



**LETSEMENG LOCAL MUNICIPALITY**

**ANNUAL FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2009**

I am responsible for the preparation of these financial statements, which are set out on page 3 to 51, 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.

\_\_\_\_\_  
Acting Municipal Manager  
MR I.E Poë

\_\_\_\_\_  
Date

**LETSEMENG LOCAL MUNICIPALITY  
ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2009**

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**LETSEMENG LOCAL MUNICIPALITY  
GENERAL INFORMATION  
FOR THE YEAR ENDED 30 JUNE 2009**

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**MEMBERS OF COUNCIL**

Speaker and mayor	: MA Mpatshela	
Councilor	: DR. Van Graaar :	Chairperson: Finance
Councilor	: G.M Modise :	Finance
Councilor	: KW Nel :	Finance
Councilor	: VA Mona :	Human resources and Transformation, Technical and Infrastructure
Councilor	: E Nontshinga :	Chairperson: Human Resources and Transformation
Councilor	: E Nontshinga :	Social Development, Health, Sports and Safety
Councilor	: MJ Ralihlare :	Chairperson Social Development, Health, Sports & Safety
Councilor	: MJ Ralihlare :	Human resources and Transformation
Councilor	: J Molosi :	Technical & Infrastructure
Councilor	: M Prinsloo :	Technical & Infrastructure
Councilor	: MA Mpatshela :	Social Development, Health, Sports and Safety

**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	First National Bank (Primary Bank Account) and Standard Bank
Attorneys	Bokwa Attorneys

**LETSEMENG LOCAL MUNICIPALITY  
GENERAL INFORMATION  
FOR THE YEAR ENDED 30 JUNE 2009**

**SPEAKERS FOREWORD**

Local Government is seen as a starting point wherein growth and development should take place. Letsemeng Municipality with the limited resources it possesses seeks to explore existing potential and transcend the barriers by delivering a service that is sustainable. We have shown the commitment through establishing a developmental budget that seeks to address the disparities and inequities that existed.

The council has aligned itself to the Provincial Growth and Development strategy, thus establishing a credible IDP'S. Our commitment extend to the establishment of the Services Delivery and Budget Implementation plan that is primarily an implementation and management tool, which will assist the community to assess progress made by council. The plan assists in assessing the performance of Council and Administration

Letsemeng Municipality has shown performance in terms of implementing some of the projects out of our own funding. Out of the R 35 650 000 budgeted for capital projects, the Municipality will be providing R23 350 000 out of its own funding for development projects. This injection of funding will assist in job creation and alleviate poverty and unemployment which have increased as a result of retrenchment of mine workers due to the global economic melt down.

In an attempt to improve on the standard of living for residents with the Municipality's boundaries effort has been taken to identify areas that require attention to address the imbalances of the past. Street have been upgraded in the following towns: Petrusburg, Jacobsdal, Luckoff and Koffiefontein

Other projects under taken to address the imbalances identified above include the bucket eradication and electrification projects in Jacobsdal, Koffiefontein and Luckoff. A rehabilitation of the Sewerage network for Jacobsdal was also started.

With the foundation set so far the future look optimistic as the Municipality is to continue with the struggle of improving the quality of the lives of the community

MA Mpatshela  
Acting Speaker

Date

**LETSEMENG LOCAL MUNICIPALITY  
STATEMENT OF FINANCIAL POSITION  
AT 30 JUNE 2009**

	Note	2 009 R	2 008 R
<b>ASSETS</b>			
<b>Current assets</b>		<b>5 107 806</b>	<b>5 717 826</b>
Consumer receivables	1	3 435 126	2 491 115
Other receivables	2	1 259 046	400 762
VAT Debtors	11	392 189	2 022 958
Cash and cash equivalents	34	21 445	802 991
<b>Non-current assets</b>		<b>135 020 926</b>	<b>123 781 195</b>
Property, plant and equipment	4	134 947 060	123 707 966
Intangible assets	4	32 749	57 310
Investments	5	41 118	15 919
<b>Total assets</b>		<b>140 128 732</b>	<b>129 499 020</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>		<b>39 711 278</b>	<b>24 184 200</b>
Consumer deposits	6	510 185	422 281
Payables	7	3 060 002	878 294
Accruals	8	1 158 979	692 528
Unspent conditional grants and receipts	9	5 791 977	4 386 399
Deferred grants	10	25 150 008	13 014 063
VAT Suspense	11	2 459 470	4 397 428
Current portion of long-term liabilities	12	2 224	198 970
Bank overdraft	34	1 578 434	194 237
<b>Non-current liabilities</b>		<b>8 491</b>	<b>10 964</b>
Long - term liabilities	12		
<b>Total liabilities</b>		<b>39 719 769</b>	<b>24 195 164</b>
<b>Net assets</b>		<b>100 408 963</b>	<b>105 303 856</b>
<b>NET ASSETS</b>			
Government grant reserve	13	62 744 179	64 655 285
Accumulated surplus/(deficit)		37 664 784	38 454 893
<b>Total net assets and liabilities</b>		<b>140 128 732</b>	<b>129 499 020</b>

**LETSEMENG LOCAL MUNICIPALITY  
STATEMENT OF FINANCIAL PERFORMANCE  
FOR THE YEAR ENDED 30 JUNE 2009**

		<b>Actual 2 009</b>	<b>Actual 2 008</b>
	Notes	R	R
<b>Revenue</b>			
Property rates	14	3 472 058	3 241 859
Services charges	15	23 806 059	20 412 252
Rental of building		369 563	326 437
Interest on debtors		1 196 085	2 592 649
Interest on Investment		301 143	-
Dividends received		13 350	4 648
Government grants and subsidies	16	27 267 808	21 490 122
Other income	17	535 590	8 489 433
Bad debts recovered		9 436	10 802
<b>Total Revenue</b>		<b>56 971 092</b>	<b>56 568 202</b>
<b>EXPENDITURE</b>			
Employee related costs	18	15 451 176	14 107 520
Remuneration of councillors	19	1 705 261	1 523 300
Bad debts	1	10 961 724	8 682 998
Depreciation	23	7 102 502	7 084 749
Repairs and maintenance		2 123 809	3 863 876
Interest paid	20	169 878	134 172
Bulk purchases	21	7 803 183	5 393 990
General expenses	29	13 347 029	15 937 159
<b>Total Expenditure</b>		<b>58 664 560</b>	<b>56 727 763</b>
<b>SURPLUS FOR THE YEAR</b>		<b>(1 693 469)</b>	<b>(159 563)</b>

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 2009**

	<b>Government Grant Reserve</b>	<b>Accumulated Surplus/(Deficit)</b>	<b>TOTAL</b>
<b>Balance at 30 June 2007</b>	<b>69 922 079</b>	<b>33 347 661</b>	<b>103 269 740</b>
Surplus/(deficit) for the year	-	(159 563)	<b>(159 563)</b>
Capital grants used to purchase Property, Plant and Equipment	-	-	-
Offsetting depreciation-JE not processed to the GL in prior year	(5 266 794)	5 266 794	-
			-
<b>Balance at 30 June 2008</b>	<b>64 655 285</b>	<b>38 454 893</b>	<b>103 110 177</b>
Surplus/(deficit) for the year	-	(1 693 469)	<b>(1 693 469)</b>
Capital grants used to purchase Property, Plant and Equipment	3 449 509	(3 449 509)	-
Offsetting depreciation	(5 410 529)	5 410 529.38	-
Prior year error	49 914	(1 057 659)	<b>(1 007 745)</b>
			-
<b>Balance at 30 June 2009</b>	<b>62 744 179</b>	<b>37 664 784</b>	<b>100 408 963</b>

**LETSEMENG LOCAL MUNICIPALITY**  
**CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED 30 JUNE 2009**

	Notes	2 009 R	2008 R
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received from customers and government	31	52 027 451	45 262 673
Cash paid to suppliers and employees	32	(32 348 248)	(27 494 423)
Cash generated by operations	33	19 679 199	17 768 250
Interest received		1 497 228	2 592 649
Interest paid		( 169 878)	( 134 172)
Dividends received		13 350	4 648
<b>NET CASH FLOW FROM OPERATING ACTIVITIES</b>		<b>21 019 899</b>	<b>20 231 375</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		( 368 496)	(35 815 476)
<b>NET CASH FLOW FROM INVESTING ACTIVITIES</b>		<b>( 368 496)</b>	<b>(35 815 476)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Loans repaid		( 199 220)	( 438 465)
Increase in consumer deposits		87 905	1 442
<b>NET CASH FLOW FROM FINANCING ACTIVITIES</b>		<b>( 111 315)</b>	<b>( 437 023)</b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>			
Cash and cash equivalents at the beginning of the year		608 754	16 629 927
Cash and cash equivalents at the end of the year	34	(1 556 989)	608 754



## ACCOUNTING POLICIES

FOR THE YEAR ENDED 30 JUNE 2009

**OBJECTIVE**

The objective of the annual financial statements is to be a source of information on the financial position, financial

**BASIS OF PREPARATION**

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised

The standards are summarized 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
GRAP 4	The Effects of Changes in Foreign Exchange Rates
GRAP 5	Borrowing costs
GRAP 6	Consolidated Financial Statements and Accounting for Controlled Entities
GRAP 7	Investments in Associates
GRAP 8	Interests in Joint Ventures
GRAP 9	Revenue from Exchange Transactions
GRAP 11	Construction Contracts
GRAP 12	Inventories
GRAP 13	Leases
GRAP 14	Events after the Reporting date
GRAP 16	Investments Property
GRAP 17	Property, Plant and Equipment
GRAP 19	Provisions, Contingent Liabilities and Contingent
GRAP 23	Revenue from Non-Exchange Transactions
GRAP 100	Non- Current Assets Held-for-Sale and Discontinued Operations
GRAP 102	Intangible Assets

Accounting policies for material transactions, events or conditions not covered by the above Standards of GRAP and

LETSEMENG LOCAL MUNICIPALITY  
ACCOUNTING POLICIES  
FOR THE YEAR ENDED 30 JUNE 2009

**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

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

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

**BASIS OF ACCOUNTING**

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

The Municipality 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.

**PRESENTATION CURRENCY**

The financial statements are presented in South African Rand.

