



Letsemeng Local Municipality
Annual Financial Statements
for the year ended 30 June 2013

Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2013

General Information

Legal form of entity	Local Municipality
Nature of business and principal activities	Provision of municipal services in terms of the Municipal Systems Act No.32 of 2000 (MSA) and Municipal Finance Management Act No.56 of 2003
Municipal Councillors	
Mayor/Speaker	Clr. T.I. Reachable
Councillors	Clr. M.A. Mpatshehla Clr. M.M. Tsiloana Clr. M.U. Jantjies Clr. P.M. Dibe Clr. S. Lecoko Clr. V.A. Mona Clr. P. Louw Clr. K. Nel Clr. L. Greef Clr. V. Coetzee Clr. T.M. Gomojong (Resigned in December 2012)
Grading of local authority	Grade 2
Accounting Officer	Rev. Itumeleng Edward Poee
Acting Chief Finance Officer (CFO)	Mr. Sandile Busakwe
Registered office	Civic Centre 7 Groottrek Street Koffiefontein 9986
Business address	Civic Centre 7 Groottrek Street Koffiefontein 9986
Postal address	Private Bag X3 Koffiefontein 9986
Bankers	First National Bank
Auditors	Auditor-General of South Africa
Attorneys	Bokwa Attorneys

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Abbreviations

COID	Compensation for Occupational Injuries and Diseases
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
FMG	Finance Management Grant
MSIG	Municipal Systems Improvement Grant
COGTA	Department of Co-operative Governance & Traditional Affairs

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Accounting Officer's Responsibilities and Approval

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

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

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

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

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

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2014 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The municipality operations depend on a number of sources of revenue ranging from National Government to its own sources and donations. There are no signs or indications that any of these sources will be significantly curtailed. As such, the annual financial statements are prepared on the basis that the municipality is a going concern and that the municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

Although the accounting officer is primarily responsible for the financial affairs of the municipality, he is supported by the municipality's external auditors.

The annual financial statements set out on pages 8 to 81, which have been prepared on the going concern basis, were approved by the accounting officer on 30 August 2013 and were signed on its behalf by:

Letsemeng Local Municipality

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Accounting Officer's Responsibilities and Approval

Rev. Itumeleng Edward Pooe
Accounting Officer

Letsemeng Local Municipality

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Audit Committee Report

We are pleased to present our report for the financial year ended 30 June 2013.

Shared Audit and Performance Committee members and attendance

The shared audit and performance committee (Xhariep District) consists of four members listed hereunder and meet on a regular basis per annum as per its approved terms of reference. During the current year four meetings were held.

Name of member	Number of meetings attended
Mr. M.M. Segalo (Chairman)	4
Mr. V. Vapi	4
Mr. K.S. Rapulungoane	2
Miss T. Molelle	1

Audit committee responsibility

The shared audit committee reports that it has complied with its responsibilities arising from section 166(2)(a) of the MFMA and Treasury Regulations.

The shared audit committee also reports that it has adopted appropriate formal terms of reference as its audit committee charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

The effectiveness of internal control

The system of internal controls applied by the municipality over financial and risk management is effective, efficient and transparent. In line with the MFMA and the King III Report on Corporate Governance requirements (as applicable in municipal environment and adopted by Council), Internal Audit provides the audit committee and management with assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes. From the various reports of the Internal Auditors, the Audit Report on the annual financial statements, and the management report of the Auditor-General South Africa, material deficiencies in the system of internal controls or any deviations therefrom are disclosed in their audit report (Other Matters).

Quality of Periodic Reports

The audit committee is satisfied with the content and quality of monthly and quarterly reports prepared and issued by the Accounting Officer of the municipality during the year under review.

