>10 928 143</b>	<b>115 242 998</b>