



LETSEMENG LOCAL MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2008

I am responsible for the preparation of these financial statements, which are set out on page 3 to 44, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 19 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

Municipal Manager
MS L WOLFF

Date

**LETSEMENG LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008**

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MEMBERS OF COUNCIL

Speaker and mayor	:	MA Mpatshela	
Councillor	:	EQ Malgas	: Health
Councillor	:	MG Modise	: Finance, Local Economic Development and Human Resources
Councillor	:	MJ Molosi	: Sports
Councillor	:	VA Mona	: Technical
Councillor	:	MA Mpatsetla	: Unassigned
Councillor	:	KW Nel	: Finance and Local Economic Development
Councillor	:	ME Nontshinga	: Human Resources and Sports
Councillor	:	M Prinsloo	: Technical
Councillor	:	MJ Raihlare	: Human resources
Councillor	:	CH Van Graan	: Finance and Local Economic Development

GENERAL INFORMATION

Country of incorporation and domicile	South Africa
Nature of operations and principal activities	Providing municipal services and maintain the best interest of the local community mainly in the Letsemeng area
Grading of the municipality	The Letsemeng Local Municipality is a Grade Two Local Authority in terms of item IV of Government Notice R999 of 2 October 2001, published in terms of the Remuneration of Public Office Bearers Act, 1998
Registered address	Civic Centre 7 Groot Trek Street Koffiefontein 9986
Postal address	Private Bag X3 Koffiefontein 9986
Auditors	The Auditor - General: Free State
Bankers	ABSA Bank, First National Bank and Standard Bank
Attorneys	Bokwa Attorneys

LETSEMENG LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2008

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	Note	2008 R	2007 R
ASSETS			
Current assets		3 695 028	21 091 893
Consumer receivables	1	2 484 752	2 359 952
Other receivables	2	407 125	507 787
Cash and cash equivalents	34	803 151	18 224 154
Non-current assets		119 949 160	90 876 682
Property, plant and equipment	4	119 933 241	90 860 763
Investments	5	15 919	15 919
Total assets		123 644 188	111 968 575
LIABILITIES			
Current liabilities		20 192 148	8 400 556
Consumer deposits	6	422 281	420 839
Payables	7	664 155	633 765
Accruals	8	906 667	625 113
Unspent conditional grants and receipts	9	334 367	3 523 041
Deferred grants	10	17 108 995	-
Taxes payable	11	351 512	1 253 451
Current portion of long-term liabilities	12	209 934	350 120
Bank overdraft	34	194 237	1 594 227
Non-current liabilities			
Long - term liabilities	12	-	298 279
Total liabilities		20 192 148	8 698 835
Net assets		103 452 040	103 269 740
NET ASSETS			
Government grant reserve	13	69 922 079	69 922 079
Accumulated surplus/(deficit)		33 529 961	33 347 661
Total net assets and liabilities		103 452 040	103 269 740

LETSEMENG LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2008

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	Notes	Actual 2008 R	Actual 2007 R
Revenue			
Property rates	14	3 241 859	2 814 134
Services charges	15	20 412 252	19 621 600
Rental of building		326 437	316 494
Interest earned - external investments		2 592 649	2 765 425
Interest - other		-	11 529
Dividends received		4 648	2 910
Government grants and subsidies	16	21 490 122	32 472 608
Other income	17	8 488 448	200 766
Bad debts recovered		10 802	85 991
Total Revenue		56 567 217	58 291 457
EXPENDITURE			
Employee related costs	18	14 100 170	12 597 127
Remuneration of councillors	19	1 523 300	1 484 787
Bad debts		8 682 998	8 876 527
Depreciation	23	6 742 998	4 893 044
Repairs and maintenance		3 863 876	2 582 969
Interest paid	20	134 172	209 405
Bulk purchases	21	5 393 990	4 368 448
General expenses	29	15 943 413	14 737 984
Total Expenditure		56 384 917	49 750 291
SURPLUS FOR THE YEAR		182 300	8 541 166

Refer to Appendix E for the comparison with the approved budget.

LETSEMENG LOCAL MUNICIPALITY
 STATEMENT OF CHANGES IN NET ASSETS
 FOR THE YEAR ENDED 30 JUNE 2008

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	Government Grant Reserve	Accumulated Surplus/(Deficit)	TOTAL
Balance at 30 June 2006	56 152 208	38 576 366	94 728 574
Surplus/(deficit) for the year	-	8 541 166	8 541 166
Capital grants used to purchase Property, Plant and Equipment	18 129 219	(18 129 219)	-
Offsetting depreciation	(4 359 348)	4 359 348	-
Balance at 30 June 2007	69 922 079	33 347 661	103 269 740
Surplus/(deficit) for the year	-	182 300	182 300
Balance at 30 June 2008	69 922 079	33 529 961	103 452 040

Note

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LETSEMENG LOCAL MUNICIPALITY
CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2008

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	Notes	2008 R	2007 R
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers and government	31	45 262 784	57 304 438
Cash paid to suppliers and employees	32	(27 494 423)	(32 837 429)
Cash generated by operations	33	17 768 361	24 467 009
Interest received		2 592 649	2 776 954
Interest paid		(134 172)	(209 405)
Dividends received		4 648	2 910
NET CASH FLOW FROM OPERATING ACTIVITIES		20 231 486	27 037 468
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(35 815 476)	(27 012 617)
NET CASH FLOW FROM INVESTING ACTIVITIES		(35 815 476)	(27 012 617)
CASH FLOWS FROM FINANCING ACTIVITIES			
Loans repaid		(438 465)	(350 120)
Increase in consumer deposits		1 442	42 896
NET CASH FLOW FROM FINANCING ACTIVITIES		(437 023)	(307 224)
NET DECREASE IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at the beginning of the year		16 629 927	16 912 300
Cash and cash equivalents at the end of the year	34	608 914	16 629 927

1. **BASIS OF PREPARATION**

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP) and the Standards of Generally Accepted Municipal Accounting Practices (GAMAP) prescribed by the Minister of Finance in terms of General Notice 991 and 992 of 2005.

The standards are summarised as follows:

Standard	Title of Standard
GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GAMAP 4	The Effects of Changes in Foreign Exchange Rates
GAMAP 6	Consolidated Financial Statements and Accounting for Controlled Entities
GAMAP 7	Accounting for Investments in Associates
GAMAP 8	Financial Reporting of Interests in Joint Ventures
GAMAP 9	Revenue
GAMAP 12	Inventories
GAMAP 17	Property, Plant and Equipment
GAMAP 19	Provisions, Contingent Liabilities and Contingent Assets
GAMAP 6, 7 and 8 have been complied with to the extent that the requirements in these standards relate to the municipality's separate financial statements.	

Standards of accounting policies for material transactions, events or conditions not covered by the above GRAP and GAMAP have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3. These accounting policies and the applicable disclosures have been based on the South African Statements of Generally Accepted Accounting Practices (SA GAAP) including any interpretations of such Statements issued by the Accounting Practices Board.

The effective Standards of GRAP issued by the Accounting Standards Board replacing the equivalent SA GAAP Statements are as follows:

Standard of GRAP	Replaced Statement of GAAP
GRAP 1: Presentation of financial statements	AC 101: Presentation of financial statements
GRAP 2: Cash flow statements	AC 118: Cash flow statements
GRAP 3: Accounting policies, changes in accounting estimates and errors	AC 103: Accounting policies, changes in accounting estimates and errors

1. **BASIS OF PREPARATION (continue)**

Currently the recognition and measurement principles in the above GRAP and SA GAAP do not differ or result in material differences in items presented and disclosed in the financial statements. The implementation of GRAP 1, 2 & 3 has resulted in the following changes in the presentation of the financial statements:

1. Terminology differences:

Standard of GRAP	Replaced Statement of SA GAAP
Statement of financial performance	Income statement
Statement of financial position	Balance sheet
Statement of changes in net assets	Statement of changes in equity
Net assets	Equity
Surplus/deficit	Profit/loss
Accumulated surplus/deficit	Retained earnings
Contributions from owners	Share capital
Distributions to owners	Dividends

2. The cash flow statement can only be prepared in accordance with the direct method.

3. Specific information has been presented separately on the Statement of Financial Position such as:

- (a) Receivables from non-exchange transactions, including taxes and transfers
- (b) Taxes and transfers payable
- (c) Trade and other payables from non-exchange transactions

4. Amount and nature of any restrictions on cash balances is required.

The Minister of Finance has, in terms of General notice 552 of 2007, in Government Gazette no. 30013 of 29 June 2007, exempted compliance with certain of the above mentioned standards and aspects or parts of these standards. Details of the exemptions applicable to the municipality have been provided in the notes to the annual financial statements, however the municipality are exempted from the requirements of the following standards:

Standard	Title of Standard
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GAMAP 9	Revenue
GAMAP 12	Inventories
GAMAP 17	Property, Plant and Equipment
IFRS 5 (AC 142)	Non-current Assets held for Sale and Discontinued Operations
IFRS 7 (AC 144)	Financial Instruments: Disclosure
IAS 20 (AC 134)	Accounting for Government Grants and Disclosure of Government Assistance
IAS 36 (AC 128)	Impairment of Assets
IAS 38 (AC 129)	Intangible Assets
IAS 39 (AC 133) IAS 32 (AC 125) SAICA Circular 09/2006	Financial Instruments: Presentation
	Financial Instruments: Recognition and Measurement
	Transactions giving rise to Adjustments to Revenue/Purchases
IAS 40 (AC 135)	Investment Property

A summary of the significant accounting policies, which have been consistently applied, together with an indication of the effects of General Notice 552 of 2007, Government Gazette no. 30013 of 29 June 2007, is disclosed below.