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Annual Financial Statements for the year ended 30 June 2013

Audit Committee Report

Evaluation of annual financial statements

We have:

- reviewed and discussed the audited annual financial statements to be included in the annual report, with the Auditor-General and the Accounting Officer;
- reviewed the Auditor-General of South Africa's management report and management's response thereto;
- reviewed changes in accounting policies and practices
- reviewed the entities compliance with legal and regulatory provisions;
- reviewed significant adjustments resulting from the audit.

We concur with and accept the Auditor-General of South Africa's report the annual financial statements, and are of the opinion that the audited annual financial statements should be accepted and read together with the report of the Auditor-General of South Africa.

Internal audit unit

We are satisfied that the internal audit unit is operating effectively and that it has addressed the risks pertinent to the municipality and its audits. The external audit used internal audit reports for risk identification purposes but did not place reliance on the internal audit reports.

Chairperson of the Audit Committee

Date: _____

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Annual Financial Statements for the year ended 30 June 2013

Accounting Officer's Report

The accounting officer submits his report for the year ended 30 June 2013.

1. Review of activities

Main business and operations

The municipality is engaged in provision of municipal services in terms of the Municipal Systems Act No.32 of 2000 (MSA) and Municipal Finance Management Act No.56 of 2003 and operates principally in South Africa.

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

Net surplus of the municipality was 2 686 962 (2012: surplus 3 625 127).

Proportion of income and loss attributable to various classes of business:

2013

Classes of business	Proportion of	Amount
	contribution	to income
Property rates	6 %	7 295 014
Service Charges	21 %	23 413 849
Grants and Subsidies	69 %	78 302 507
Other Income	4 %	4 714 113

2012

Classes of business	Proportion of	Amount
	contribution	to income
Property Rates	5 %	5 350 022
Service Charges	23 %	24 542 385
Grants and Subsidies	68 %	72 998 581
Other Income	4 %	4 184 074

2. Going concern

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

As indicated to earlier on, the ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continues to procure funding for its on-going operations.

3. Subsequent events

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

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Accounting Officer's Report

4. Accounting Officer's interest in contracts

The Accounting Officer declared his interest in terms of Supply Chain Management Regulations.

5. Accounting policies

The annual financial statements were prepared in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP Reporting Framework) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

6. Accounting Officer

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

Name	Nationality
Rev. Itumeleng Edward Pooe	South African

7. Corporate governance

General

The accounting officer is committed to business integrity, transparency and professionalism in all its activities. As part of this commitment, the accounting officer supports the highest standards of corporate governance and the ongoing development of best practice.

The municipality confirms and acknowledges its responsibility to total compliance with the Code of Corporate Practices and Conduct ("the Code") laid out in the King Report III. The accounting officer discusses the responsibilities of management in this respect, at Board meetings and monitor the municipality's compliance with the code on a regular basis.

Management meetings

The accounting officer meets section 56 managers at least on a monthly basis.

Internal audit

The municipality has its own internal audit unit. This is in compliance with the Municipal Finance Management Act, 2003.

8. Bankers

The municipality's bankers did not change during the year.

9. Auditors

Auditor-General of South Africa will continue to audit the books of the municipality, into the foreseeable future.

10. Non compliance with applicable legislation

Significant non-compliance with various legislations have been properly disclosed in the notes to the financial statements.

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Annual Financial Statements for the year ended 30 June 2013