**SIGNIFICANT JUDGEMENTS**

In preparing the financial statements, management is required to make estimates and assumptions that affect the

**Impairment testing**

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. 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

**Provisions**

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

**LETSEMENG LOCAL MUNICIPALITY  
ACCOUNTING POLICIES  
FOR THE YEAR ENDED 30 JUNE 2009**

**GOING CONCERN ASSUMPTION**

These annual financial statements have been prepared on a going concern basis.

**1. FUNDS AND RESERVES**

**HOUSING DEVELOPMENT FUND**

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from Expenditure allowed in terms of the Housing Act is expressed in the Statement of Financial Performance and a

**RESERVES**

**Capital Replacement Reserve (CRR)**

The purpose of the CRR is to set aside cash to provide infrastructure and other items of property, plant and equipment

The balance on the Capitalisation Reserve equals the carrying value of the items of property, plant and equipment  
The balance on the CRR is always represented by cash, which must be held in a separately identifiable bank or

**Government Grant Reserve**

When items of property, plant and equipment are purchased from government grants, a transfer is made from the

The purpose of this policy is to promote community equity by ensuring that the future depreciation expenses that will

**Donations and Public Contributions Reserve**

When items of property, plant and equipment are financed from public contributions and donations, a transfer is made

**Revaluation Reserve**

The surplus arising from the revaluation of land and buildings is credited to a non-distributable reserve. The deficit

The revaluation surplus is realised as revalued buildings are depreciated, through a transfer from the revaluation

**Capitalisation Reserve**

In the past in terms of the principles of Fund Accounting municipalities created various statutory funds in terms of

The Capitalisation Reserve represents amounts previously accumulated that were recovered from consumers through

**LETSEMENG LOCAL MUNICIPALITY  
ACCOUNTING POLICIES  
FOR THE YEAR ENDED 30 JUNE 2009**

**2. PROPERTY, PLANT AND EQUIPMENT**

An item of property, plant and equipment which qualifies for recognition as an asset shall initially be measured at cost.

Property, plant and equipment are stated at historical cost, less accumulated depreciation. Such assets are financed

Heritage assets which are of culturally significant resources are shown at cost and are not depreciated owing to the

The cost of an item of property, plant and equipment comprises its purchase price, including import duties and non-

\_\_\_\_\_ Directly attributable costs include the following:

- Cost of site preparation.
- Initial delivery and handling costs.
- Installation cost.
- Professional fees.
- Estimate cost of dismantling the asset and restoring the site to the extent that it is recognised as a provision.

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary asset or monetary

Subsequent expenditure is capitalised when the recognition and measurement criteria of an asset are met.

Where an item of property, plant and equipment is acquired at no cost, it is initially recognised at its fair value as at the

The useful life of an item of property plant and equipment is reviewed periodically and, if expectations are significantly

Where items of property, plant and equipment have been impaired, the carrying value is adjusted by the impairment

loss, which is recognised as an expense in the period that the impairment is identified.

Depreciation is calculated at historical cost, using the straight-line method over the useful lives of the asset. Assets will

be depreciated according to their annual depreciation rates based on the following estimated asset lives:

<b>Infrastructure Assets</b>	<b>Years</b>
Roads, pavements, bridges and storm water	10-30
Street names, signs and parking meters	5
Water reservoirs and reticulation	15-20
Water meters	7
Car parks, bus terminals and taxi ranks	30
Electricity reticulation	15-30
Electricity meters	10
Sewerage purification and reticulation	15-20
Housing	30
Street lighting	20-25
Refuse sites	30
Land fill sites	15
<b>Community Assets</b>	<b>Years</b>
Parks and gardens	10-30
Sport fields	20-30
Community halls	30
Libraries	30
Recreation facilities	20-30
Clinics	30
Fire services	30
Cemeteries	30
<b>Other Assets</b>	<b>Years</b>
Motor vehicles	4-7
Plant and equipment	2-15
Security measures	3-10
Buildings	30
IT equipment	35
Office equipment	3-7
Specialised vehicles	15-20
Furniture and Fittings	7-10

**LETSEMENG LOCAL MUNICIPALITY  
ACCOUNTING POLICIES  
FOR THE YEAR ENDED 30 JUNE 2009**

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the

The Municipality has an obligation to rehabilitate its landfill sites in terms of its licence stipulations. Provision is made

Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable

**3. LAND AND BUILDINGS**

Land is not depreciated except for landfill sites.

Buildings are stated at cost less accumulated depreciation and impairment losses.

**4. FINANCIAL INSTRUMENTS**

Financial instruments, which include fixed deposits and short-term deposits invested in registered commercial banks,

There are four categories of financial instruments:

1. Fair value through profit or loss (which includes trading)
2. Loans and Receivables
3. Held to Maturity
4. Available for sale

All financial assets that are within the scope of IAS 39 are classified into one of the four categories.

Financial instruments include investments, trade receivables and borrowings. The municipality classifies its financial

**Initial recognition**

The entity classifies financial instruments, or their component parts, on initial recognition as a financial asset or a

Financial assets and financial liabilities are recognised on the entity's Statement of Financial Position when the entity

**Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments. They are included in

**Accounts receivable**

Trade and other receivables are recognised initially at cost which represents fair value and subsequently measured at

**Financial liabilities**

Financial liabilities are recognised initially at cost which represents fair value. After initial recognition financial liabilities

**Gains and losses**

Gains and losses arising from changes in financial assets or financial liabilities at amortised cost are recognised in

**LETSEMENG LOCAL MUNICIPALITY  
ACCOUNTING POLICIES  
FOR THE YEAR ENDED 30 JUNE 2009**

**Investments held-to-maturity**

\_\_\_ Subsequent to initial recognition, held-to-maturity assets are measured at amortised cost calculated using the effective

**5. ACCOUNTS RECEIVABLES**

Trade and other receivables are recognised initially at cost which represents fair value and subsequently measured at

**PROVISION FOR BAD DEBT (accounts receivable)**

An annual contribution is made towards a bad debt provision for non-recoverable rates and service fees as well as for

**6. TRADE CREDITORS (Accounts Payables)**

\_\_\_ Trade creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective

**7. CASH AND CASH EQUIVALENTS**

Cash includes cash on hand and cash with banks. Cash equivalents are short-term investments that are held with

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call

**8. INVESTMENT PROPERTY**

Investment property, which is property held to earn rentals and/or for capital appreciation, is stated at cost less

Investment properties that are owner-occupied are recognised as Property Plant and Equipment. Investment

**LETSEMENG LOCAL MUNICIPALITY  
ACCOUNTING POLICIES  
FOR THE YEAR ENDED 30 JUNE 2009**

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**9. NON-CURRENT ASSETS (DISPOSAL GROUPS) HELD FOR SALE**

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered

Non-current assets (or disposal group) held for sales are measured at the lower of its carrying amount and fair value

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised

**9. INTANGIBLE ASSETS**

The 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;
- 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.

**LETSEMENG LOCAL MUNICIPALITY  
ACCOUNTING POLICIES  
FOR THE YEAR ENDED 30 JUNE 2009**

- 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.

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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 internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not

Amortisation is provided to write down the intangible assets with a finite useful life on a straight line basis over its useful life. There is no commitment by third party to purchase the asset at the end of its useful life. There is an active market for the asset.

An impairment test is performed for assets with an indefinite useful life in accordance with the policy on impairment of

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**10. IMPAIRMENT OF ASSETS**

The Municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any

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

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment
- test goodwill acquired in a business combination (if any) for impairment annually.



**LETSEMENG LOCAL MUNICIPALITY  
ACCOUNTING POLICIES  
FOR THE YEAR ENDED 30 JUNE 2009**

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the

- 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 Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised

## **11. 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.

The following situations would normally individually or in combination lead to a lease being classified as finance lease

- lease transfers ownership of the asset to the lessee by the end of 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 of the asset;
- 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 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 - lessor**

The entity recognises finance lease receivables at the net investment in the lease in 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 lease.

### **Finance leases - lessee**

Finance leases are recognised as assets and liabilities in the Statement of Financial Position at amounts equal to the present value of the minimum lease payments.

The lease payments are apportioned between the finance charge and reduction of the outstanding liability. The

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets,

### **Operating leases - lessor**

Operating lease income is recognised as 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

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, except where

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a

Payments for leases are disclosed under expenses in the Statement of Financial Performance.

**LETSEMENG LOCAL MUNICIPALITY  
ACCOUNTING POLICIES  
FOR THE YEAR ENDED 30 JUNE 2009**

**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

The expected cost of compensated absences is recognised as an expense as the employees render services that

The expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or

**RETIREMENT BENEFITS**

The municipality contributes towards retirement benefits of its employees and councilors to the under mentioned pensic

- SANVU Provident fund
- Unity insurance
- Free State Municipal Pension Fund
- SALA Pension Fund
- Metropolitan Pension Fund
- Free State Municipal Provident Fund

Councilors are members of the Municipal Councilor's Pension Fund that was established in terms of the Remuneration Bearers Act 1998 (Act 20 of 1998.)

**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

Defined benefit plans

For defined benefit plans the cost of providing the benefits is determined using the projected credit unit method.

Consideration is given to any event that could impact the funds up to Statement of Financial Position date where the

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise

To the extent that, at the beginning of the financial period, any cumulative unrecognised actuarial gain or deficit Gains or deficits on the curtailment or settlement of a defined benefit plan are recognised when the entity is

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined

The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In the

The amount recognised in the Statement of Financial Position represents the present value of the defined benefit

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

**Post employment medical care benefits**

The municipality provides post employment medical care benefits to its employees and their legitimate spouses. The

**13. INVENTORIES**

The cost of inventories comprises of all costs of purchase, costs of development, costs of conversion and other costs

Redundant and slow moving stock are identified and written down with regard to their estimated economic or realisable

Consumables are written down with regard to age, condition and utility.

Unsold items of inventory are valued at the lower of cost and net realizable value on a specific identification cost basis.