2. BASIS OF ACCOUNTING (continue)

The entity prepares its financial statements, except for cash flow information, using the accrual basis of accounting.

The financial statements are prepared on the historical cost basis, except where otherwise indicated.

3. STANDARDS ISSUED NOT YET EFFECTIVE

The following GRAP Standards have been approved but are not yet effective:

Standard of GRAP	Effective Date of Standard
GRAP 4 - The Effects of changes in Foreign Exchange Rates	01 July 2008
GRAP 5 - Borrowing Costs	01 July 2008
GRAP 6 - Consolidated and Separate Financial Statements	01 July 2008
GRAP 7 - Investments in Associate	01 July 2008
GRAP 8 - Interest in Joint Ventures	01 July 2008
GRAP 9 - Revenue from Exchange Transactions	01 July 2008
GRAP 10 - Financial Reporting in Hyperinflationary Economies	01 July 2008
GRAP 11 - Construction Contracts	01 July 2008
GRAP 12 – Inventories	01 July 2008
GRAP 13 – Leases	01 July 2008
GRAP 14 - Events after the Reporting Date	01 July 2008
GRAP 16 - Investment Property	01 July 2008
GRAP 17 - Property Plant and Equipment	01 July 2008
GRAP 18 - Segment Reporting	Unknown
GRAP 19 - Provisions, Contingent Liabilities	01 July 2008
GRAP 23 - Revenue from Non-exchange Transactions (Taxes and Transfers)	Unknown
GRAP 24 - Presentation of Budget	Unknown
GRAP 100 - Non-current Assets held for Sale	01 July 2008
GRAP 101 – Agriculture	01 July 2008
GRAP 102 - Intangible Assets	01 July 2009

Effect:

The effect of adopting these GRAP Standards when they become effective is not expected to have a significant impact on the financial statements as the principles are similar to those already applied under the equivalent Statements of SA GAAP and GAMAP.

3. STANDARDS ISSUED NOT YET EFFECTIVE (continue)

The following amendments to SA GAAP Standards have been approved but are not yet effective:

Standard amended	Effective Date of amendment
IFRS 2(AC 139) IFRS 2 – Share-based Payment: Vesting Conditions and Cancellations	01 January 2009
IFRS 3(AC 140) Business Combinations	01 July 2009
IFRS 8(AC 145) Operating Segments	01 January 2009
IAS 1(AC 101) Presentation of Financial Statements	01 January 2009
IAS 23(AC 114) Borrowing Costs	01 January 2009
IAS 27(AC 132) Consolidated and Separate Financial Statements	01 July 2009
IAS 32(AC 125) IAS 1(AC 101) Financial Instruments: Presentation and Presentation of financial Statements: Puttable Financial Instruments and Obligations Arising on Liquidation	01 January 2009
IFRIC 12(AC 445) Service Concession Arrangements	01 January 2008
IFRIC 13(AC 446) Customer Loyalty Programmes	01 July 2008
IFRIC 14(AC 447) The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	01 January 2008

Effect:

The effect of adopting these amendments when they become effective is not expected to have a significant impact on the financial statements or is not applicable to the entity.

4. PRESENTATION CURRENCY

The financial statements are presented in South African Rand.

5. SIGNIFICANT JUDGEMENTS

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

5. SIGNIFICANT JUDGEMENTS (continue)

Impairment testing

The entity reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. If there are indications that impairment (i.e. carrying amount is less than recoverable amount) may have occurred, estimates are prepared of expected future cash flows for each group of assets.

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.

Provisions

Provisions were raised and management determined an estimate based on the information available.

6. PROPERTY PLANT AND EQUIPMENT

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

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

Costs include costs (cash or cash price equivalent) 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.

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

The residual value and the useful life of each asset are reviewed annually.

Where estimates differ from those previously assessed the change is recognised as a change in estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately over its estimated useful life. Those items of property, plant and equipment which are of such a nature that they are replaced as a whole and not in terms of component parts, are not broken down into significant components as the useful lives of the components are expected to approximate the useful lives of the items taken as a whole.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset. Depreciation is provided, using the straight line method, on all property, plant and equipment to write down their cost over their estimated useful lives to their estimated residual values. Where the residual value of an asset item is considered to be insignificant it is also considered to be immaterial in the calculation of the depreciable amount of those assets.

Depreciation is provided as follows:

Infrastructure	Years	Other	Years
Roads and paving	30	Buildings	30
Pedestrian malls	30	Specialised vehicles	10
Electricity	20-30	Other vehicles	5
Water	15-20	Office equipment	3-7
Sewerage	30	Furniture and fittings	7-10
Housing	30	Watercraft	15
Community		Bins and containers	5
Buildings	30	Specialised plant and equipment	10-15
Recreational facilities	20-30	Other items of plant and equipment	2-5
Security	5	Landfill sites	15

6. PROPERTY PLANT AND EQUIPMENT (continue)

The gain or deficit arising from derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised.

Donated assets and assets obtained at less than fair value are accounted for at fair value. The difference between the fair value and the cash consideration is accounted for using the accounting policy relating to the accounting of non-exchange revenue.

Letsemeng Local Municipality measures property, plant and equipment at cost less accumulated depreciation.

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

Land is not depreciated, except for landfill sites and quarries.

Depreciation commences when the assets are ready for their intended use.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

Impairment as well as the review of useful life of assets and depreciation method is exempted in accordance with the exemptions in Gazette no. 30013 of June 2007.

Intangible assets are not recognised in accordance with the exemptions in Gazette no. 30013 of June 2007.

7. NON-CURRENT ASSETS HELD FOR SALE (AND) (DISPOSAL GROUPS)

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets held for sale (or disposal group) are measured at the lower of its carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

8. IMPAIRMENT OF ASSETS

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

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

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed annually.
- tests goodwill acquired in a business combination for impairment annually.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

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

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

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

- first, to reduce the carrying amount of any goodwill allocated to the cash-generating unit and
- then, to the other assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

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

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

Impairment of assets is exempted in accordance with the exemptions in Gazette no. 30013 of 29 June 2007.

9. FINANCIAL INSTRUMENTS

Initial recognition

The entity classifies financial instruments, or their component parts, on initial recognition as a financial asset or a financial liability in accordance with the substance of the contractual arrangement.

Financial assets and financial liabilities are recognised on the entity's Statement of Financial Position when the entity becomes party to the contractual provisions of the instrument.

Fair value determination

Fair value information for trade and other receivables are determined as the present value of the estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the receivable, probability that the receivable will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the deficit is recognised in the Statement of Financial Performance within operating expenses. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against other income in the Statement of Financial Performance.

Trade and other receivables are classified as loans and receivables.

Trade and other payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

Cash and cash equivalents are classified as loans and receivables.

9. FINANCIAL INSTRUMENTS (continue)

Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the entity's accounting policy for borrowing costs.

Other financial liabilities are measured initially at fair value and subsequently at amortised cost, using the effective interest rate method.

Other loans and receivables

Other financial assets classified as loans and receivables are initially recognised at fair value plus transaction costs, and are subsequently carried at amortised cost less any accumulated impairment.

These financial assets are not quoted in an active market and have fixed or determinable payments.

Financial assets at fair value through surplus or deficit

Financial assets at fair value through surplus or deficit are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term.

Investments are recognised and derecognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned.

Investments are measured initially and subsequently at fair value, gains and deficits arising from changes in fair value are included in surplus or deficit for the period.

Transaction costs are recognised in surplus or deficit. Dividend income is recognised in the Statement of Financial Performance as part of other income when the entity's right to receive payment is established.

9. FINANCIAL INSTRUMENTS (continue)

Held to maturity

These financial assets are initially measured at fair value plus direct transaction costs.

At subsequent reporting dates these are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts. An impairment loss is recognised in surplus or deficit when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Financial assets that the entity has the positive intention and ability to hold to maturity are classified as held to maturity.

Impairment

At reporting date, the Municipality determines whether there is any objective evidence that a financial asset or group of financial assets is impaired.

If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortised cost has been incurred, the amount of the deficit is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit deficits that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced either directly or through use of an allowance account.

The amount of the deficit is recognised in surplus or deficit.

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and is settled by delivery of such an unquoted equity instrument, the amount of the impairment loss is measured as the differenc

9. FINANCIAL INSTRUMENTS (continue)

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in net assets and there is objective evidence that the asset is impaired, the cumulative deficit that had been recognised directly in net assets is removed and recognised in surplus or deficit even though the financial asset has not been derecognised.