Statement of Financial Position as at 30 June 2013

	Note(s)	2013	2012
Assets			
Current Assets			
Inventories	7	373 702	1 183 750
Other financial assets	5	62 750	57 350
Other receivables from exchange transactions	8	1 497 070	1 507 273
Other receivables from non-exchange transactions	9	13 078 775	13 044 448
VAT receivable	10	4 427 635	2 193 900
Consumer debtors	11	3 147 403	2 763 582
Money Market Investments	13	1 851 400	1 825 428
Cash and cash equivalents	12	17 579 376	20 651 623
		42 018 111	43 227 354
Non-Current Assets			
Property, plant and equipment	3	628 267 802	626 148 573
Intangible assets	4	361 922	246 358
		628 629 724	626 394 931
Total Assets		670 647 835	669 622 285
Liabilities			
Current Liabilities			
Finance lease obligation	15	43 395	538 316
Trade and payables from exchange transactions	19	9 813 417	12 812 577
Consumer deposits	20	769 002	668 659
Retirement benefit obligation	6	376 000	343 000
Unspent conditional grants and receipts	21	1 416 404	2 571 666
Provisions	17	117 000	196 000
Deferred revenue	18	150 461	240 518
Interest bearing liability	16	104 626	331 145
		12 790 305	17 701 881
Non-Current Liabilities			
Finance lease obligation	15	-	43 395
Retirement benefit obligation	6	9 855 000	8 760 000
Provisions	17	31 302 231	28 207 313
Interest bearing liability	16	-	104 626
		41 157 231	37 115 334
Total Liabilities		53 947 536	54 817 215
Net Assets		616 700 299	614 805 070
Net Assets			
Reserves			
Donations and public contributions	48	97 000	108 451
Accumulated surplus		616 603 299	614 696 619
Total Net Assets		616 700 299	614 805 070

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Statement of Financial Performance

	Note(s)	2013	2012
Revenue			
Revenue from exchange transactions			
Service charges	22	23 413 849	24 542 385
Rental of facilities and equipment		288 552	354 563
Other income	27	978 881	802 373
Interest received - investment		3 427 039	3 001 002
Gains on disposal of assets		-	1 176
Dividends received		10 607	5 247
Total revenue from exchange transactions		28 118 928	28 706 746
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	24	7 295 014	5 350 022
Transfer revenue			
Government grants & subsidies		78 302 507	72 998 581
Public contributions and donations		9 034	20 000
Total revenue from non-exchange transactions		85 606 555	78 368 603
Total revenue		113 725 483	107 075 349
Expenditure			
Employee related costs	30	(29 617 049)	(24 808 805)
Remuneration of councillors	31	(3 550 594)	(3 068 372)
Depreciation and amortisation		(18 403 616)	(21 929 675)
Impairment of receivables	32	(1 384 500)	(7 056 286)
Finance costs	33	(3 513 878)	(4 025 133)
Bad Debts Written Off		(3 816 416)	-
Repairs and maintenance		(3 496 897)	(4 632 950)
Bulk purchases	34	(19 953 399)	(16 826 144)
Other Expenses	35	(27 307 572)	(21 101 834)
Total expenditure		(111 043 921)	(103 449 199)
Operating surplus	29	2 681 562	3 626 150
Fair value adjustments		5 400	(1 023)
Surplus for the year		2 686 962	3 625 127

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Statement of Changes in Net Assets

	Fair value adjustment assets- available-for- sale reserve	Donations and public contributions	Total reserves	Accumulated surplus	Total net assets
Balance at 01 July 2011	17 255	130 128	147 383	604 030 620	604 178 003
Changes in net assets					
Additions for the year	(1 023)	-	(1 023)	-	(1 023)
Depreciation charge	-	(21 677)	(21 677)	21 677	-
Net income (losses) recognised directly in net assets	(1 023)	(21 677)	(22 700)	21 677	(1 023)
Surplus/ (deficit) for the period	-	-	-	3 625 127	3 625 127
Total recognised income and expenses for the period	(1 023)	(21 677)	(22 700)	3 646 804	3 624 104
Prior year adjustment	-	-	-	7 002 963	7 002 963
Written off to accumulated surplus	(16 232)	-	(16 232)	16 232	-
Total changes	(17 255)	(21 677)	(38 932)	10 665 999	10 627 067
Opening balance as previously reported	(17 255)	108 451	91 196	614 696 619	614 787 815
Adjustments					
Change in accounting policy	17 255	-	17 255	-	17 255
Balance at 01 July 2012 as restated	-	108 451	108 451	614 696 619	614 805 070
Changes in net assets					
Depreciation charge	-	(20 485)	(20 485)	20 485	-
Additions for the year	-	9 034	9 034	(9 034)	-
Net income (losses) recognised directly in net assets	-	(11 451)	(11 451)	11 451	-
Surplus/ (deficit) for the period	-	-	-	2 686 962	2 686 962
Total recognised income and expenses for the year	-	(11 451)	(11 451)	2 698 413	2 686 962
Prior Year Adjustment	-	-	-	(791 733)	(791 733)
Total changes	-	(11 451)	(11 451)	1 906 680	1 895 229
Balance at 30 June 2013	-	97 000	97 000	616 603 299	616 700 299
Note(s)		48			