Water and purified efficient and electricity are valued at purified cost insofar as it is stored (controlled) in reservoirs at

**14. CONSUMER DEPOSITS**

Consumer deposits are a partial security for a future payment of an account. All consumers are therefore required to

**15. BORROWING COSTS**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets

To the extent that variable rate borrowings are used to finance a qualifying asset and are hedged in an effective cash

To the extent that fixed rate borrowings are used to finance a qualifying asset and are hedged in an effective fair value

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

**LETSEMENG LOCAL MUNICIPALITY**  
**ACCOUNTING POLICIES**  
**FOR THE YEAR ENDED 30 JUNE 2009**

**16. REVENUE RECOGNITION**

**16.1 Revenue from Exchange Transactions**

Service charges relating to electricity and water are based on consumption. Meters are read on a quarterly basis and

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff

Service charges from sewerage and sanitation are based on the number of sewerage connections on each developed

Interest and rentals are recognised on a time proportion basis. Interest on outstanding debtors is recognised on a time

Dividends are recognised on the date that the Municipality becomes entitled to receive the dividend.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been

Finance income from the sale of housing by way of installment sales agreements or finance leases is recognised on a

Revenue from the sale of housing is recognised when the risk is passed to the consumer.

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or

Where public contributions have been received but the municipality has not met the condition, a liability is recognised.

**16.2 Revenue from non-exchange transactions**

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

Donations are recognised on a cash receipt basis or where the donation is in the form of property, plant and

Government grants and subsidies are recognised in accordance with legislation or where there has been compliance

Contributed property, plant and equipment is recognised when the municipality assumes control over such items of

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated

**16.3 CONDITIONAL GRANTS AND RECEIPTS**

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the

**17. 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

Government grants related to assets, including non-monetary grants at fair value, are presented in the Statement of

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

**18. PROVISIONS, CONTINGENT ASSET AND CONTINGENT LIABILITIES**

**Provisions**

Provisions for environmental restoration, restructuring costs and legal claims are recognised when: the entity has a

**Contingent asset**

A contingent asset is a possible asset that arises from past events, and whose existence will be confirmed only by the

**Contingent liability**

A contingent liability is:

- (a) a possible obligation that arises from past events, and whose existence will be confirmed only by the occurrence or
- (b) a present obligation that arises from past events but is not recognised because:
  - (i) it is not probable that an outflow of resources embodying economic benefits or service potential will be required to
  - (ii) the amount of the obligation cannot be measured with sufficient reliability

Contingent liabilities are accounted for in the notes to financial statements as a disclosure note.

**LETSEMENG LOCAL MUNICIPALITY  
ACCOUNTING POLICIES  
FOR THE YEAR ENDED 30 JUNE 2009**

**19. VALUE ADDED TAX**

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

**20. UNAUTHORISED EXPENDITURE**

Unauthorized expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions

**21. IRREGULAR EXPENDITURE**

Irregular expenditure is expenditure that is contrary to the Municipal Finance Act (Act 56 of 2003), the Municipal

**22. FRUITLESS AND WASTEFUL EXPENDITURE**

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

**23. EVENTS AFTER BALANCE SHEET DATE**

Recognised amounts in the financial statements are adjusted to reflect events arising after the balance sheet date that

**24. CONSTRUCTION CONTRACTS**

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by

**COMPARATIVE FIGURES**

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

**ROUNDING**

All amounts are rounded off to the nearest Rand.

1 CONSUMER RECEIVABLES

	Gross balance	Provision for bad debts	Net Balance
<b>As at 30 June 2008</b>			
Service receivables	<b>9 754 313</b>	<b>7 318 646</b>	<b>2 435 667</b>
Rates	1 592 417	1 274 941	317 476
Electricity	715 576	346 219	369 357
Water	2 667 612	2 040 635	626 977
Sewerage	2 527 548	1 961 998	565 550
Refuse	2 250 922	1 694 853	556 069
Rentals	280 102	237 948	42 154
Sundries	144 945	140 194	4 751
<b>Total</b>	<b>10 187 903</b>	<b>7 696 788</b>	<b>2 491 115</b>

**As at 30 June 2009**

Service receivables	13 872 523	<b>10 523 370</b>	3 349 153
Rates	1 997 875	1 556 953	440 922
Electricity	1 142 025	632 623	509 402
Water	4 655 471	3 603 532	1 051 939
Sewerage	3 197 693	2 508 341	689 352
Refuse	2 879 459	2 221 921	657 538
Rentals	456 359	389 282	67 076
Sundries	112 431	93 535	18 896
<b>Total</b>	<b>14 441 312</b>	<b>11 006 187</b>	<b>3 435 126</b>

**2 009**      **2 008**  
 R                      R

**Receivables Age Analysis**

**Property Rates**

Current (0 – 30 days)		246 880	192 924
31 - 60 Days		87 736	68 216
61 - 90 Days		106 306	56 336
91 - 120 Days		1 556 953	1 274 941
<b>Total</b>		<b>1 997 875</b>	<b>1 592 417</b>

**Electricity**

Current (0 – 30 days)		386 962	302 413
31 - 60 Days		81 621	45 170
61 - 90 Days		40 820	21 775
91 - 120 Days		632 623	346 219
<b>Total</b>		<b>1 142 024</b>	<b>715 576</b>

**Water**

Current (0 – 30 days)		528 703	427 569
31 - 60 Days		275 574	105 036
61 - 90 Days		247 662	94 370
91 - 120 Days		3 603 532	2 040 637
<b>Total</b>		<b>4 655 471</b>	<b>2 667 612</b>

	2 009	2 008
	R	R
<b>1 CONSUMER RECEIVABLES (continue)</b>		
<b>Sewerage</b>		
Current (0 – 30 days)	465 854	406 183
31 - 60 Days	119 568	85 195
61 - 90 Days	103 929	74 409
91 - 120 Days	2 508 341	1 961 999
<b>Total</b>	<b>3 197 693</b>	<b>2 527 786</b>
<b>Refuse</b>		
Current (0 – 30 days)	447 274	402 343
31 - 60 Days	111 439	82 688
61 - 90 Days	98 826	71 037
91 - 120 Days	2 221 921	1 694 854
<b>Total</b>	<b>2 879 459</b>	<b>2 250 922</b>
<b>Rentals</b>		
Current (0 – 30 days)	17 610	16 671
31 - 60 Days	24 818	15 415
61 - 90 Days	24 649	13 462
91 - 120 Days	389 282	243 097
<b>Total</b>	<b>456 359</b>	<b>288 645</b>
<b>Reconciliation of the bad debt provision</b>		
Balance at beginning of the year	7 696 788	6 985 436
Contributions to provision	10 961 724	8 682 998
Bad debts written off against provision	(7 652 324)	(7 971 646)
Balance at end of year	<b>11 006 187</b>	<b>7 696 788</b>
<b>2 OTHER RECEIVABLES</b>		
Pre-paid deposit: De Beers	713	713
Deposit electric pump	50 000	50 000
Deposits: Telephone	25 000	25 000
Debtors-Health Claims	325 049	325 049
Recoverable costs on learnership	2 448	-
Recoverable costs on learnership	33 556	-
Creditors with Debit Balance	822 280	-
<b>Total Other Receivables</b>	<b>1 259 046</b>	<b>400 762</b>

	2 009	2 008
	R	R
<b>3 CURRENT ACCOUNT</b>		
<b>FNB (Primary bank account)</b>		
Account Number - 52711568918		
Cash book balance at beginning of year - (credit)	( 194 237)	(1 594 227)
Cash book balance at end of year - (credit)	<u>(1 578 434)</u>	<u>( 194 237)</u>
Bank statement balance at beginning of year - (overdrawn)	( 303 466)	( 285 832)
Bank statement balance at end of year - (overdrawn)	<u>( 245 177)</u>	<u>( 303 466)</u>
<b>FNB*</b>		
Account Number - 62058055156		
Cash book balance at beginning of year - (credit)	-	414 462
Cash book balance at end of year - (credit)	<u>-</u>	<u>-</u>
Bank statement balance at beginning of year - (overdrawn)	-	414 462
Bank statement balance at end of year - (overdrawn)	<u>-</u>	<u>-</u>
<b>FNB*</b>		
Account Number - 62080932166		
Cash book balance at beginning of year - (credit)	-	374 975
Cash book balance at end of year - (credit)	<u>-</u>	<u>-</u>
Bank statement balance at beginning of year - (overdrawn)	-	374 975
Bank statement balance at end of year - (overdrawn)	<u>-</u>	<u>-</u>
<b>FNB*</b>		
Account Number - 74142802476		
Cash book balance at beginning of year - (credit)	-	500 000
Cash book balance at end of year - (credit)	<u>-</u>	<u>-</u>
Bank statement balance at beginning of year - (overdrawn)	-	500 000
Bank statement balance at end of year - (overdrawn)	<u>-</u>	<u>-</u>
<b>FNB*</b>		
Account Number - 74139383231		
Cash book balance at beginning of year - (credit)	-	1 267 164
Cash book balance at end of year - (credit)	<u>-</u>	<u>-</u>
Bank statement balance at beginning of year - (overdrawn)	-	1 267 164
Bank statement balance at end of year - (overdrawn)	<u>-</u>	<u>-</u>

	2 009	2 008
	R	R
<b>3 CURRENT ACCOUNT (continued)</b>		
<b>FNB*</b>		
Account Number - 70461072150		
Cash book balance at beginning of year - (credit)	-	1 258 503
Cash book balance at end of year - (credit)	<u>-</u>	<u>-</u>
Bank statement balance at beginning of year - (overdrawn)	-	1 258 503
Bank statement balance at end of year - (overdrawn)	<u>-</u>	<u>-</u>
<b>ABSA*</b>		
Account Number - 9136670201		
Cash book balance at beginning of year - (credit)	-	2 278 964
Cash book balance at end of year - (credit)	<u>-</u>	<u>-</u>
Bank statement balance at beginning of year - (overdrawn)	-	2 278 964
Bank statement balance at end of year - (overdrawn)	<u>-</u>	<u>-</u>
<b>ABSA*</b>		
Account Number - 2066629793		
Cash book balance at beginning of year - (credit)	-	7 068 653
Cash book balance at end of year - (credit)	<u>-</u>	<u>-</u>
Bank statement balance at beginning of year - (overdrawn)	-	7 068 653
Bank statement balance at end of year - (overdrawn)	<u>-</u>	<u>-</u>
<b>STANDARD BANK</b>		
Account Number - 551151119		
Cash book balance at beginning of year - (credit)	802 348	1 029 351
Cash book balance at end of year - (credit)	<u>20 685</u>	<u>802 348</u>
Bank statement balance at beginning of year - (overdrawn)	802 348	1 029 351
Bank statement balance at end of year - (overdrawn)	<u>20 685</u>	<u>802 348</u>
<b>STANDARD BANK*</b>		
Account Number - 348702221		
Cash book balance at beginning of year - (credit)	-	4 031 211
Cash book balance at end of year - (credit)	<u>-</u>	<u>-</u>
Bank statement balance at beginning of year - (overdrawn)	-	4 031 211
Bank statement balance at end of year - (overdrawn)	<u>-</u>	<u>-</u>
Petty cash	809	692
Outstanding Items	( 49)	( 49)
<b>Total Cash and Cash Equivalents</b>	<u>(1 556 989)</u>	<u>608 754</u>