The amount of the cumulative deficit that is removed from net assets and recognised in surplus or deficit are the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that financial asset previously recognised in surplus or deficit.

All financial instruments are stated at cost in accordance with the exemptions in Gazette no. 30013 of June 2007.

INVENTORIES

Inventories are measured at the lower of cost and net realisable value, except where the paragraph mentioned below applies.

Where inventories are held for:

- distribution at no charge or for a nominal charge, or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge

these inventories are measured at the lower of cost and current replacement cost.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

The following cost formulas are applied for every inventory class:

Inventory class: Measurement basis:
Consumable stores First-in-first out
Work-in-progress Weighted average

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

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

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all deficits of inventories are recognised as an expense in the period the write-down or deficit occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

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.

Finance leases - lessor

The entity recognises finance lease receivables on the Statement of Financial Position. Finance income is recognised based on a pattern reflecting a constant periodic rate of return on the entity's net investment in the finance lease.

Finance leases - lessee

The following situations would normally individually or in combination lead to a lease being classified as a finance lease and have been considered by the entity:

- lease transfers ownership of the asset to the lessee by the end to the lease term.
- the lessee has the option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option becomes exercisable for it to be reasonably certain, at the inception of the lease, that the option will be exercised.

- the lease term is for the major part of the economic life of the asset even if title is not transferred;
- at the inception of the lease the present value of the minimum lease payments amounts to at least substantially all of the fair value of the asset;
- the leased asset are of such a specialised nature that only the lessee can use them without major modifications;
- if the lessee can cancel the lease, the lessor's deficits associated with the cancellation are born by the lessee;
- gains or deficits from the fluctuation in the fair value of the residual accrue to the lessee;
- and
- the lessee has the ability to continue the lease for a secondary period at a rent that is substantially lower than market rent.

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

The discount rate used in calculating the present value of the minimum lease payments is the

10. LEASES (continue)

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

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets, or where shorter, the term of the relevant lease.

Operating leases - lessor

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

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

Income for leases is disclosed under revenue in the Statement of Financial Performance.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset. This liability is not discounted.

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

INTANGIBLE ASSETS

Moqhaka Local Municipality classifies assets that are non-monetary without physical substance as intangible assets.

When software is not an integral part of the related hardware, computer software is treated as an intangible asset.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
- the cost of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

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

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

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

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

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 definite 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.

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

12. EMPLOYEE BENEFITS

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted where the effect of discounting is immaterial.

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 expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the entity's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

Defined benefit plans

For defined benefit plans the cost of providing the benefits is determined using the projected credit unit method. Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

Consideration is given to any event that could impact the funds up to Statement of Financial Position date where the interim valuation is performed at an earlier date.

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight line basis over the average period until the amended benefits become vested.

To the extent that, at the beginning of the financial period, any cumulative unrecognised actuarial gain or deficit exceeds ten percent of the greater of the present value of the projected benefit obligation and the fair value of the plan assets (the corridor), that portion is recognised in the Statement of Financial Performance over the expected average remaining service lives of participating employees. Actuarial gains or deficits within the corridor are not recognised.

Gains or deficits on the curtailment or settlement of a defined benefit plan are recognised when the entity is demonstrably committed to curtailment or settlement.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset.

The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In the Statement of Financial Performance, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The amount recognised in the Statement of Financial Position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and deficits and unrecognised past service costs, and reduces by the fair value of plan assets.

Any asset is limited to unrecognised actuarial deficits, plus the present value of available refunds and reduction in future contributions to the plan.

13. PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Provisions are recognised when:

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

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation. The Municipality uses a pre-tax rate that reflects current market assessments of the time value of money and the risks for which future cash flow estimates have been adjusted. The Municipality does not discount the liability where the time value of money is not material.

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

Provisions are not recognised for future operating deficits.

If the entity has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

A constructive obligation to restructure arises only when the entity:

- has a detailed formal plan for the restructuring, identifying at least:
 - o the business or part of a business concerned;
 - o the principal locations affected;
 - o the location, function, and approximate number of employees who will be compensated for terminating their services;
 - o the expenditures that will be undertaken; and
 - o when the plan will be implemented; and

14. NON-EXCHANGE REVENUE

Letsemeng Local Municipality classifies revenue received from taxes and transfers (whether cash or non-cash, including grants, debt forgiveness, fines, bequests, gifts, donations and goods and services in-kind) as non-exchange revenue.

Revenue from non-exchange transactions is measured at fair value.

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 proportion basis only when leviable in terms of the law.

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received.

Donations are recognised on a cash receipt basis or when the donation is in the form of property, plant and equipment, when such items of property, plant and equipment are brought into use. Contributed property, plant and equipment are recognised when such items of property, plant and equipment are brought into use.

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

Revenue is recognised at cost in accordance with the exemptions Gazette no. 30013 of June 2007.

15. EXCHANGE REVENUE

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

- the entity has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Exchange Revenue comprises generally of service charges, property rates and government grants and subsidies .

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be est

15. EXCHANGE REVENUE (continue)

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue shall be recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

Contract revenue comprises:

- the initial amount of revenue agreed in the contract; and
- variations in contract work, claims and incentive payments:
- to the extent that it is probable that they will result in revenue; and
- they are capable of being reliably measured.

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for goods and services provided in the normal course of business.

Interest is recognised, in surplus or deficit, on a time proportionate basis using the effective interest rate method.

Royalties are recognised on the accrual basis in accordance with the substance of the relevant agreements.

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

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

Revenue is recognised at cost in accordance with the exemptions Gazette no. 30013 of June 2007.

16. GOVERNMENT GRANTS

Government grants are recognised when there is reasonable assurance that:

- the entity will comply with the conditions attaching to them; and
- the grants will be received.

Government grants are recognised as income over the periods necessary to match them with the related costs that they are intended to compensate.

A government grant that becomes receivable as compensation for expenses or deficits already incurred or for the purpose of giving immediate financial support to the entity with no future related costs is recognised as income in the period in which it becomes receivable.

Government grants related to assets, including non-monetary grants at fair value, are presented in the Statement of Financial Position by setting up the grant as deferred income which is released to the Statement of Financial Performance as the assets are depreciated i.e. as the cost are incurred which the grant is intended to compensate.

16. GOVERNMENT GRANTS (continue)

Grants related to income are presented as a credit in the Statement of Financial Performance (separately).

Repayment of a grant related to income is applied first against any un-amortised deferred credit set up in respect of the grant. To the extent that the repayment exceeds any such deferred credit, or where no deferred credit exists, the repayment is recognised immediately as an expense.

Repayment of a grant related to an asset is recorded by reducing the deferred income balance by the amount repayable.

17. UNAUTHORISED, IRREGULAR AND FRUITLESS AND WASTEFUL 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.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act, the Municipal Systems Act and the Public Office Bearers Act or any other applicable legislation, or in contravention of the Municipality's Supply Chain Management Policy. Irregular expenditure excludes unauthorised expenditure.

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised.

The Municipality recognises the expenditure relating to unauthorised, irregular or fruitless and wasteful expenditure as expenses in the Statement of Financial Performance in the year that the expenditure was incurred and classify the expenditure in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

18. COMPARATIVE FIGURES

Where necessary, comparative figures has been adjusted to conform to changes in the presentation in the current financial year.

Investments of the prior year had been reclassified as cash and cash equivalents. See note 25

	2008 R	2007 R
1 CONSUMER RECEIVABLES		
	Gross balance	Provision for bad debts
		Net Balance
As at 30 June 2007		
Service receivables	8 898 302	6 570 494
Rates	1 560 930	1 320 158
Electricity	675 275	273 946
Water	2 527 790	1 837 998
Sewerage	2 231 062	1 715 100
Refuse	1 903 245	1 423 292
Rentals	208 629	177 210
Sundries	238 456	237 731
Total	9 345 387	6 985 435
As at 30 June 2008		
Service receivables	9 754 308	7 318 646
Rates	1 592 417	1 274 941
Electricity	715 571	346 219
Water	2 667 612	2 040 635
Sewerage	2 527 786	1 961 998
Refuse	2 250 922	1 694 853
Rentals	282 287	237 948
Sundries	144 945	140 194
Total	10 181 540	7 696 788
Receivables Age Analysis		
Property Rates		
Current (0 – 30 days)	192 924	-
31 - 60 Days	68 216	161 541
61 - 90 Days	56 336	70 930
91 - 120 Days	1 274 941	46 175
121 - 365 Days	-	1 320 158
Total	1 592 417	1 598 804
Electricity		
Current (0 – 30 days)	302 407	-
31 - 60 Days	45 170	354 801
61 - 90 Days	21 775	46 862
91 - 120 Days	346 219	15 282
121 - 365 Days	-	273 630
Total	715 571	690 575
Water		
Current (0 – 30 days)	427 569	-
31 - 60 Days	105 036	525 008
61 - 90 Days	94 370	96 542
91 - 120 Days	2 040 637	95 088
121 - 365 Days	-	1 837 998
Total	2 667 612	2 554 636