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Cash Flow Statement

	Note(s)	2013	2012
Cash flows from operating activities			
Receipts			
Sale of goods and services		30 210 853	28 272 543
Grants		77 147 250	72 745 000
Interest income received		3 427 039	3 001 002
Dividends received		10 607	5 247
Other receipts		1 276 258	1 176 936
		<u>112 072 007</u>	<u>105 200 728</u>
Payments			
Employee costs		(35 069 441)	(29 103 411)
Suppliers		(54 907 163)	(34 302 747)
Finance costs		(3 513 878)	(3 929 678)
		<u>(93 490 482)</u>	<u>(67 335 836)</u>
Net cash flows from operating activities	36	<u>18 581 525</u>	<u>37 864 892</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(20 495 186)	(22 113 273)
Proceeds from sale of property, plant and equipment	3	-	1 176
Purchase of other intangible assets	4	(143 223)	(22 735)
Repayment of loans from economic entities		-	-
Proceeds from sale of financial assets		-	1 023
Purchase of money market investments		(25 972)	(80 295)
		<u>(20 664 381)</u>	<u>(22 214 104)</u>
Net cash flows from investing activities		<u>(20 664 381)</u>	<u>(22 214 104)</u>
Cash flows from financing activities			
Movement in deferred revenue		(90 057)	141 734
Movement in interest bearing liability		(331 145)	(313 235)
Finance lease payments		(568 189)	(777 783)
		<u>(989 391)</u>	<u>(949 284)</u>
Net cash flows from financing activities		<u>(989 391)</u>	<u>(949 284)</u>
Net increase/ (decrease) in cash and cash equivalents		<u>(3 072 247)</u>	<u>14 701 504</u>
Cash and cash equivalents at the beginning of the year		20 651 623	5 950 119
Cash and cash equivalents at the end of the year	12	<u>17 579 376</u>	<u>20 651 623</u>

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Appropriation Statement

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds Virement (i.t.o. s31 of the MFMA)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2013										
Financial Performance										
Property rates	6 381 783	-	6 381 783	-	6 381 783	7 295 014		913 231	114 %	114 %
Service charges	40 406 212	574 936	40 981 148	-	40 981 148	23 413 849		(17 567 299)	57 %	58 %
Investment revenue	1 033 537	271 937	1 305 474	-	1 305 474	3 437 646		2 132 172	263 %	333 %
Transfers recognised - operational	45 997 697	3 448 437	49 446 134	-	49 446 134	55 135 271		5 689 137	112 %	120 %
Other own revenue	9 996 252	101 854	10 098 106	-	10 098 106	1 272 833		(8 825 273)	13 %	13 %
Total revenue (excluding capital transfers and contributions)	103 815 481	4 397 164	108 212 645	-	108 212 645	90 554 613		(17 658 032)	84 %	87 %
Employee costs	(32 325 973)	(194 493)	(32 520 466)	-	(32 520 466)	(29 617 049)		2 903 417	91 %	92 %
Remuneration of councillors	(3 741 520)	(600 644)	(4 342 164)	-	(4 342 164)	(3 550 594)		791 570	82 %	95 %
Debt impairment	-	-	-		-	(3 816 416)		(3 816 416)	- %	- %
Depreciation and asset impairment	(10 737 523)	-	(10 737 523)		(10 737 523)	(19 788 116)		(9 050 593)	184 %	184 %
Finance charges	(64 842)	-	(64 842)	-	(64 842)	(3 513 878)		(3 449 036)	5 419 %	5 419 %
Materials and bulk purchases	(22 500 000)	1 980 000	(20 520 000)	-	(20 520 000)	(19 953 399)		566 601	97 %	89 %
Transfers and grants	(106 243)	-	(106 243)	-	(106 243)	-		106 243	- %	- %
Other expenditure	(33 836 031)	(7 162 614)	(40 998 645)	-	(40 998 645)	(30 804 469)		10 194 176	75 %	91 %
Total expenditure	(103 312 132)	(5 977 751)	(109 289 883)	-	(109 289 883)	(111 043 921)		(1 754 038)	102 %	107 %
Surplus/(Deficit)	503 349	(1 580 587)	(1 077 238)	-	(1 077 238)	(20 489 308)		(19 412 070)	1 902 %	(4 071)%