\* Accounts were closed during 2007/2008 financial Year



4 PROPERTY, PLANT AND EQUIPMENT

Reconciliation of Carrying Value	Buildings	Infra-structure	Community	Other Assets	Total
	R	R	R	R	R
<b>30 June 2009</b>					
<b>Carrying values at 01 July 2008</b>	<b>9 749 303</b>	<b>95 073 827</b>	<b>13 594 997</b>	<b>5 289 840</b>	<b>123 707 966</b>
Cost	12 104 806	124 756 077	15 096 003	8 400 023	160 356 909
Accumulated depreciation	(2 355 503)	(29 682 251)	(1 501 006)	(3 110 183)	(36 648 943)
Acquisitions	-	16 363	-	294 796	311 159
Under construction	840	20 002 687	(1 873 667)	(66 673)	18 063 187
Depreciation	(680 201)	(5 084 465)	(428 026)	(909 810)	(7 102 502)
<b>Carrying values at 30 June 2009</b>	<b>9 069 942</b>	<b>110 008 411</b>	<b>11 293 305</b>	<b>4 608 152</b>	<b>134 979 810</b>
Cost	12 105 646	144 775 127	13 222 336	8 628 146	178 731 254
Accumulated depreciation	(3 035 704)	(34 766 716)	(1 929 031)	(4 019 993)	(43 751 444)
<b>30 June 2008</b>					
<b>Reconciliation of Carrying Value</b>	Buildings	Infra-structure	Community	Other Assets	Total
	R	R	R	R	R
Carrying values at 01 July 2007	<b>7 837 074</b>	<b>72 764 737</b>	<b>8 015 749</b>	<b>2 243 203</b>	<b>90 860 763</b>
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
Correction of prior year error-Note 24	106 100	731 088	2 686 222	258 115	3 781 526
Under construction	2 463 569	26 471 073	3 205 096	66 673	32 206 411
Depreciation	(702 604)	(4 996 852)	(327 290)	(1 058 003)	(7 084 749)
Carrying values at 30 June 2008	<b>9 749 303</b>	<b>95 073 827</b>	<b>13 594 997</b>	<b>5 289 840</b>	<b>123 707 966</b>
Cost	12 104 806	124 756 077	15 096 003	8 400 023	160 356 909
Correction of prior year error-Note 24	10 081	(111 394)	15 220	471 108	385 015
Accumulated depreciation	(2 365 584)	(29 570 857)	(1 516 226)	(3 581 291)	(37 033 958)

Refer to Appendix B for more detail on property, plant and equipment and split between PPE and Intangible assets.

	2 009	2 008
	R	R
<b>5 INVESTMENTS</b>		
<b>Unlisted</b>		
Senwes - Cost	41 118	15 919
<b>Total Unlisted</b>	<u>41 118</u>	<u>15 919</u>

This comprises of a non-controlling interest of 3,600 Senwes Limited and 4,999 Senwes Beleggings Limited shares. The shares are valued as per valuation obtained from the Investee as at 30 June 2009 of R 5.60 and R4.20 respectively  
 The investments are accounted for as financial assets at fair value through profit and loss as provided for in IAS39 -9b(i)

<b>6 CONSUMER DEPOSITS</b>		
Electricity and water	<u>510 185</u>	<u>422 281</u>

<b>7 PAYABLES</b>		
Trade payables	<u>3 060 002</u>	<u>878 294</u>

Trade Payable have been adjusted to appropriately recognise the VAT debtors and reclassify creditors with a Debit balance to Trade Receivables  
 The comparatives have been adjusted for prior year as leave provision was incorrectly classified as payables.

<b>8 ACCRUALS</b>		
Staff leave	1 130 606	664 155
Others	<u>28 373</u>	<u>28 373</u>
	<u>1 158 979</u>	<u>692 528</u>

**9 UNSPENT CONDITIONAL GRANTS AND SUBSIDIES**  
**Conditional grants from other spheres of Government**

<b>Opening Balance</b>		-
Municipal Systems Improvement Grant	-	30 000
Customer Care	-	107 267
Blue Diamond	110 000.00	154 200
Municipality Infrastructure Grant	2 418 496.92	-
Department of Mineral & Energy Affairs Grant - Electrification of Stands	533 007.00	-
Website - Free State Provincial Treasury	-	-
Department of Water Affairs and Forestry - Water Projects	-	-
Department of Local Government and Housing - Bucket Eradication	<u>2 730 473.00</u>	<u>4 094 932</u>
<b>Total Unspent Conditional Grants and Subsidies</b>	<u>5 791 977</u>	<u>4 386 399</u>

Comparatives have been adjusted for prior year error to re-allocate Bucket Eradication funds of R 4 094 932 which were incorrectly allocated to deferred income.

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.

<b>10 DEFERRED GRANTS</b>		
Opening Balance	13 014 063	-
Municipality Infrastructure Grant	10 104 503	12 964 940
Website - Free State Provincial Treasury	-	49 123
Department of Local Government and Housing - Bucket Eradication	1 364 459	-
Department of Mineral & Energy Affairs Grant - Electrification of Stands	<u>666 993</u>	<u>-</u>
	<u>25 150 008</u>	<u>13 014 063</u>

Comparatives have been adjusted for prior year error to re-allocate Bucket Eradication funds of R4 094 932.00 which were incorrectly allocated to deferred income.

Grant expenses have been 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.

	2 009	2008
	R	R
<b>11 VAT Debtors</b>		
VAT Debtors	<u>392 189</u>	<u>2 022 958</u>
VAT Suspense	<u>2 459 470</u>	<u>4 397 428</u>

VAT is payable on the cash basis. Only when payment is received from receivables is VAT paid over to SARS. The balance accumulated on the VAT output as customers are invoiced is netted off against the VAT input. This will be reduced in the subsequent year as payment/receipts are made for VAT

<b>12 LONG TERM LIABILITIES</b>		
External loans	10 714	209 934
Less: Current portion transferred to current liabilities	2 224	198 970
<b>Long Term Liability</b>	<u>8 491</u>	<u>10 964</u>

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

<b>13 RESERVES</b>		
Government Grant Reserve	<u>62 744 179</u>	<u>64 655 285</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).

<b>14 PROPERTY RATES</b>		
<u>Actual</u>		
Residential	2 295 066	1 871 004
Commercial	662 290	764 152
State	514 702	606 703
<b>Total Assessment Rates</b>	<u>3 472 058</u>	<u>3 241 859</u>

**Property Valuations**

Residential	108 150 710	110 907 680
Commercial	30 050 160	24 280 380
State	33 593 720	29 467 420
Municipal	63 647 085	64 125 695
<b>Total Property Valuations</b>	<u>235 441 675</u>	<u>228 781 175</u>

Valuation on land and buildings is performed every five 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 and completed in June 2009. Therefore the new valuations will be implemented in 2009/2010 financial year. As the valuation process was not completed at the time of preparing the financial Statements the rates and valuation of the previous valuation roll have been applied. 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.

	2 009	2008
<b>15 SERVICE CHARGES</b>		
Sale of electricity	8 662 481	7 418 123
Sale of water	5 916 919	4 842 403
Refuse removal	4 532 898	4 002 224
Sewerage and sanitation charges	4 693 761	4 149 502
<b>Total Service Charges</b>	<b>23 806 059</b>	<b>20 412 252</b>

<b>16 GOVERNMENT GRANTS AND SUBSIDIES</b>		
Equitable Share	24 626 283.00	19 514 483.00
Municipal Systems Improvement Grant	430 000.00	120 000.00
Financial Management Grant	500 000.00	500 000.00
Municipality Infrastructure Grant	-	-
Department of Local Government and Housing - Urban Planning	97 000.00	300 700.00
Website - Free State Provincial Treasury	-	-
Department of Mineral & Energy Affairs Grant - Customer Care	107 266.82	192 733.00
Department of Mineral & Energy Affairs Grant - Electrification of Stands	-	-
Department of Water Affairs and Forestry - Water Projects	-	-
Department of Water Affairs and Forestry - Customer Care-Learnership	155 665.45	-
Department of Water Affairs and Forestry - Feasibility Study	-	-
LG SETA-Learnership	55 494.27	-
Department of Local Government and Housing	-	426 800.00
Audit cost-Payments by Provincial Government	1 348 898.90	-
Blue Diamond	44 200.00	85 800.00
<b>Total Government Grant and Subsidies</b>	<b>27 364 808</b>	<b>21 140 516</b>

As result of compliance with GRAP/IAS20 Government Grants, the amount of the grants recognised in the Income Statement is only those related to operating expenditure recognised as income.

<b>27 267 808</b>	<b>20 220 283</b>
-------------------	-------------------

**16.1 Equitable Share**

Balance unspent at beginning of year	-	-
Current year receipts	24 626 282	19 514 483
Conditions met - transferred to revenue	(24 626 282)	(19 514 483)
	<b>-</b>	<b>-</b>

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	-	-
Current year receipts	12 523 000	13 978 460
Conditions met - transferred to revenue	-	-
Expenses incurred but assets not yet ready for use - transferred to deferred grants (note 10)	(10 104 503)	(13 978 460)
Conditions still to be met - transferred to current liabilities (note 9)	<b>2 418 497</b>	<b>-</b>

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

**16.3 Financial Management Grant**

Balance unspent at beginning of year	-	-
Current year receipts	500 000	500 000
Conditions met - transferred to revenue	(500 000)	( 500 000)
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.