	2008 R	2007 R
1 CONSUMER RECEIVABLES (continue)		
Sewerage		
Current (0 – 30 days)	406 183	-
31 - 60 Days	85 195	377 650
61 - 90 Days	74 409	79 327
91 - 120 Days	1 961 999	65 921
121 - 365 Days	-	1 715 100
Total	2 527 786	2 237 998
Refuse		
Current (0 – 30 days)	402 343	-
31 - 60 Days	82 688	359 385
61 - 90 Days	71 037	72 815
91 - 120 Days	1 694 854	59 227
121 - 365 Days	-	1 423 292
Total	2 250 922	1 914 719
Rentals		
Current (0 – 30 days)	16 671	-
31 - 60 Days	15 415	15 294
61 - 90 Days	13 462	12 132
91 - 120 Days	236 739	12 289
121 - 365 Days	-	177 210
Total	282 287	216 925
Reconciliation of the bad debt provision		
Balance at beginning of the year	6 985 436	10 307 667
Contributions to provision	9 394 350	8 876 527
Bad debts written off against provision	(8 682 998)	(12 198 758)
Balance at end of year	7 696 788	6 985 436
2 OTHER RECEIVABLES		
Selling scheme instalments	6 358	8 662
Pre-paid deposit: De Beers	713	713
Receivables: Pre-paid Electricity	5	278
Deposit electric pump	50 000	50 000
Deposits: Telephone	25 000	25 000
Receivables: Electricity and water	325 049	423 134
Total Other Receivables	407 125	507 787

	2008 R	2007 R
3 CURRENT ACCOUNT		
FNB (Primary bank account)		
Account Number - 52711568918		
Cash book balance at beginning of year - (credit)	(1 594 227)	(979 241)
Cash book balance at end of year - (credit)	<u>(194 237)</u>	<u>(1 594 227)</u>
Bank statement balance at beginning of year - (overdrawn)	(285 832)	(7 344)
Bank statement balance at end of year - (overdrawn)	<u>(303 466)</u>	<u>(285 832)</u>
FNB		
Account Number - 62058055156		
Cash book balance at beginning of year - (credit)	414 462	414 462
Cash book balance at end of year - (credit)	<u>-</u>	<u>414 462</u>
Bank statement balance at beginning of year - (overdrawn)	414 462	414 462
Bank statement balance at end of year - (overdrawn)	<u>-</u>	<u>414 462</u>
FNB		
Account Number - 62080932166		
Cash book balance at beginning of year - (credit)	374 975	374 975
Cash book balance at end of year - (credit)	<u>-</u>	<u>374 975</u>
Bank statement balance at beginning of year - (overdrawn)	374 975	374 975
Bank statement balance at end of year - (overdrawn)	<u>-</u>	<u>374 975</u>
FNB		
Account Number - 74142802476		
Cash book balance at beginning of year - (credit)	500 000	500 000
Cash book balance at end of year - (credit)	<u>-</u>	<u>500 000</u>
Bank statement balance at beginning of year - (overdrawn)	500 000	500 000
Bank statement balance at end of year - (overdrawn)	<u>-</u>	<u>500 000</u>
FNB		
Account Number - 74139383231		
Cash book balance at beginning of year - (credit)	1 267 164	1 267 164
Cash book balance at end of year - (credit)	<u>-</u>	<u>1 267 164</u>
Bank statement balance at beginning of year - (overdrawn)	1 267 164	1 267 164
Bank statement balance at end of year - (overdrawn)	<u>-</u>	<u>1 267 164</u>

	2008 R	2007 R
3 CURRENT ACCOUNT (continue)		
FNB		
Account Number - 70461072150		
Cash book balance at beginning of year - (credit)	<u>1 258 503</u>	1 258 503
Cash book balance at end of year - (credit)	<u>-</u>	<u>1 258 503</u>
Bank statement balance at beginning of year - (overdrawn)	<u>1 258 503</u>	1 258 503
Bank statement balance at end of year - (overdrawn)	<u>-</u>	<u>1 258 503</u>
ABSA		
Account Number - 9136670201		
Cash book balance at beginning of year - (credit)	<u>2 278 964</u>	2 278 964
Cash book balance at end of year - (credit)	<u>-</u>	<u>2 278 964</u>
Bank statement balance at beginning of year - (overdrawn)	<u>2 278 964</u>	2 278 964
Bank statement balance at end of year - (overdrawn)	<u>-</u>	<u>2 278 964</u>
ABSA		
Account Number - 2066629793		
Cash book balance at beginning of year - (credit)	<u>7 068 653</u>	7 068 653
Cash book balance at end of year - (credit)	<u>-</u>	<u>7 068 653</u>
Bank statement balance at beginning of year - (overdrawn)	<u>7 068 653</u>	7 068 653
Bank statement balance at end of year - (overdrawn)	<u>-</u>	<u>7 068 653</u>
STANDARD BANK		
Account Number - 551151119		
Cash book balance at beginning of year - (credit)	<u>1 029 351</u>	1 029 351
Cash book balance at end of year - (credit)	<u>802 348</u>	1 029 351
Bank statement balance at beginning of year - (overdrawn)	<u>1 029 351</u>	1 029 351
Bank statement balance at end of year - (overdrawn)	<u>802 348</u>	<u>1 029 351</u>
STANDARD BANK		
Account Number - 348702221		
Cash book balance at beginning of year - (credit)	<u>4 031 211</u>	4 031 211
Cash book balance at end of year - (credit)	<u>-</u>	<u>4 031 211</u>
Bank statement balance at beginning of year - (overdrawn)	<u>4 031 211</u>	4 031 211
Bank statement balance at end of year - (overdrawn)	<u>-</u>	<u>4 031 211</u>
Petty cash	<u>803</u>	870
Total Cash and Cash Equivalents	<u><u>608 914</u></u>	<u><u>16 629 927</u></u>

4 PROPERTY, PLANT AND EQUIPMENT

Reconciliation of Carrying Value	Buildings	Infra-structure	Community	Other Assets	Total
	R	R	R	R	R
30 June 2008					
Carrying values at 01 July 2007	7 837 074	72 764 737	8 015 749	2 243 203	90 860 763
Cost	9 500 054	97 338 742	9 204 685	4 766 491	120 809 972
Accumulated depreciation	(1 662 980)	(24 574 005)	(1 188 936)	(2 523 288)	(29 949 209)
Acquisitions	35 083	215 174	-	3 308 743	3 559 000
Under construction	2 463 569	26 471 073	3 205 096	116 738	32 256 476
Depreciation	(702 604)	(4 698 069)	(327 290)	(1 015 035)	(6 742 998)
Carrying values at 30 June 2008	9 633 122	94 752 915	10 893 555	4 653 649	119 933 241
Cost	11 998 706	124 024 989	12 409 781	8 191 972	156 625 448
Accumulated depreciation	(2 365 584)	(29 272 074)	(1 516 226)	(3 538 323)	(36 692 207)
30 June 2007					
Reconciliation of Carrying Value	Buildings	Infra-structure	Community	Other Assets	Total
	R	R	R	R	R
Carrying values at 01 July 2006	6 826 423	55 114 026	5 627 199	1 173 542	68 741 190
Cost	8 215 551	75 827 413	6 576 884	3 177 507	93 797 355
Accumulated depreciation	(1 389 128)	(20 713 387)	(949 685)	(2 003 965)	(25 056 165)
Acquisitions	1 284 503	21 511 329	2 627 801	1 588 984	27 012 617
Depreciation	(273 852)	(3 860 618)	(239 251)	(519 323)	(4 893 044)
Carrying values at 30 June 2007	7 837 074	72 764 737	8 015 749	2 243 203	90 860 763
Cost	9 500 054	97 338 742	9 204 685	4 766 491	120 809 972
Accumulated depreciation	(1 662 980)	(24 574 005)	(1 188 936)	(2 523 288)	(29 949 209)

Refer to Appendix B for more detail on property, plant and equipment.

The municipality did not review the useful life or the depreciation method used or residual values on the assets recognised in the annual financial statements due to the exemption granted in General Notice 522 of 2007, Government Gazette no. 30013 of 29 June 2007. Furthermore the municipality did not consider impairment as per the same exemption.

Included in land and buildings above are items that may meet the definition of investment property but have been included as property, plant and equipment as permitted in General Notice 522 of 2007, Government Gazette no. 30013 of 29 June 2007.

Immovable capital assets inventory is included under property, plant and equipment in accordance with the exemptions in General Notice 522 of 2007, Government Gazette no. 30013 of 29 June 2007.

The municipality did not apply the requirements of IFRS 5 in accordance with the exemptions in General Notice 522 of 2007, Government Gazette no. 30013 of 29 June 2007.