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Annual Financial Statements for the year ended 30 June 2013

Appropriation Statement

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	22 090 000	1 077 236	23 167 236	-		23 167 236	23 167 236		-	100 %	105 %
Contributions recognised - capital and contributed assets	-	-	-	-		-	9 034		9 034	- %	- %
Surplus (Deficit) after capital transfers and contributions	22 593 349	(503 351)	22 089 998	-		22 089 998	2 686 962		(19 403 036)	12 %	12 %
Surplus/(Deficit) for the year	22 593 349	(503 351)	22 089 998	-		22 089 998	2 686 962		(19 403 036)	12 %	12 %
Capital expenditure and funds sources											
Sources of capital funds											
Transfers recognised - capital	22 090 000	1 077 000	23 167 000	-		23 167 000	19 492 508		(3 674 492)	84 %	88 %
Internally generated funds	1 791 000	584 000	2 375 000	-		2 375 000	1 002 678		(1 372 322)	42 %	56 %
Total sources of capital funds	23 881 000	1 661 000	25 542 000	-		25 542 000	20 495 186		(5 046 814)	80 %	86 %

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Appropriation Statement

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds Virement (i.t.o. s31 of the council MFMA)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Cash flows										
Net cash from (used) operating	27 491 000	-	27 491 000	-	27 491 000	18 581 525		(8 909 475)	68 %	68 %
Net cash from (used) investing	28 594 000	-	28 594 000	-	28 594 000	(20 664 381)		(49 258 381)	(72)%	(72)%
Net cash from (used) financing	-	-	-	-	-	(989 391)		(989 391)	- %	- %
Net increase/(decrease) in cash and cash equivalents	56 085 000	-	56 085 000	-	56 085 000	(3 072 247)		(59 157 247)	(5)%	(5)%
Cash and cash equivalents at the beginning of the year	37 609 000	-	37 609 000	-	37 609 000	20 651 623		(16 957 377)	55 %	55 %
Cash and cash equivalents at year end	93 694 000	-	93 694 000	-	93 694 000	17 579 376		76 114 624	19 %	19 %

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Annual Financial Statements for the year ended 30 June 2013

Accounting Policies

1. Presentation of Annual Financial Statements

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

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Significant judgements and sources of estimation uncertainty

The preparation of financial statements in conformity with GRAP requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or the period of the revision and future if the revision affects both current and future periods.

In the process of applying the municipality's policies, management has made the following significant accounting judgements, estimates, assumptions, which have the most significant effect on the amounts recognised in the financial statements and these are consistent with the previous period.

Impairment of trade and other receivables

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per debtor per service.

Provisions and contingent liabilities

The provisions raised by the municipality are detailed in note 17. Management's judgement is required on recognising and measuring provisions.

Post-retirement medical aid benefit

The cost of post-retirement medical aid benefit is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. Additional information is disclosed in Note 6.