	2 009	2008
	R	R

**16 GOVERNMENT GRANTS AND SUBSIDIES (continue)**

**16.4 Municipal Systems Improvement Grant**

Balance unspent at beginning of year	30 000	-
Current year receipts	400 000	150 000
Conditions met - transferred to revenue	( 430 000)	( 120 000)
Conditions still to be met - transferred to liabilities (note 9)	-	30 000
	-	30 000

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	97 000	300 700
Conditions met - transferred to revenue	( 97 000)	( 300 700)
Conditions still to be met - transferred to liabilities	-	-
	-	-

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

**16.6 Department of Mineral & Energy Affairs Grant - Customer Care**

Balance unspent at beginning of year	107 267	-
Current year receipts	-	300 000
Conditions met - transferred to revenue	( 107 267)	( 192 733)
Conditions still to be met - transferred to liabilities (note 9)	0	107 267
	0	107 267

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

**16.7 Department: Mineral & Energy Affairs: Electrification of Stands**

Balance unspent at beginning of year	-	-
Current year receipts	1 200 000	-
Conditions met - transferred to revenue	-	-
Expenses incurred but assets not yet ready for use - transferred to deferred grants (note 10)	( 666 993)	-
Conditions still to be met - transferred to current liabilities (note 9)	533 007	-
	533 007	-

	2 009	2008
	R	R

**16 GOVERNMENT GRANTS AND SUBSIDIES (continue)**

**16.8 Department of Local Government and Housing - Bucket Eradication**

Balance unspent at beginning of year	4 094 932	-
Current year receipts	-	-
Conditions met - transferred to revenue	(1 364 459)	4 094 932
Conditions still to be met - transferred to liabilities (note 9)	<b>2 730 473</b>	<b>4 094 932</b>

Provincial Grant for infrastructural improvements. To be used only after the Municipality Infrastructure Grant has been depleted, but before March 2008.

**16.9 Department of Local Government and Housing**

Balance unspent at beginning of year	-	-
Current year receipts	-	426 800
Conditions met - transferred to revenue	-	( 426 800)
Conditions still to be met - transferred to liabilities	-	-

Provincial grant for site establishment.

**16.10 Blue Diamond**

Balance unspent at beginning of year	154 200	-
Current year receipts	-	240 000
Conditions met - transferred to revenue	( 44 200)	( 85 800)
Conditions still to be met - transferred to liabilities (note 9)	<b>110 000</b>	<b>154 200</b>

Grant received for the feasibility study for the wine and diamond routes and bottling plant in Jacobsdal.

**16.11 Department of Water Affairs and Forestry -Customer Care-Learnership**

Balance unspent at beginning of year	-	-
Current year receipts	122 270	-
Conditions met - transferred to revenue	155 665	-
Receivables due from Dwarf-Refer to note 2	<b>33 395</b>	-

**16.12 Audit costs Payable by Provincial Government**

Balance unspent at beginning of year	-	-
Current year receipts	1 348 899	-
Conditions met - transferred to revenue	1 348 899	-
	-	-

Audit fee paid by the Provincial Government to the Auditor General's Office

**16.13 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.

	2 009 R	2 008 R
<b>17 OTHER INCOME</b>		
Agreements	17 482	65 300
Building plan fee	3 621	4 035
Call out fees	982	12 890
Counter surplus	275	100
Court fines	122 960	83 725
Grave plots	25 352	24 148
Inter-departmental charges	-	7 974 806
Library donations	-	1 080
Library lost books	-	370
Library penalty	220	410
Photostats	3 166	1 415
Posters	-	7
Poundfee	1 949	3 404
Pre-paid card	-	393
Reconnection fees	87 627	80 049
Refuse bags	1 725	153 886
Selling instalments	1 675	4 020
Special events	-	15 682
Sundry Services	-	28 440
Tax certificate	16 045	26 807
Tender documents	-	-
Test meter	219	158
Trading licences	1 498	2 952
Fair value adjustment	25 199	-
Other	225 595	4 260
<b>Total Other Income</b>	<b>535 590</b>	<b>8 488 337</b>
<b>18 EMPLOYEE RELATED COSTS</b>		
Employee related costs - Salaries and Wages	10 305 343	9 433 691
Employee related costs - Contributions to UIF, pensions , medical aids and Industrial council	1 909 240	1 793 328
Travel, motor car and other allowances	1 019 042	1 473 210
Housing benefits and allowances	83 602	93 336
Overtime payments	780 992	526 311
Annual bonus	637 701	594 403
Redemption of leave	715 255	193 241
<b>Total Employee Related Costs</b>	<b>15 451 176</b>	<b>14 107 520</b>
There were no advances to employees.		
<b>Remuneration of the Municipal Manager</b>		
Annual Remuneration	463 212.39	422 989
Back pay	-	23 326
Car Allowance	152 079.98	149 342
Telephone	9 165.00	9 000
Contributions to UIF, Medical and Provident Funds	2 994.72	3 996
<b>Total</b>	<b>627 452</b>	<b>608 653</b>
The current Municipal Manager was appointed on 1 February 2002.		

2 008  
 R

18 EMPLOYEE RELATED COSTS (continue)

Remuneration of the Chief Finance Officer

Annual Remuneration	119 985.51	294 083
Back pay	-	19 223
Car Allowance	27 000.00	108 000
House Allowance	9 000.00	36 000
Leave Payment	13 986.77	-
Contributions to UIF, Medical and Provident Funds	6 148.32	13 001
<b>Total</b>	<b>176 121</b>	<b>470 307</b>

The current Acting Chief Financial Officer was appointed on the 15 May 2009 to act in position for the period of six months.

Remuneration of the individual Executive Directors:

Remuneration of the Head: Technical Services

Annual Remuneration	405 842.02	366 697
Back pay	-	19 223
Car Allowance	87 850.00	84 000
Telephone	-	-
Contributions to UIF, Medical and Provident Funds	2 994.72	387
Redemption of leave	-	23 283
<b>Total</b>	<b>496 686</b>	<b>493 590</b>

The current Technical services manager was appointed on the 15 May 2009 to act in position for the period of six months.

Remuneration of the Head: Corporate Services

Annual Remuneration	333 261.50	322 697
Back pay	-	19 223
Car Allowance	40 000.00	96 000
Housing Allowance	15 000.00	-
Telephone	2 500.00	3 000
Bonuses	-	34 983
Contributions to UIF, Medical and Provident Funds	12 532.80	26 557
<b>Total</b>	<b>403 295</b>	<b>502 460</b>

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	310 545.01	261 383
Councillors allowances	1 394 715.49	1 238 359
Councillors' pension contribution	-	23 558
Councillors' medical contribution	-	-
<b>Total Councillors' Remuneration</b>	<b>1 705 261</b>	<b>1 523 300</b>

In kind benefits

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

20 INTEREST PAID

Long term liabilities	14 695	77 834
Bank overdraft	155 182	56 338
<b>Total Interest on External Borrowings</b>	<b>169 878</b>	<b>134 172</b>



	2 009	2008 R
<b>21 BULK PURCHASES</b>		
Electricity	6 604 930	4 047 583
Water	1 198 254	1 346 407
<b>Total bulk purchases</b>	<b>7 803 183</b>	<b>5 393 990</b>
<b>22 CAPITAL COMMITMENTS</b>		
Commitments in respect of capital expenditure		
Approved and contracted for:	-	15 800 000
Infrastructure	-	15 800 000
Community	-	-
Approved but not yet contracted for:	-	11 120 000
Infrastructure	-	10 820 000
Community	-	300 000
<b>Total</b>	<b>-</b>	<b>26 920 000</b>
<b>23 DEPRECIATION</b>		
Buildings	680 201	680 201
Infrastructure	5 084 465	5 084 465
Community assets	428 026	909 810
Other assets	909 810	7 102 502
	<b>7 102 502</b>	<b>13 776 978</b>
<b>24 PRIOR PERIOD ERROR</b>		
<b>24.1</b>	In the prior year the amount that was spent to finance capital assets from government grants was not transferred to the government grant reserve. A correction of the error was made in the current year	
	<u>Statement of Financial Position</u>	
	Decrease in customer care grant	49 914
	Increase in Government grant reserve	(49 914)
<b>24.2</b>	VAT is payable on the cash basis. Only when payment is received from receivables is VAT paid over to SARS. The Balance accumulated on the VAT output as customers are invoiced is netted off against the VAT input. This will be	
	<u>Statement of Financial Position</u>	
	Decrease in VAT payables	352 512
	Increase in VAT Debtors	2 022 958
	New balance sheet item for VAT suspense	4 397 482
<b>24.3</b>	In the prior year the amount disclosed for payable including the provision for leave. Adjustments have been made to the comparative figure to disclose the leave under accrual.	
	<u>Statement of Financial Position</u>	
	Decrease in payable	664 155
	Increase in accruals	664 155
<b>24.4</b>	In the prior year the short term insurance recovered was incorrectly netted off against the General expenses. Adjustment has been made to the statement of financial performance to disclose these as other income	
	<u>Statement of Financial Position</u>	
	Decrease in General expense	1 096
	Increase in other income	1 096
<b>24.5</b>	In prior year there was no split between the current and non-current portion of long term liabilities. The comparatives have been adjusted to appropriately disclose the long term liabilities on the statement of financial position.	
	<u>Statement of Financial Position</u>	
	Decrease in long term liabilities	198 970
	Increase in current portion of long term liabilities	198 970
<b>24.6</b>	The following adjustments were made to accumulated surplus as a result of correcting prior year errors	
	<u>Statement of changes in net assets</u>	
	Overall Decrease in Accumulated Surplus	(1 057 659)
	Increase in Property Plant and equipment	7 718
	Decrease in Accumulated surplus	(7 718)
	Decrease in Property Plant and equipment	(384 446)
	Decrease in Accumulated Surplus	(384 446)
	Increase in Property Plant and equipment	274 912
	Increase in Accumulated Surplus	274 912
	Increase in Accounts Payable	1 361 679
	Decrease in Accumulated Surplus	(1 361 679)
	Decrease in Accounts Payable	(30 059)
	Increase in Accumulated Surplus	30 059
	Increase in VAT In put	75 432
	Increase in Accumulated Surplus	75 432

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2009**

**Note 24 (Continued)**

Increase in Accumulated Depreciation	-	636 253.99
Decrease in Accumulated Surplus	-	-636 253.99
Decrease in Accumulated Depreciation	-	-1 126 906.84
Increase in Accumulated Surplus	-	1 126 906.84
Decrease in Government Grants	-	-17 860.00
Increase in Accumulated Surplus	-	17 860.00
Increase in Government Grants	-	192 733.18
Decrease in Accumulated Surplus	-	-192 733.18

**24.7** In the prior year expenses incurred for the Development of the Municipality's website were expensed. Corrections have been made to disclose the costs as an intangible asset.