	2008 R	2007 R
5 INVESTMENTS		
Unlisted		
Senwes - Cost	15 919	15 919
Total Unlisted	<u>15 919</u>	<u>15 919</u>
<p>This comprises of a non-controlling interest of 3,600 Senwes Limited and 4,999 Senwes Beleggings Limited shares.</p>		
Council's Valuation of Unlisted Investments		
Senwes - Cost	<u>15 919</u>	<u>15 919</u>
6 CONSUMER DEPOSITS		
Electricity and water	<u>422 281</u>	<u>420 839</u>
7 PAYABLES		
Trade payables	<u>664 155</u>	<u>633 765</u>
8 ACCRUALS		
Staff leave	<u>906 667</u>	<u>625 113</u>
9 UNSPENT CONDITIONAL GRANTS AND SUBSIDIES		
Conditional grants from other spheres of Government		
Municipal Systems Improvement Grant	30 000	-
Customer Care	107 267	-
Blue Diamond	197 100	-
Municipality Infrastructure Grant	-	(1 013 520)
Website - Free State Provincial Treasury	-	49 123
Department of Water Affairs and Forestry - Water Projects	-	392 506
Department of Local Government and Housing - Bucket Eradication	-	4 094 932
Total Unspent Conditional Grants and Subsidies	<u>334 367</u>	<u>3 523 041</u>
<p>See note 16 for reconciliation of grants from other spheres of government. These amounts are invested until utilized. The amounts will be recognised as revenue when the qualifying expenditure is incurred. No grants were withheld due to unfulfilled conditions.</p>		
10 DEFERRED GRANTS		
Municipality Infrastructure Grant	12 964 940	-
Website - Free State Provincial Treasury	49 123	-
Department of Local Government and Housing - Bucket Eradication	4 094 932	-
	<u>17 108 995</u>	<u>-</u>
<p>Grant expenses incurred but the related assets are not yet ready for use. Once the related assets are ready for use the grant received will be realised through the Statement of Financial Performance.</p>		

	2008 R	2007 R
11 TAXES PAYABLE		
VAT payable	<u>351 512</u>	<u>1 253 451</u>

VAT is payable on the cash basis. Only when payment is received from receivables is VAT paid over to SARS.

12 LONG TERM LIABILITIES		
External loans	209 934	648 399
Less: Current portion transferred to current liabilities	<u>(209 934)</u>	<u>(350 120)</u>
Total External Loans	<u>-</u>	<u>298 279</u>

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

13 RESERVES		
Government Grant Reserve	<u>69 922 079</u>	<u>69 922 079</u>

When items of property, plant and equipment are financed from government grants, a transfer is made from accumulated surplus/(deficit) to the Government Grant Reserve equal to the Government Grant recorded as revenue in the Statement of Financial Performance in accordance with a directive issued by National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the Government Grant Reserve to accumulated surplus/(deficit). The purpose of this policy is to promote community equity by ensuring that the future depreciation expenses that will be incurred over the estimated useful lives of the items of property, plant and equipment are offset by transfers from this Reserve to the accumulated surplus/(deficit).

When an item of property, plant and equipment financed from government grant are disposed of, the balance in the Government Grant Reserve relating to such item is transferred to the accumulated surplus/(deficit).

14 PROPERTY RATES		
<u>Actual</u>		
Residential	1 871 004	1 707 580
Commercial	764 152	604 518
State	606 703	502 036
Total Assessment Rates	<u>3 241 859</u>	<u>2 814 134</u>

<u>Property Valuations</u>		
Residential	110 907 680	110 907 680
Commercial	24 280 380	24 280 380
State	29 467 420	29 467 420
Municipal	64 125 695	64 125 695
Total Property Valuations	<u>228 781 175</u>	<u>228 781 175</u>

Valuation on land and buildings are performed every four years. The last valuation came into effect on 1 July 2004. Property valuations should be done during the 2008/2009 financial year and the tender process has been started. Various rates are applied to property valuations to determine assessment rates. Rebate of 2% is applied to residential, 30% is applied to state property owners, 0% on commercial property and 100% on municipal property. Rates are levied on a monthly basis on property owners.

	2008 R	2007 R
15 SERVICE CHARGES		
Sale of electricity	7 418 123	7 014 558
Sale of water	4 842 403	4 687 871
Refuse removal	4 002 224	3 675 698
Sewerage and sanitation charges	4 149 502	4 243 473
Total Service Charges	20 412 252	19 621 600
16 GOVERNMENT GRANTS AND SUBSIDIES		
Equitable Share	19 514 483	16 454 613
Municipal Systems Improvement Grant	120 000	-
Financial Management Grant	500 000	527 926
Municipality Infrastructure Grant	-	13 557 392
Department of Local Government and Housing - Urban Planning	300 700	280 000
Website - Free State Provincial Treasury	-	50 877
Department of Mineral & Energy Affairs Grant - Customer Care	192 733	-
Department of Mineral & Energy Affairs Grant - Electrification of Stands	-	800 000
Department of Water Affairs and Forestry - Water Projects	392 506	300 000
Department of Water Affairs and Forestry - Feasibility Study	-	501 800
Department of Local Government and Housing	426 800	-
Blue Diamond	42 900	-
Total Government Grant and Subsidies	21 490 122	32 472 608
16.1 Equitable Share		
Balance unspent at beginning of year	-	-
Current year receipts	19 514 483	16 454 613
Conditions met - transferred to revenue	(19 514 483)	(16 454 613)
	-	-
In terms of the Constitution of the Republic of South Africa, No. 108 of 1996, this grant is used to subsidise the provision of basic and administrative services to indigent community members and to subsidise income.		
16.2 Municipal Infrastructure Grant		
Balance unspent at beginning of year	(1 013 520)	-
Current year receipts	13 978 460	12 543 872
Conditions met - transferred to revenue	-	(13 557 392)
Expenses incurred but assets not yet ready for use - transferred to deferred grants (note 10)	(12 964 940)	-
Conditions still to be met - transferred to current liabilities (note 9)	-	(1 013 520)
The grant is used to supplement municipal capital budgets to eradicate backlogs in municipal infrastructure utilised in providing basic services for the benefit of poor households. The grant was used to construct roads and sewerage infrastructure as part of the upgrading of informal settlement areas.		
16.3 Financial Management Grant		
Balance unspent at beginning of year	-	27 926
Current year receipts	500 000	527 926
Conditions met - transferred to revenue	(500 000)	(555 852)
Conditions still to be met - transferred to liabilities	-	-
The purpose of the grant is to promote and support reforms to financial management and the implementation of the Municipal Finance Management Act.		

	2008 R	2007 R
16 GOVERNMENT GRANTS AND SUBSIDIES (continue)		
16.4 Municipal Systems Improvement Grant		
Balance unspent at beginning of year	-	-
Current year receipts	150 000	-
Conditions met - transferred to revenue	(120 000)	-
Conditions still to be met - transferred to liabilities (note 9)	<u>30 000</u>	<u>-</u>

The fund is used to assist the local municipalities to perform their functions and stabilise institutional and governance systems as required by the Municipal Systems Act of 2000.

16.5 Department of Local Government and Housing - Urban Planning

Balance unspent at beginning of year	-	-
Current year receipts	300 700	280 000
Conditions met - transferred to revenue	(300 700)	(280 000)
Conditions still to be met - transferred to liabilities	<u>-</u>	<u>-</u>

The grant was received for the establishment of a township. The relevant conditions of the grant were met.

16.6 Website - Free State Provincial Treasury

Balance unspent at beginning of year	49 123	-
Current year receipts	-	100 000
Conditions met - transferred to revenue	-	(50 877)
Expenses incurred but assets not yet ready for use - transferred to deferred grants (note 10)	(49 123)	-
Conditions still to be met - transferred to liabilities (note 9)	<u>-</u>	<u>49 123</u>

Provincial grant for the establishment and operation of a website. The grant is for the period April 2007 to March 2008. The conditions have been met up to this stage.

16.7 Department of Local Government and Housing - Customer Care

Balance unspent at beginning of year	-	-
Current year receipts	300 000	-
Conditions met - transferred to revenue	(192 733)	-
Conditions still to be met - transferred to liabilities (note 9)	<u>107 267</u>	<u>-</u>

The grant was for the appointment of service providers for the development of the Integrated Development Plan. The conditions of the grant were met.

16.8 Department: Mineral & Energy Affairs: Electrification of Stands

Balance unspent at beginning of year	-	-
Current year receipts	-	800 000
Conditions met - transferred to revenue	-	(800 000)
Conditions still to be met - transferred to liabilities	<u>-</u>	<u>-</u>

The grant was for the electrification of stands in Dittlhahe. The conditions of the grant were met.