Accounting Policies

1.1 Significant judgements and sources of estimation uncertainty (continued)

Classification of Investment Property

The municipality has reviewed its property portfolio and determined which items of land and buildings are held to earn rental revenue or for capital appreciation. Land and buildings fulfilling these requirements have been classified as investment property, whilst the remainder of the portfolio have either been classified as property, plant and equipment or inventory depending on management's intention in dealing with these properties.

Depreciation and carrying value of items of property, plant and equipment

The estimation of the useful lives of assets is based on management's judgement. Management considers the impact of technology, availability of capital funding, service requirements, and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and what their condition will be at that time.

1.2 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment or at fair value where assets have been acquired by grant or donation.

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 Statement of Financial Performance in the period that the impairment is identified.

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery of the assets are enhanced in excess of the originally assessed standard of performance. If the expenditure only restores the originally assessed standard of performance, it is regarded as repairs and maintenance, and is expensed.

The municipality maintains and acquires assets to provide a social service to the community, with no intention of disposing of the assets for any economic gain, and thus no residual values are determined other than for motor vehicles.

The gain or loss arising from the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value, and is recognised in the Statement of Financial Performance.

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

Assets held under finance leases are depreciated over their useful lives on the same basis as owned assets or, where appropriate, the term of the relevant lease, and are recognised in the Statement of Financial Performance.

Assets under construction are carried at cost. Depreciation of an asset commences when the asset is ready for its intended use.

The depreciation rates are based on the following estimated useful lives:

Letsemeng Local Municipality

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1.2 Property, plant and equipment (continued)

Item	Estimated useful life (years)
Land and buildings	
• Land	Not applicable
Plant and machinery	5-25
Furniture and fixtures	7-10
Motor vehicles	5-7
• Specialised vehicles	10-15
• Other vehicles	3
Office equipment	3-7
IT equipment	4-5
Computer software	3-5
Infrastructure assets	
• Electricity	10-15
• Roads	3-18
• Water	5-40
• Sewer	5-40
Community assets	
• Buildings	30
• Recreational facilities	20-30
• Security	3-5
Bins and containers	5
Landfill sites	5-15
Heritage Assets	Not applicable

Impairment of property, plant and equipment

Property, plant and equipment are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment charged to the Statement of Finance Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of impairment is recognised in the Statement of Financial Performance.

1.3 Heritage assets

A heritage asset is defined as an asset that has cultural, environmental, historical, natural, scientific, technological or artistic significance, and are held and preserved indefinitely for the benefit of present and future generations.

A heritage asset that qualifies for recognition as an asset shall be measured at its cost. Where a heritage asset is acquired through a non-exchange transaction, its cost shall be measured at its fair value as at the date of acquisition.

Heritage assets are not depreciated, since their long economic life and high residual value mean that any depreciation would be immaterial.

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Accounting Policies

1.4 Investment property

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

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

Investment property is held at fair value.

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

1.5 Non-current assets held for sale and disposal groups

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

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

1.6 Intangible assets

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.

Item	Useful life
Computer software	3 years

1.7 Financial instruments

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

The municipality classifies financial assets and financial liabilities into the following categories:

- Financial instruments at fair value, with changes in fair value recognised in surplus or deficit;
- Financial instruments at amortised costs; and
- Financial instruments at cost

Letsemeng Local Municipality

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Accounting Policies

1.7 Financial instruments (continued)

Classification

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

Class	Category
Trade and other receivables	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost
Other financial asset - Unlisted shares	Financial asset measured at fair value

Class	Category
Payables from exchange transactions	Financial liability measured at amortised cost
Bank overdraft and borrowings	Financial liability measured at amortised cost