Increase in Intangible assets	-	73 684.21
Decrease in WIP	-	-73 684.21

**24.8** In the prior year projects that were completed were not capitalised. Corrections have been made and comparatives have been restated

Increase in Property Plant and Equipment	-	2 718 421
Decrease in WIP	-	(2 718 421)
Increase in Accumulated Depreciation	-	47 939

**24.9** In the prior year Projects not completed were all transferred to Work in Progress, however in the current year reversal has been made to separately account for each of these projects. This is necessitated by the fact each projects need to be monitored and accounted for separately to the point of completion.

Increase in Projects	-	28 506 449
Decrease in WIP	-	(28 506 449)

**24.10** In the prior year an error was made while transferring the unspent grant received from Blue Diamond. The actual expenditure was R 85 800 out of R 130 000 that was received. The Unspent amount that was required to be transferred was R 44 200, instead R 87 100 was transferred.

Decrease in Unspent grants	-	(42 900)
Decrease in Project balance	-	(42 900)

**24.10** In the prior year the Municipality received grant for Provincial Infrastructure grant that was not spent. The balance was incorrectly disclosed as deferred income. Correction has been made to the comparatives to disclose the amount as unspent grant.

Increase in Unspent Grants	-	4 094 932
Decrease in Deferred Grants	-	(4 094 932)

**24.11** In the prior year, amounts received in respect of the projects detailed below were correctly included in the statement of financial performance. However a journal no 80/06/08 was processed incorrectly and resulted been included as unspent grants on the statement of financial position. The error has been corrected by transferring the amount to the suspense account as follows:

Dwarf Project	392 506
Housing project	426 800
Urban Planning	300 700
MIG	500 000
Total	<b>1 620 006</b>

**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.

**26 CONTINGENT LIABILITY**

No contingent liabilities are existing at the reporting date.

		2008
		R
<b>27</b>	<b>CONTINGENT ASSET</b>	
	No contingent assets are expected.	
<b>28</b>	<b>IN - KIND DONATION AND ASSISTANCE</b>	
	No in-kind donations and assistance were received by the municipality during the year.	
<b>29</b>	<b>GENERAL EXPENSES</b>	
	General expenses include the following significant items:	
	Administration	7 992 910
	Advertisement	141 678.57
	Audit costs - note 30	2 813 297.14
	Bank charges	123 555.77
	Chemicals	989 331.50
	Consultants	888 931.97
	Delegations	280 293.67
	Donations	-
	Education	8 807.60
	Electricity charge	816 349.68
	Entertainment general	76 697.59
	Entertainment manager	-
	Finance Management Grant expenses	508 834
	Fuel	786 879.58
	Funeral costs	20 625.50
	Insurance short term	559 557.48
	Legal expenses	338 598.80
	Licenses	7 343.89
	Lost books	-
	Material and inventory	-
	Members subscriptions	67 448.00
	Office expenditure	-
	Postage and private bag	74 028.20
	Printing and stationery	257 869.43
	Rent equipment - note 35	74 927.50
	S.M.M.E. Projects	1 456 595.78
	Stormwater drainage	-
	Special Events	343 625.06
	Sundries	14 956.15
	Sundries Services	45 920.54
	Telephone	940 529.83
	Training	11 500.00
	Uniforms	56 501.53
	Valuations	1 936 812.48
	Water research	-
	Website design	10 000.00
	Youth desk programs	-
	Other	204 365.45
		<u>13 347 029</u>
		<u>15 937 159</u>
<b>30</b>	<b>ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT:</b>	
	<b><u>Contributions to South African Local Government Organisation and other affiliations</u></b>	
	Opening balance	-
	Current year's contribution	135 277
	Amount paid - current year	( 135 277)
	Amount paid - previous year	-
	<b>Balance unpaid (included in payables)</b>	<u>-</u>

2008  
 R

30 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT: (continue)

**Audit fees**

Opening balance	-	-
Current year's contribution	2 600 838	370 602
Amount paid - current year	(3 423 118)	( 370 602)
<b>Balance unpaid (included in Receivables)</b>	<b>( 822 280)</b>	<b>-</b>

**VAT**

VAY payable	2 459 470	351 512
	<b>2 459 470</b>	<b>351 512</b>

**UIF**

Opening balance	-	-
Current year payroll deductions	194 365	99 010
Amount paid - current year	( 194 365)	( 99 010)
Amount paid - previous years	-	-
<b>Balance unpaid (included in payables)</b>	<b>-</b>	<b>-</b>

**PAYE**

Opening balance	-	-
Current year payroll deductions	1 182 876	999 999
Amount paid - current year	( 1 182 876)	( 999 999)
Amount paid - previous years	-	-
<b>Balance unpaid (included in payables)</b>	<b>-</b>	<b>-</b>

**Pension Fund Deductions**

Opening balance	-	-
Current year payroll deductions and council contributions	1 276 227	1 573 995
Amount paid - current year	( 1 276 227)	( 1 573 995)
Amount paid - previous years	-	-
<b>Balance unpaid (included in payables)</b>	<b>-</b>	<b>-</b>

**Medical Aid Deductions**

Opening balance	-	-
Current year payroll deductions and council contributions	538 593.48	218 255
Amount paid - current year	-	( 218 255)
Amount paid - previous years	-	-
<b>Balance unpaid (included in payables)</b>	<b>-</b>	<b>-</b>

**Councillor's arrear consumer accounts**

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.

	2 009	2008 R
<b>31 CASH RECEIVED FROM CUSTOMERS AND GOVERNMENT</b>		
Total revenue	56 971 092	56 567 106
Adjusted for items presented separately:		
Interest received on Debtors	(1 196 085)	(2 592 649)
Interest on Investment	(301 143)	-
Dividends received	(13 350)	(4 648)
Adjustments in respect of previous years' operating transactions		-
Adjusted for changes in working capital:		
(Increase)/decrease in consumer receivables	(944 011)	(8 805 221)
Decrease/(Increase) in other receivables	(858 284)	98 085
Decrease/(Increase) in VAT debtors	(1 630 769)	-
	<u>52 027 451</u>	<u>45 262 673</u>
<b>32 CASH PAID TO SUPPLIERS AND EMPLOYEES</b>		
Total expenditure	58 664 560	56 726 668
Adjusted for non-cash items:		
Depreciation	(7 102 502)	(7 084 749)
Contribution to bad debt provision	(10 961 724)	(8 682 998)
Adjusted for items presented separately:		
Interest paid	(169 878)	(134 172)
Adjusted for changes in working capital:		
Increase/(decrease) in payables	2 181 708	(30 390)
Increase/(decrease) in accruals	466 451	(281 554)
(Decrease) in inventory	-	-
(Decrease)/Increase in unspent conditional grants	1 405 578	3 188 674
Increase/(decrease) in deferred conditional grants	(12 135 945)	(17 108 995)
Decrease in VAT payable	-	901 939
	<u>32 348 248</u>	<u>27 494 423</u>
<b>33 CASH GENERATED BY OPERATIONS</b>		
Reconciliation of net operating profit/(loss) to cash generated from operations		
Net operating profit/(loss)	(1 693 469)	(159 563)
Adjusted for:		
Depreciation	7 102 502	7 084 749
Interest received	(1 196 085)	(2 592 649)
Dividends received	(13 350)	(4 648)
Contribution to bad debt provision	10 961 724	8 682 998
Interest - other	(301 143)	-
Interest paid	169 878	134 172
Adjustments in respect of previous years' operating transactions		-
Changes in working capital:		
Decrease/(Increase) in other receivables	(858 284)	98 085
(Increase)/decrease in consumer receivables	(944 011)	(8 805 221)
Decrease in inventory	-	-
(Decrease)/increase in conditional grants	(1 405 578)	(3 188 674)
Increase in deferred grants	12 135 945	17 108 995
Increase/(Decrease) in payables	(2 181 708)	30 390
Increase in accruals	(466 451)	281 554
(Decrease) in VAT	(1 630 771)	(901 939)
	<u>19 679 199</u>	<u>17 768 249</u>

	2 009	2 008
	R	R
<b>34 CASH AND CASH EQUIVALENTS</b>		
Cash and cash equivalents included in the cash flow statement comprise the following amounts:		
Positive bank balances	20 685	802 348
Outstanding Items	( 49)	( 49)
Petty cash	809	692
<b>Cash and cash equivalents</b>	<u>21 445</u>	<u>802 991</u>
Bank overdraft	(1 578 434)	( 194 237)
<b>Total cash and cash equivalents</b>	<u>(1 556 989)</u>	<u>608 754</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	104 388	103 764
Payable within 1 - 5 years	43 495	208 776
Payable later than 5 years	-	-
	<u>147 883</u>	<u>312 540</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**

The capital projects (under construction) as disclosed in note 4 of the financial statements might subsequently be adjusted after the issue of the financial statements, due to the high degree of uncertainty with regards to which projects have been completed and which projects remain uncompleted after year end. The project might subsequently be capitalised after the municipality has verified which project are to be capitalised.

**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.

**41 FINANCIAL RISK MANAGEMENT**

**41.1 Equity risk management**

The Municipality manages its capital to ensure that it will be able to continue as a going concern through the optimisation of the debt and equity balance. The Municipality's overall strategy remains unchanged from 2006.

The equity structure of the Municipality consists of debt, which includes the borrowings disclosed in note 12, cash and cash equivalents and accumulated funds as well as government grant reserve disclosed in note 13.

**41.1.1 Gearing ratio**

The Municipality manages its risk by ensuring that risky borrowings are maintained at a minimum. The gearing ratio at the year end was as follows:

Debt	10 714	209 934
Cash and cash equivalents	1 578 434	194 237
Net debt	1 589 148	404 171
Equity	100 408 963	103 110 178

Debt is defined as long- and short-term borrowings, as detailed in note 12.