	2008 R	2007 R
16 GOVERNMENT GRANTS AND SUBSIDIES (continue)		
16.9 Department of Water Affairs and Forestry - Water Projects		
Balance unspent at beginning of year	392 506	-
Current year receipts	-	692 506
Conditions met - transferred to revenue	<u>(392 506)</u>	<u>(300 000)</u>
Conditions still to be met - transferred to liabilities (note 9)	<u>-</u>	<u>392 506</u>
Grant for the water projects at Oppermans and Koffiefontein. The amounts have not been fully utilised.		
16.10 Department of Water Affairs and Forestry - Feasibility Study		
Balance unspent at beginning of year	-	-
Current year receipts	-	501 800
Conditions met - transferred to revenue	<u>-</u>	<u>(501 800)</u>
Conditions still to be met - transferred to liabilities	<u>-</u>	<u>-</u>
16.11 Department of Local Government and Housing - Bucket Eradication		
Balance unspent at beginning of year	4 094 932	-
Current year receipts	-	4 094 932
Conditions met - transferred to revenue	-	-
Expenses incurred but assets not yet ready for use - transferred to deferred grants (note 10)	<u>(4 094 932)</u>	<u>-</u>
Conditions still to be met - transferred to liabilities (note 9)	<u>-</u>	<u>4 094 932</u>
Provincial Grant for infrastructural improvements. To be used only after the Municipality Infrastructure Grant has been depleted, but before March 2008.		
16.12 Department of Local Government and Housing		
Balance unspent at beginning of year	-	-
Current year receipts	426 800	-
Conditions met - transferred to revenue	<u>(426 800)</u>	<u>-</u>
Conditions still to be met - transferred to liabilities	<u>-</u>	<u>-</u>
Provincial grant for site establishment.		
16.13 Blue Diamond		
Balance unspent at beginning of year	-	-
Current year receipts	240 000	-
Conditions met - transferred to revenue	<u>(42 900)</u>	<u>-</u>
Conditions still to be met - transferred to liabilities (note 9)	<u>197 100</u>	<u>-</u>
Grant received for the feasibility study for the wine and diamond routes and bottling plant in Jacobsdal.		
16.14 Changes in levels of government grants		
Based on the allocations set out in the Division of Revenue Act, (2006), no significant changes in the level of government grant funding are expected over the forthcoming two financial years.		

	2008 R	2007 R
17 OTHER INCOME		
Agreements	65 300	15 814
Building plan fee	4 108	4 146
Call out fees	83 725	3 607
Counter surplus	-	146
Court fines	2 952	42 990
Grave plots	24 148	28 517
Inter-departmental charges	7 974 808	-
Library donations	1 080	1 112
Library lost books	370	1 075
Library penalty	410	797
Photostats	1 453	757
Posters	7	-
Poundfee	(4 476)	1 775
Pre-paid card	4 087	592
Reconnection fees	542	59 054
Refuse bags	153 886	-
Selling instalments	720	4 020
Special events	15 682	-
Tax certificate	100	10 894
Tender documents	-	3 600
Test meter	74 195	86
Trading licences	28 440	3 935
Other	56 911	17 849
Total Other Income	8 488 448	200 766

18 EMPLOYEE RELATED COSTS		
Employee related costs - Salaries and Wages	9 433 691	9 065 386
Employee related costs - Contributions to UIF, pensions and medical aids	1 793 328	1 610 450
Travel, motor car and other allowances	1 465 860	780 333
Housing benefits and allowances	93 336	73 337
Overtime payments	526 311	540 306
Annual bonus	594 403	527 315
Redemption of leave	193 241	-
Total Employee Related Costs	14 100 170	12 597 127

There were no advances to employees.

Remuneration of the Municipal Manager

Annual Remuneration	422 989	319 455
Back pay	23 326	-
Car Allowance	149 342	149 342
Telephone	9 000	9 000
Contributions to UIF, Medical and Provident Funds	3 996	72 723
Total	608 653	550 520

The current Municipal Manager was appointed on 1 February 2002.

	2008 R	2007 R
18 EMPLOYEE RELATED COSTS (continue)		
Remuneration of the Chief Finance Officer		
Annual Remuneration	294 083	270 469
Back pay	19 223	-
Car Allowance	108 000	108 000
House Allowance	36 000	36 000
Telephone	-	1 500
Contributions to UIF, Medical and Provident Funds	13 001	20 014
Total	470 307	435 983

The current Chief Financial Officer was appointed on 12 June 2006.

Remuneration of the individual Executive Directors:

Remuneration of the Head: Technical Services

Annual Remuneration	366 697	349 083
Back pay	19 223	-
Car Allowance	84 000	84 000
Telephone	-	1 500
Contributions to UIF, Medical and Provident Funds	387	1 403
Redemption of leave	23 283	-
Total	493 590	435 986

The current Technical Manager was appointed on 12 June 2006.

Remuneration of the Head: Corporate Services

Annual Remuneration	322 697	206 200
Back pay	19 223	-
Car Allowance	96 000	80 000
Housing Allowance	-	60 000
Telephone	3 000	500
Bonuses	34 983	29 150
Contributions to UIF, Medical and Provident Funds	26 557	19 167
Total	502 460	395 017

The current Corporate Manager was appointed on 1 September 2006.

No performance bonuses were paid or provided for, for the current and comparative year.

19 REMUNERATION OF COUNCILLORS

Mayor / Speaker	261 383	343 374
Councillors allowances	1 238 359	1 123 379
Councillors' pension contribution	23 558	11 141
Councillors' medical contribution	-	6 893
Total Councillors' Remuneration	1 523 300	1 484 787

The Minister of Provincial Government changed the remuneration of councillors to total remuneration packages by means of Government Notice number 8808 in Government Gazette no. 30600 dated 18 December 2007. This means that the council's contribution to pension and medical aid funds of 2007 is included in the abovementioned figures.

In kind benefits

The Speaker is a full-time employee of the entity. The Speaker is provided with an office and secretarial support at the cost of the Council.

20 INTEREST PAID

Long term liabilities	77 834	123 696
Bank overdraft	56 338	85 709
Total Interest on External Borrowings	134 172	209 405

	2008 R	2007 R
21 BULK PURCHASES		
Electricity	4 047 583	3 578 687
Water	1 346 407	789 761
Total bulk purchases	5 393 990	4 368 448
22 CAPITAL COMMITMENTS		
Commitments in respect of capital expenditure		
Approved and contracted for:	15 800 000	26 287 724
Infrastructure	15 800 000	22 612 724
Community	-	3 675 000
Approved but not yet contracted for:	11 120 000	45 043 000
Infrastructure	10 820 000	43 843 000
Community	300 000	1 200 000
Total	26 920 000	71 330 724
23 DEPRECIATION		
Buildings	702 604	273 852
Infrastructure	4 698 069	3 860 618
Community assets	327 290	239 251
Other assets	1 015 035	519 323
	6 742 998	4 893 044

24 PRIOR PERIOD ERROR

24.1	In the prior year money market accounts were re-classified to cash and cash equivalents. These represent money market accounts that were incorrectly classified as investments in the prior year. <u>Statement of Financial Position</u>	
	Decrease in investments	(18 223 284)
	Increase in cash and cash equivalents	18 223 284
24.2	In the prior year payables were re-classified to accruals. These represent staff leave that were incorrectly classified as payables in the prior year. <u>Statement of Financial Position</u>	
	Decrease in payables	(906 667)
	Increase in accruals	906 667

The municipality did not record all prior period errors, in line with the exemptions granted in General Notice 522 of 2007, Government Gazette no. 30013 of 29 June 2007.

25 RETIREMENT BENEFIT INFORMATION

Letsemeng Local Municipality and its employees contribute to the SALA Pension Fund and other employees of Letsemeng Local Municipality contribute to the SAMWU, Free State Provident Funds, which provides retirement benefits to such employees. The retirement benefit plan is subject to the Pension Funds Act of 1956, with pensions being calculated on the final pensionable remuneration paid. Current contributions are charged against operating income .

No actuarial information was available for the SALA Pension Fund when the financial statements were prepared.

The municipality has accounted for the defined benefit plans as a defined contribution plan in terms of General Notice 522 of 2007, Government Gazette no. 30013 of 29 June 2007.

26 CONTINGENT LIABILITY

No contingent liabilities are existing at the reporting date.