Equity includes all accumulated surplus/deficit and reserves of the Municipality.

**41.2 Significant accounting policies**

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in the note on accounting policy to the financial statements.

**41.3 Categories of financial instruments**

**Financial assets**

Fair value through profit or loss (FVTPL)	41 118	15 919
Loans and receivables (including cash and cash equivalents)	21 445	802 991

**Financial liabilities**

Amortised cost	10 714	209 934
----------------	--------	---------

At the reporting date there are no significant concentrations of credit risk for loans and receivables designated at FVTPL. The carrying amount reflected above represents the Municipality's maximum exposure to credit risk for such loans and receivables.

The fair value of cumulative shares was estimated by obtaining investee's quotes for the shares at the reporting date

**41.4 Financial risk management objectives**

The Municipality through its finance committee assesses and monitors the financial risks relating to its operations by analysing the degree and magnitude of exposure to risks. These risks include market risk (including fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The Municipality seeks to minimise the effects of these risks by making short term investments which are used to withdrawn when there are indicators of fragility in the market factors and as when cash is required to fund the Municipality's operations. The Municipality does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes. The finance committee monitors risks and policies implemented to mitigate risk exposures.

**41.5 Market risk**

The Municipality's activities expose it primarily to the financial risks of changes in interest rates. The Municipality enters into a variety of derivative financial instruments to manage its exposure to interest rate. There is no exposure to foreign currency risk as all the investments are made with South Africa's local financial institution. Market risk exposures are measured using value-at-risk (VaR) and are supplemented by sensitivity analysis. There has been no change to the Municipality's exposure to market risks or the manner in which it manages and measures the risk

**41.6 Interest rate risk management**

The Municipality is exposed to interest rate risk as it make investment in interest yielding investments with fixed interest rates. The risk is managed by the Municipality maintaining a balanced portfolio of investments with different financial institutions. Hedging activities are not implemented as most of the investments are short term and with limited exposure to interest rate risk

**41.7 Other price risks**

The Municipality is exposed to equity price risks arising from equity investments. Equity investments are held for strategic rather than trading purposes. The Municipality does not actively trade these investments. The only shares held are the Senwes shares

**41.8 Credit risk management**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Entity. The Municipality has adopted a policy of only dealing with creditworthy counterparties where appropriate, as a means of mitigating the risk of financial loss from defaults. The Municipality only invests with entities that are rated the equivalent of investment grade and above. This information is supplied by requesting for quotations prior to entering an investment deals well as using other publicly available financial information and its own trading records. Trade receivables consist of a large number of customers, spread across diverse economic groups. Ongoing communication to sensitise the community about the need to settle their accounts is effected as well as efforts to have prepaid metres installed in the households to minimise the impact of non- payment of accounts.

**41.9 Liquidity risk management**

Ultimate responsibility for liquidity risk management rests with the Council and the finance committee which has built an appropriate liquidity risk management framework for the management of the Municipality's short, medium and long-term funding and liquidity management requirements. The Municipality manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. The Municipality also gets funding from the National and provincial governments which help to ease the pressure of any liquidity crisis

LETSEMENG LOCAL MUNICIPALITY

APPENDIX A

SCHEDULE OF EXTERNAL LOANS  
AS AT 30 JUNE 2009

EXTERNAL LOANS	Loan Number	Interest rate	Redeemable	Balance at 1 July 2008	Received during the period	Redeemed/ written off during the period	Balance at 30 June 2009
				R	R	R	R
<b>LONG-TERM LOANS</b>							
Development Bank of South Africa	7(L)	12.60%	31 December 2012	8 678	-	1 538	7 140
Development Bank of South Africa	6(L)	10.75%	31 July 2013	4 259	-	685	3 575
Development Bank of South Africa	2	15.50%	31 December 2008	196 997	-	196 997	-
<b>Total long-term loans</b>				209 934	0	199 220	10 714



LETSEMENG LOCAL MUNICIPALITY  
APPENDIX B  
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT  
FOR THE YEAR ENDED 30 JUNE 2009

APPENDIX B										
LETSEMENG LOCAL MUNICIPALITY : ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2009										
	Cost/Revaluation					Accumulated Depreciation				Carrying Value
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
<b>Land and Buildings</b>										
Land	122 620	-	-	-	122 620	30 314	4 087	-	34 402	88 218
Buildings	8 722 877	-	2 464 409	-	11 187 286	2 153 863	676 113	-	2 829 977	8 357 309
	<b>8 845 497</b>	<b>-</b>	<b>2 464 409</b>	<b>-</b>	<b>11 309 906</b>	<b>2 184 178</b>	<b>680 201</b>	<b>-</b>	<b>2 864 378</b>	<b>8 445 527</b>
<b>Infrastructure</b>										
Drains	-	-	-	-	-	-	-	-	-	-
Roads	8 074 651	-	10 433 185	-	18 507 836	2 043 627	563 623	-	2 607 249	15 900 587
Sewerage Mains & Purif	46 781 974	-	23 880 447	-	70 662 420	13 583 154	2 343 351	-	15 926 506	54 735 915
Electricity Mains	6 310 338	-	2 428 985	-	8 739 323	2 048 570	314 596	-	2 363 166	6 376 157
Electricity Peak Load Equip	-	-	-	-	-	-	-	-	-	-
Water Mains & Purification	-	-	-	-	-	-	-	-	-	-
Reservoirs – Water	6 632 590	-	-	-	6 632 590	2 134 889	331 629	-	2 466 519	4 166 071
Water Meters	4 102 125	-	169 220	-	4 271 345	1 288 031	207 623	-	1 495 654	2 775 691
Water Mains	26 391 044	-	9 561 923	-	35 952 967	8 583 979	1 319 552	-	9 903 531	26 049 435
Pedestrian Malls	-	-	-	-	-	-	-	-	-	-
Security Measures	-	16 363	-	-	16 363	-	4 091	-	4 091	12 272
	<b>98 292 721</b>	<b>16 363</b>	<b>46 473 760</b>	<b>-</b>	<b>144 782 843</b>	<b>29 682 251</b>	<b>5 084 465</b>	<b>-</b>	<b>34 766 716</b>	<b>110 016 127</b>
<b>Community Assets</b>										
Parks & Gardens	5 343 424	-	629 674	-	5 973 099	261 518	178 114	-	439 632	5 533 466
Libraries	1 312 000	-	-	-	1 312 000	324 356	43 733	-	368 089	943 911
Recreation Grounds	3 724 512	-	-	-	3 724 512	547 999	154 851	-	702 850	3 021 662
Civic Buildings	1 539 810	-	701 754	-	2 241 564	367 134	51 327	-	418 461	1 823 104
	<b>11 919 746</b>	<b>-</b>	<b>1 331 429</b>	<b>-</b>	<b>13 251 175</b>	<b>1 501 006</b>	<b>428 026</b>	<b>-</b>	<b>1 929 032</b>	<b>11 322 143</b>
<b>Heritage Assets</b>										
Historical Buildings	-	-	-	-	-	-	-	-	-	-
Painting & Art Galleries	-	-	-	-	-	-	-	-	-	-
	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Balance brought forward	119 057 964	16 363	50 269 597	-	169 343 924	33 367 435	6 192 692	-	39 560 126	129 783 798
<b>Housing Rental Stock</b>										
Housing Rental 1	693 000	-	-	-	693 000	171 325	23 100	-	194 425	498 575
Housing Rental 2	-	-	-	-	-	-	-	-	-	-
	<b>693 000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>693 000</b>	<b>171 325</b>	<b>23 100</b>	<b>-</b>	<b>194 425</b>	<b>498 575</b>
<b>Other Assets</b>										
Landfill sites	-	-	-	-	-	-	-	-	-	-
Office Equipment	-	-	-	-	-	-	-	-	-	-
Furniture & Fittings	656 614	109 590	-	-	766 204	135 077	178 306	-	313 383	452 821
Bins and Containers	-	-	-	-	-	-	-	-	-	-
Emergency Equipment	-	-	-	-	-	-	-	-	-	-
Motor vehicles	6 282 718	-	-	-	6 282 718	2 133 792	432 898	-	2 566 690	3 716 028
Fire engines	-	-	-	-	-	-	-	-	-	-
Refuse tankers	-	-	-	-	-	-	-	-	-	-
Computer equipment	811 309	185 206	-	-	996 515	475 388	217 671	-	693 059	303 456
Computer software	-	-	-	-	-	-	-	-	-	-
Councillors Regalia	-	-	-	-	-	-	-	-	-	-
Conservancy tankers	-	-	-	-	-	-	-	-	-	-
Intangible assets	73 684	-	-	-	73 684	16 374	24 561	-	40 936	32 749
Plant and Machinery	575 208	-	-	-	575 208	349 552	33 274	-	382 826	192 382
	<b>8 399 533</b>	<b>294 796</b>	<b>-</b>	<b>-</b>	<b>8 694 329</b>	<b>3 110 183</b>	<b>886 710</b>	<b>-</b>	<b>3 996 893</b>	<b>4 697 435</b>
<b>GRAND TOTAL</b>	<b>128 150 497</b>	<b>311 159</b>	<b>50 269 597</b>	<b>-</b>	<b>178 731 253</b>	<b>36 648 943</b>	<b>7 102 502</b>	<b>-</b>	<b>43 751 445</b>	<b>134 979 808</b>