	2008 R	2007 R
27 CONTINGENT ASSET		
No contingent assets are expected.		
28 IN - KIND DONATION AND ASSISTANCE		
No in-kind donations and assistance were received by the municipality during the year.		
29 GENERAL EXPENSES		
General expenses include the following significant items:		
Administration	7 992 910	8 134 339
Advertisement	177 933	82 910
Audit costs - note 30	370 602	492 641
Bank charges	83 963	66 979
Chemicals	738 256	560 653
Consultants	173 684	-
Delegations	530 376	194 799
Donations	-	3 754
Education	27 965	35 975
Electricity charge	478 116	1 440 782
Entertainment general	136 456	121 692
Entertainment manager	887	6 296
Finance Management Grant expenses	508 834	500 446
Fuel	649 160	517 733
Funeral costs	9 500	47 590
Insurance short term	363 076	325 593
Legal expenses	21 400	148 470
Licenses	310 248	87 763
Lost books	599	2 002
Material and inventory	-	1 227
Members subscriptions	153 055	44 228
Office expenditure	265 342	-
Postage and private bag	59 703	36 533
Printing and stationery	231 792	223 095
Rent equipment - note 35	32 050	106 008
S.M.M.E. Projects	1 695 766	810 256
Stormwater drainage	-	151 062
Sundries	80 654	9 440
Telephone	688 719	484 884
Training	120 000	-
Uniforms	38 167	15 753
Valuations	-	225
Water research	-	28 830
Website design	-	49 123
Youth desk programs	-	3 500
Other	4 200	3 403
	<u>15 943 413</u>	<u>14 737 984</u>

30 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT:

Contributions to South African Local Government Organisation and other affiliations

Opening balance	-	-
Current year's contribution	153 055	44 004
Amount paid - current year	(153 055)	(44 004)
Amount paid - previous year	-	-
Balance unpaid (included in payables)	<u>-</u>	<u>-</u>

	2008 R	2007 R
30 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT: (continue)		
<u>Audit fees</u>		
Opening balance	-	-
Current year's contribution	370 602	492 641
Amount paid - current year	(370 602)	(492 641)
Balance unpaid (included in payables)	-	-
<u>VAT</u>		
VAT payable	351 512	1 253 451
	351 512	1 253 451
<u>UIF</u>		
Opening balance	-	-
Current year payroll deductions	99 010	83 450
Amount paid - current year	(99 010)	(83 450)
Amount paid - previous years	-	-
Balance unpaid (included in payables)	-	-
<u>PAYE</u>		
Opening balance	-	-
Current year payroll deductions	999 999	1 083 955
Amount paid - current year	(999 999)	(1 083 955)
Amount paid - previous years	-	-
Balance unpaid (included in payables)	-	-
<u>Pension Fund Deductions</u>		
Opening balance	-	-
Current year payroll deductions and council contributions	1 573 995	1 545 035
Amount paid - current year	(1 573 995)	(1 545 035)
Amount paid - previous years	-	-
Balance unpaid (included in payables)	-	-
<u>Medical Aid Deductions</u>		
Opening balance	-	-
Current year payroll deductions and council contributions	218 255	404 778
Amount paid - current year	(218 255)	(404 778)
Amount paid - previous years	-	-
Balance unpaid (included in payables)	-	-
<u>Councillor's arrear consumer accounts</u>		

No Councillors have arrear accounts at year end and no councillor had an arrear account outstanding for more than 90 days during and at the end of the year.

	2008 R	2007 R
31 CASH RECEIVED FROM CUSTOMERS AND GOVERNMENT		
Total revenue	56 567 217	58 291 457
Adjusted for items presented separately:		
Interest received on investments	(2 592 649)	(2 765 425)
Interest - other	-	(11 529)
Dividends received	(4 648)	(2 910)
Adjustments in respect of previous years' operating transactions	-	1 797 492
Adjusted for changes in working capital:		
(Increase)/decrease in consumer receivables	(8 807 798)	14 748
Decrease/(Increase) in other receivables	100 662	(19 395)
	<u>45 262 784</u>	<u>57 304 438</u>
32 CASH PAID TO SUPPLIERS AND EMPLOYEES		
Total expenditure	56 384 917	49 750 291
Adjusted for non-cash items:		
Depreciation	(6 742 998)	(4 893 045)
Contribution to bad debt provision	(8 682 998)	(8 876 527)
Adjusted for items presented separately:		
Interest paid	(134 172)	(209 405)
Adjusted for changes in working capital:		
(Increase)/decrease in payables	(30 390)	125 167
(Increase)/decrease in accruals	(281 554)	-
(Decrease) in inventory	-	(32 500)
Decrease/(Increase) in unspent conditional grants	3 188 674	(3 495 115)
(Increase)/decrease in deferred conditional grants	(17 108 995)	-
Decrease in VAT payable	901 939	468 563
	<u>27 494 423</u>	<u>32 837 429</u>
33 CASH GENERATED BY OPERATIONS		
Reconciliation of net operating profit/(loss) to cash generated in operations		
Net operating profit/(loss)	182 300	8 541 166
Adjusted for:		
Depreciation	6 742 998	4 893 045
Interest received	(2 592 649)	(2 765 425)
Dividends received	(4 648)	(2 910)
Contribution to bad debt provision	8 682 998	8 876 527
Interest - other	-	(11 529)
Interest paid	134 172	209 405
Adjustments in respect of previous years' operating transactions	-	1 797 492
Changes in working capital:		
Decrease/(Increase) in other receivables	100 662	(19 395)
(Increase)/decrease in consumer receivables	(8 807 798)	14 748
Decrease in inventory	-	32 500
(Decrease)/increase in conditional grants	(3 188 674)	3 495 115
Increase in deferred grants	17 108 995	-
Increase/(Decrease) in payables	30 390	(125 167)
Increase in accruals	281 554	-
(Decrease) in VAT	(901 939)	(468 563)
	<u>17 768 361</u>	<u>24 467 009</u>

	2008 R	2007 R
34 CASH AND CASH EQUIVALENTS		
Cash and cash equivalents included in the cash flow statement comprise the following amounts:		
Positive bank balances	802 348	18 223 284
Petty cash	803	870
Cash and cash equivalents	<u>803 151</u>	<u>18 224 154</u>
Bank overdraft	(194 237)	(1 594 227)
Total cash and cash equivalents	<u><u>608 914</u></u>	<u><u>16 629 927</u></u>

Refer to note 3 for a breakdown of cash book balances and balances per bank statements.

35 OPERATING LEASES

The council leases various assets under a non-cancellable operating lease. There is no escalation per year and the lease expires during November 2010.

The future minimum lease payments under non-cancellable operating leases are as follows:

Payable within 1 year	103 764	32 050
Payable within 1 - 5 years	208 776	312 540
Payable later than 5 years	-	-
	<u>312 540</u>	<u>344 590</u>

36 COMPARISON WITH THE BUDGET

The comparison of the Municipality's actual financial performance with the budget is set out in Annexure E.

37 EVENTS AFTER THE REPORTING DATE

There were no events after the reporting date that required adjustment to the reporting in the financial statements.

38 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE

38.1 Fruitless and wasteful expenditure

No fruitless and wasteful expenditure has been incurred during the year.

38.2 Irregular expenditure

No irregular expenditure has been incurred during the year.

39 RELATED PARTIES

No related party transactions occurred during the year.

40 SUPPLY CHAIN MANAGEMENT

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

LETSEMENG LOCAL MUNICIPALITY
APPENDIX A
SCHEDULE OF EXTERNAL LOANS
AS AT 30 JUNE 2008

EXTERNAL LOANS	Loan Number	Redeemable	Balance at 1 July 2007	Received during the period	Redeemed/ written off during the period	Balance at 30 June 2008	Carrying Value of Property, Plant & Equipment	Other Costs in accordance with the MFMA
			R	R	R	R	R	R
LONG-TERM LOANS								
Free State Pension Fund	35	30 July 2009	4 400	-	4 400	-	-	-
Free State Pension Fund	66	31 December 2009	37 479	-	37 479	-	-	-
Development Bank of South Africa	7(L)	31 December 2012	10 037	-	1 359	8 678	-	-
Development Bank of South Africa	6(L)	31 July 2013	4 873	-	614	4 259	-	-
Development Bank of South Africa	2	31 December 2008	554 739	-	357 742	196 997	-	-
Development Bank of South Africa	7	31 January 2008	3 316	-	3 316	-	-	-
Development Bank of South Africa	9	31 July 2008	3 701	-	3 701	-	-	-
Free State Pension Fund	84	30 June 2011	20 925	-	20 925	-	-	-
Free State Pension Fund	9(L)	30 September 2013	8 929	-	8 929	-	-	-
Total long-term loans			648 399	-	438 465	209 934	-	-

APPENDIX B

ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT
FOR THE YEAR ENDED 30 JUNE 2008