LETSEMENG LOCAL MUNICIPALITY

APPENDIX C

SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT

FOR THE YEAR ENDED 30 JUNE 2009

DETAILS	COST					Accumulated Depreciation				
	OPENING BALANCE	ADDITIONS	CONSTRUCTION S	DISPOSALS	CLOSING BALANCE	OPENING BALANCE	DEPRECIATION	DISPOSALS	CLOSING BALANCE	CARRYING VALUE
Planing and Development										
Executive & Council	112 808.00		-	-	112 808.00	101 527.20	11 280.80	-	112 808.00	-
Finance and Administration	4 251 048.73	311 168.50	2 464 408.87	-	7 026 626.10	1 370 217.36	495 631.66	-	1 865 849.02	5 160 767.08
Health	4 274 220.89		-	-	4 274 220.89	966 780.96	142 474.03	-	1 109 254.99	3 164 965.90
Community & Social Services	10 180 132.22		1 331 428.82	-	11 511 561.04	1 568 825.21	756 655.74	-	2 325 480.95	9 186 080.09
Sports & Recreation	4 442 409.67		-	-	4 442 409.67	725 479.01	178 781.14	-	904 260.16	3 538 149.51
Waste Management	1 474 571.00		13 322 477.04	-	14 797 048.04	1 368 665.00	4 706.93	-	1 373 371.93	13 423 676.11
Waste Water Management	46 821 973.78		13 281 502.58	-	60 103 476.36	13 613 154.32	2 347 351.48	-	15 960 505.80	44 142 970.56
Road Transport	12 967 197.41		9 874 204.21	-	22 841 401.62	2 821 428.38	957 040.03	-	3 778 468.41	19 062 933.21
Water	37 225 758.62		7 566 591.11	-	44 792 349.73	12 045 649.74	1 863 971.26	-	13 909 621.00	30 882 728.73
Electricity	6 326 692.09		2 428 984.78	-	8 755 676.87	2 050 841.42	320 047.45	-	2 370 888.87	6 384 788.00
Other/ Intangible assets	73 684.21	-	-	-	73 684.21	16 374.27	24 561.40	-	40 935.67	32 748.54
	<b>128 150 496.62</b>	<b>311 168.50</b>	<b>50 269 597.41</b>	<b>-</b>	<b>178 731 262.53</b>	<b>36 648 942.88</b>	<b>7 102 501.92</b>	<b>-</b>	<b>43 751 444.80</b>	<b>134 979 807.73</b>

LETSEMENG LOCAL MUNICIPALITY  
APPENDIX D  
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE  
FOR THE YEAR ENDED 30 JUNE 2009

2008 ACTUAL INCOME R	2008 ACTUAL EXPENSES R	2008 SURPLUS/ (DEFICIT) R		2009 ACTUAL INCOME	2009 ACTUAL EXPENSES	2009 SURPLUS/ (DEFICIT)
405 982	801 902	( 395 920)	Executive & Council	<b>630 308</b>	<b>2 298 232</b>	-1 667 923.64
14 020 717	8 986 499	5 034 218	Finance and Administration	<b>9 639 570</b>	<b>13 908 460</b>	-4 268 890.34
560	1 673 013	(1 672 454)	Planning & Development	<b>97 275</b>	<b>2 154 790</b>	-2 057 514.61
620 257	2 310 233	(1 689 975)	Community & Social Services	<b>763 577</b>	<b>1 732 778</b>	-969 201.30
57 320	408	56 912	Housing	<b>53 875</b>	<b>(16 955)</b>	70 830.45
476 977	4 325	472 652	Public Safety	<b>478 504</b>	<b>12 569</b>	465 935.10
390 833	697 482	( 306 649)	Sports & Recreation	-	<b>347 443</b>	-347 443.49
110	458 068	( 457 958)	Environmental Protection	-	<b>381 992</b>	-381 991.77
10 760 751	7 256 107	3 504 644	Waste Management	<b>11 014 111</b>	<b>6 361 485</b>	4 652 626.45
8 923 428	7 675 820	1 247 608	Waste Water Management	<b>10 932 261</b>	<b>7 596 878</b>	3 335 383.13
1 182	6 020 474	(6 019 292)	Road Transport	<b>9 091</b>	<b>4 775 965</b>	-4 766 874.03
10 702 973	11 404 914	( 701 941)	Water	<b>13 121 597</b>	<b>9 181 779</b>	3 939 817.66
8 920 129	8 151 536	768 593	Electricity	<b>10 213 902</b>	<b>9 912 126</b>	301 776.10
<b>55 281 219</b>	<b>55 440 783</b>	<b>( 159 562)</b>	<b>TOTAL</b>	<b>56 954 071</b>	<b>58 647 542</b>	<b>-1 693 470</b>

LETSEMENG LOCAL MUNICIPALITY

APPENDIX E

ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE)

FOR THE YEAR ENDED 30 JUNE 2009

	2009 Actual ( R )	2009 Budget ( R )	2009 Variance ( R )	2009 Variance (%)	Explanation of Significant Variances greater than 10% versus Budget
<b>REVENUE</b>					
Property rates	3 472 058	3 012 566	459 492	15.25%	Good collection
Service charges	23 806 059	16 592 190	7 213 869	43.48%	Most customer have had prepaid metres installed thus the impvement in revenue
Rental of building	369 563	395 878	-26 315	-6.65%	Not material
Interest on debtors	1 196 085		1 196 085	0.00%	This is as a result of reclassification of interest earned on investment in the previous year that relates interest on debtors.
Interest on Investment	301 143	1 054 867	-753 724	-71.45%	Most investments were withdrawn in the previous year
Dividends received	13 350	15 000	-1 650	-11.00%	Good returns on the investments
Government grants and subsidies	27 267 808	34 134 720	-6 866 912	-20.12%	Increase in allocation from the National treasury and other subsidies
Other income	535 590	4 081 458	-3 545 868	-86.88%	Income dependant on court and other third parties
Bad debts recovered	9 436	10 364	-928	-8.95%	Not material
<b>Total Revenue</b>	<b>56 971 092</b>	<b>59 297 043</b>	<b>(2 325 951)</b>	<b>-3.92%</b>	
<b>EXPENDITURE</b>					
Employee related costs	15 451 176	14 486 543	964 633	6.66%	Not material
Remuneration of Councillors	1 705 261	1 754 091	-48 830	-2.78%	Not material
Bad debts	10 961 724	1 480 314	9 481 410	640.50%	120+ customer accounts provided for as per councils request
Depreciation	7 102 502	750 000	6 352 502	847.00%	Under budgeted
Repairs and maintenance	2 123 809	5 922 108	-3 798 299	-64.14%	Expense dependable on uncontrollable circumstances
Interest paid	169 878	206 686	-36 808	-17.81%	Municipality experienced better cashflow
Bulk purchases	7 803 183	8 385 596	-582 413	-6.95%	Not material
General expenses	13 347 029	25 100 842	-11 753 813	-46.83%	Expense dependable on uncontrollable circumstances
<b>Total Expenditure</b>	<b>58 664 561</b>	<b>58 086 180</b>	<b>578 381</b>	<b>1.00%</b>	
<b>NET SURPLUS/(DEFICIT) FOR THE YEAR</b>	<b>-1 693 469</b>	<b>1 210 863</b>	<b>-2 904 332</b>		

LETSEMENG LOCAL MUNICIPALITY

APPENDIX E (2)

ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT)

FOR THE YEAR ENDED 30 JUNE 2009

	<u>2009</u> <u>Actual</u>	<u>2009</u> <u>Under</u> <u>Construction</u>	<u>2009</u> <u>Total</u> <u>Additions</u>	<u>2009</u> <u>Budget</u>	<u>2009</u> <u>Variance</u>	<u>2009</u> <u>Variance</u>	<u>Explanation of Significant Variances</u> <u>greater than 5% versus Budget</u>
	R	R	R	R	R	%	
Executive & Council	-	-	-	4 500	( 4 500)	-100.00%	
Finance and Administration	311 169	-	311 169	1 620 132	(1 308 964)	-80.79%	Due to income constrains not all the projects on the IDP are been executed as planned. Hence the budget exceed the expenditure.
Health	-	-	-	0	-	0.00%	
Community & Social Services	-	701 754.40	701 754.40	2 250 000.00	(1 548 246)	-68.81%	Due to income constrains not all the projects on the IDP are been executed as planned. Hence the budget exceed the expenditure.
Sports & Recreation	-	-	-	-	-	0.00%	
Waste Management	-	6 429 813	6 429 813	3 550 000	2 879 813	81.12%	Other projects are from the prior year hence the expenditure exceed the budget
Waste Water Management	-	5 327 573	5 327 573	4 803 441	524 132	10.91%	Other projects are from the prior year hence the expenditure exceed the budget
Road Transport	-	5 334 046	5 334 046	15 400 000	(10 065 954)	-65.36%	Due to income constrains not all the projects on the IDP are been executed as planned. Hence the budget exceed the expenditure.
Water	-	3 299 276	3 299 276	6 663 559	(3 364 283)	-50.49%	Due to income constrains not all the projects on the IDP are been executed as planned. Hence the budget exceed the expenditure.
Electricity	-	669 992.99	669 993	1 800 000	(1 130 007)	-62.78%	The project is still continuing to the next financial year
Other/ Intangible assets	-	-	-	-	-		
<b>TOTAL</b>	<b>311 169</b>	<b>21 762 455</b>	<b>22 073 623</b>	<b>34 291 632</b>	<b>(12 888 002)</b>	<b>-37.58%</b>	

LETSEMENG LOCAL MUNICIPALITY

APPENDIX F

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

FOR THE YEAR ENDED 30 JUNE 2009

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	7 997 606	5 998 205	10 630 471		6 156 571	6 156 571	6 156 571	6 156 571	-	-	-	-		Y	
Financial Management Grant	Financial Management Grant	500 000				87 352	287 940	77 860	46 848	-	-	-	-	-	Y	-
Training	Municipal Systems Improvement Grant	400 000						430 000		-	-	-	-	-	Y	-
Municipality Infrastructure Grant	Municipality Infrastructure Grant		8 049 000		4 474 000	3 186 087	3 674 247	2 108 072	1 136 096	-	-	-	-	-	Y	-
Bucket eradication	Department of Local Government and Housing	-	-	-	-	-	-	-	-	-	-	-	-	-	Y	-
Audit costs Recovery	Audit cost-Payments by Provincial Government	59 345	200 000	1 089 554		59 345	200 000	1 089 554		-	-	-	-	-	Y	-
Customer Care	LG-Seta			55 494						-	-	-	-	-	Y	-
Customer Care	Department of Water Affairs and Forestry			80 000	42 270				155 665	-	-	-	-	-	Y	-
Urban Planning	Department of Local Government and Housing			97 000						-	-	-	-	-	Y	-
Electrification of Stands	Department of Mineral & Energy Affairs Grant -		895 000		305 000		82 097	333 653	254 243	-		-	-	-	Y	-