DETAILS	COST					ACCUMULATED DEPRECIATION				CARRYING VALUE
	OPENING BALANCE	ADDITIONS	UNDER CONSTRUCTION	DISPOSALS	CLOSING BALANCE	OPENING ACCUMULATED DEPRECIATION	DEPRECIATION	DISPOSAL	CLOSING BALANCE	
LAND & BUILDINGS										
Land	-	-	-	-	-	-	-	-	-	-
Buildings	9 500 054	35 083	2 463 569	-	11 998 706	1 662 980	702 604	-	2 365 584	9 633 122
SUB-TOTAL	9 500 054	35 083	2 463 569	-	11 998 706	1 662 980	702 604	-	2 365 584	9 633 122
INFRASTRUCTURE										
Roads	7 199 230	136 616	5 775 522	-	13 111 368	1 558 553	448 830	-	2 007 383	11 103 985
Sewerage Mains & Purification	46 753 621	28 352	16 265 478	-	63 047 451	11 242 818	2 077 094	-	13 319 912	49 727 539
Electricity Mains	6 260 132	50 206	1 758 992	-	8 069 330	1 734 015	313 341	-	2 047 356	6 021 974
Reservoirs - Water	6 632 590	-	-	-	6 632 590	1 803 260	331 629	-	2 134 889	4 497 701
Water Meter	4 102 125	-	158 560	-	4 260 685	1 079 284	207 623	-	1 286 907	2 973 778
Water Mains	26 391 044	-	2 512 521	-	28 903 565	7 156 075	1 319 552	-	8 475 627	20 427 938
SUB-TOTAL	97 338 742	215 174	26 471 073	-	124 024 989	24 574 005	4 698 069	-	29 272 074	94 752 915
COMMUNITY ASSETS										
Parks & Gardens	3 239 038	-	1 100 710	-	4 339 748	155 545	107 969	-	263 514	4 076 234
Libraries	1 312 000	-	-	-	1 312 000	284 266	43 733	-	327 999	984 001
Recreation Grounds	3 110 477	-	-	-	3 110 477	428 521	124 149	-	552 670	2 557 807
Civil Buildings	1 543 170	-	2 104 386	-	3 647 556	320 604	51 439	-	372 043	3 275 513
SUB-TOTAL	9 204 685	-	3 205 096	-	12 409 781	1 188 936	327 290	-	1 516 226	10 893 555
OTHER ASSETS										
Office Equipment	120 000	-	-	-	120 000	120 000	-	-	120 000	-
Furniture & Fittings	101 254	306 232	-	-	407 486	2 083	130 242	-	132 325	275 161
Motor Vehicles	3 383 427	2 862 133	-	-	6 245 560	1 842 218	697 190	-	2 539 408	3 706 151
Computer Equipment	536 602	140 378	116 738	-	793 718	216 083	134 329	-	350 412	443 306
Plant & Machinery	625 208	-	-	-	625 208	342 904	53 274	-	396 178	229 030
SUB-TOTAL	4 766 491	3 308 743	116 738	-	8 191 972	2 523 288	1 015 035	-	3 538 323	4 653 648
GRAND TOTAL	120 809 972	3 559 000	32 256 476	-	156 625 448	29 949 209	6 742 998	-	36 692 207	119 933 241

LETSEMENG LOCAL MUNICIPALITY

APPENDIX C

SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT

FOR THE YEAR ENDED 30 JUNE 2008

DETAILS	Cost					Accumulated Depreciation				CARRYING VALUE
	OPENING BALANCE	ADDITIONS	UNDER CONSTRUCTION	DISPOSALS	CLOSING BALANCE	OPENING BALANCE	DEPRECIATION	DISPOSAL	CLOSING BALANCE	
Executive & Council	112 808	-	2 463 569	-	2 576 377	78 966	22 563	-	101 529	2 474 848
Finance and Administration	3 570 195	415 382	73 838	-	4 059 415	1 004 797	364 953	-	1 369 750	2 689 665
Health	4 274 221	-	-	-	4 274 221	824 307	142 474	-	966 781	3 307 440
Community & Social Services	8 027 804	35 084	2 591 060	-	10 653 947	895 914	679 304	-	1 575 218	9 078 730
Sports & Recreation	3 828 375	-	614 035	-	4 442 410	584 066	148 079	-	732 145	3 710 265
Waste Management	1 474 571	-	7 035 810	-	8 510 381	1 361 958	6 707	-	1 368 665	7 141 717
Waste Water Management	46 793 620	28 352	11 533 211	-	58 355 183	11 267 693	2 347 351	-	13 615 044	44 740 139
Road Transport	9 242 487	2 985 889	5 775 522	-	18 003 898	2 124 017	848 586	-	2 972 603	15 031 295
Water	37 225 759	-	367 539	-	37 593 298	10 073 476	1 863 971	-	11 937 447	25 655 851
Electricity	6 260 132	94 293	1 801 892	-	8 156 317	1 734 015	319 010	-	2 053 025	6 103 292
	120 809 972	3 559 000	32 256 476	-	156 625 448	29 949 209	6 742 998	-	36 692 207	119 933 241

LETSEMENG LOCAL MUNICIPALITY

APPENDIX D

SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2008

2007 ACTUAL INCOME R	2007 ACTUAL EXPENSES R	2007 SURPLUS/ (DEFICIT) R		2008 ACTUAL INCOME R	2008 ACTUAL EXPENSES R	2008 SURPLUS/ (DEFICIT) R
383 936	1 806 874	(1 422 938)	Executive & Council	405 982	801 902	(395 920)
22 345 750	7 287 831	15 057 919	Finance and Administration	14 020 828	8 943 531	5 077 297
1 798	959 149	(957 351)	Planning & Development	560	1 673 013	(1 672 453)
532 690	1 471 521	(938 831)	Community & Social Services	620 257	2 307 933	(1 687 676)
36 270	2 700	33 570	Housing	57 320	408	56 912
351 017	4 940	346 077	Public Safety	476 977	4 325	472 652
329 092	383 702	(54 610)	Sports & Recreation	390 833	697 482	(306 649)
-	389 842	(389 842)	Environmental Protection	110	458 068	(457 958)
8 097 185	6 349 684	1 747 501	Waste Management	10 760 751	6 991 434	3 769 317
8 099 157	7 354 876	744 281	Waste Water Management	8 923 428	7 675 820	1 247 608
1 129	5 496 668	(5 495 539)	Road Transport	1 182	5 988 664	(5 987 482)
9 866 237	10 518 890	(652 653)	Water	10 702 973	11 404 914	(701 941)
8 247 195	7 723 615	523 580	Electricity	8 920 129	8 151 536	768 593
58 291 456	49 750 292	8 541 164	TOTAL	55 281 330	55 099 030	182 300

APPENDIX E

ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE)

FOR THE YEAR ENDED 30 JUNE 2008

	2008 Actual (R)	2008 Budget (R)	2008 Variance (R)	2008 Variance (%)	Explanation of Significant Variances greater than 10% versus Budget
REVENUE					
Property rates	3 241 859	2 994 118	247 741	8.27%	
Service charges	20 412 252	18 374 200	2 038 052	11.09%	Good collection
Rental of building	326 437	496 157	(169 720)	-34.21%	Disputes with upcoming farmers
Interest earned - external investments	2 592 649	1 400 000	1 192 649	85.19%	More investments made during the year
Interest - other	4 648	-	4 648	-100.00%	Budget was prepared on a worse cash flow position
Government grants and subsidies	21 490 122	19 513 963	1 976 159	10.13%	
Other income	8 488 448	12 189 419	(3 700 971)	-30.36%	Income dependant on court and other third parties
Bad debts recovered	10 802	292 950	(282 148)	-96.31%	Budgeted for too much income
Total Revenue	56 567 217	55 260 807	1 306 410	2.36%	
EXPENDITURE					
Employee related costs	14 100 170	15 632 594	(1 532 424)	-9.80%	
Remuneration of Councillors	1 523 300	1 623 564	(100 264)	-6.18%	
Bad debts	8 682 998	2 513 139	6 169 859	245.50%	120+ customer accounts provided for as per councils request
Depreciation	6 742 998	999 826	5 743 172	574.42%	Under budgeted
Repairs and maintenance	3 863 876	4 770 946	(907 070)	-19.01%	Expense dependable on uncontrollable circumstances
Interest paid	134 172	954 072	(819 900)	-85.94%	Municipality experienced better cashflow
Bulk purchases	5 393 990	5 460 000	(66 010)	-1.21%	
General expenses	15 943 413	21 458 600	(5 515 187)	-25.70%	Better budget control
Total Expenditure	56 384 917	53 412 741	2 972 177	5.6%	
NET SURPLUS/(DEFICIT) FOR THE YEAR	182 300	1 848 066	(1 665 766)	-90.14%	

LETSEMENG LOCAL MUNICIPALITY

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APPENDIX F

DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, ACT 56 OF 2003

FOR THE YEAR ENDED 30 JUNE 2008

Name of Grants	Name Organ of State or Municipal entity	Quarterly Receipts				Quarterly Expenditure				Grants and Subsidies delayed / withheld				Reasons for delay / withholding of funds	Compliance with conditions (Y/N)	Reasons for non-compliance
		September	December	March	June	September	December	March	June	September	December	March	June			
		R	R	R	R	R	R	R	R							
Equitable Share	Equitable Share	6 504 828	4 878 621	8 131 034		4 878 620	4 878 620	4 878 620	4 878 620	-	-	-	-		Y	
Financial Management Grant	Financial Management Grant	500 000							508 834	-	-	-	-	-	Y	-
Training	Municipal Systems Improvement Grant	150 000						120 000		-	-	-	-	-	Y	-
Municipality Infrastructure Grant	Municipality Infrastructure Grant	7 092 372	5 453 088		1 433 000	7 464 483	6 141 165	2 620 207	1 914 144	-	-	-	-	-	Y	-
Bucket eradication	Department of Local Government and Housing							101 460	60 706	-	-	-	-	-	Y	-
Website	Free State Provincial Treasury								73 684	-	-	-	-	-	Y	-
Housing projects	Department of Local Government and Housing				426 000					-	-	-	-	-	Y	-
Blue Diamond	Blue Diamond			240 000					42 900	-	-	-	-	-	Y	-
Customer Care	Department of Water Affairs and Forestry			100 000	200 000	48 183	48 183	48 183	48 183	-	-	-	-	-	Y	-
Urban Planning	Department of Local Government and Housing		152 700		148 000				176 769	-	-	-	-	-	Y	-