- **Trade and other receivables** - Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 90 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate. Subsequent recoveries of amounts previously written off are credited against operating expenses in surplus or deficit. Interest is charged on overdue amounts. Amounts receivable within 12 months from the date of reporting are classified as current.
- **Payables from exchange transactions** - Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Liabilities for annual leave (accrued leave) and annual bonus leave are recognised as they accrue to employees. accrual is based on the potential liability of the municipality. Liabilities for goods and services rendered to the municipality before year end are accrued on management's estimate if the invoice or statement has not been issued.
- **Cash and cash equivalents** - These comprise cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments that are readily convertible to a known amount of cash that are held with registered banking institutions of three months or less and are subject to an insignificant risk of changes in value. For purposes of Cash Flow Statement, cash and cash equivalents comprise cash on hand and deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables. bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred. Bank overdrafts are shown within borrowings in current liabilities on the Statement of Financial Position. Cash and cash equivalents and bank borrowings are subsequently recorded at amortised cost.
- **Bank overdraft** - Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the municipality's accounting policy for borrowing costs.

Letsemeng Local Municipality

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Accounting Policies

1.7 Financial instruments (continued)

Initial recognition

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

Initial measurement of financial assets and financial liabilities

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

Subsequent measurement of financial assets and financial liabilities

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

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

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

Gains and losses

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

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

Accounting Policies

1.7 Financial instruments (continued)

Derecognition

Financial assets

The municipality derecognises financial assets using trade date accounting.

The municipality derecognises a financial asset only when:

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

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

Presentation

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

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

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

1.8 Inventories

Inventories consists of raw materials, water and consumables. Inventories are initially measured at cost except where inventories are acquired at no cost, or for nominal consideration, then their costs are fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

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

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Letsemeng Local Municipality

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Accounting Policies

1.8 Inventories (continued)

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is generally determined using the first-in-first-out principle except where stated otherwise.

Some of the inventories are used for surrogating purposes. However, due to the fact that some of the components of these inventories would have been removed or faulty, the value of the inventories cannot be determined. As such these inventory items have no value attached to them.

Unsold properties are measured at the lower of cost and net realisable value. Cost is primarily determined by reference to the valuation roll or total cost of servicing the land.

Water Inventory

Water is measured at the lower of purifying cost and net realisable value, insofar as it is stored and controlled in reservoirs and pipe network at year end.

Readings of water levels are taken at year-end, which is quantified at the above value.

1.9 Going concern assumption

The annual financial statements have been prepared on the assumption that the municipality will continue to operate on a going concern basis for at least the next twelve months.

1.10 Presentation of currency

These annual financial statements are presented in South African Rand, which is the municipality's functional currency. All financial information has been rounded to the nearest Rand.

1.11 Offsetting

Financial assets and liabilities are set off and the net amount presented in the statement of financial position when, and only when, the municipality has a legal right to set off amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Revenue and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP

1.12 Revenue from exchange transactions

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

Revenue from exchange transactions includes revenue from trading activities and other services provided.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of value added tax, estimated returns, rebates and discounts.

Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2013

Accounting Policies

1.12 Revenue from exchange transactions (continued)

Sale of goods

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

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

Accounting Policies

1.12 Revenue from exchange transactions (continued)

Rendering of services

Revenue from rendering of service is recognised in surplus or deficit in proportion to the stage of completion of the transaction at the reporting date.

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

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

Service Charges

Service charges relating to distribution of electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates on the consumption history, are made on a monthly basis when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without it being invoiced. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is raised based on the average monthly consumption. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters are read. These adjustments are recognised as revenue in the invoicing period.

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

Service charges from sewerage and sanitation services are based on the type of service and the number of sewer connections on all developed property, using the tariffs approved by Council. revenue is recognised on a monthly basis.

Prepaid Electricity

Revenue from the sale of electricity prepaid meter cards is recognised based on consumption. The consumption is determined based on the following trend analysis:

- During the winter season (May, June, July and August), the municipality tends to sell more units as the temperature will be generally low.
- The municipality will calculate the average sales for the four months. The resultant average units are compared to the sales for May and August for reasonableness. If the average sales are within a reasonable range or threshold of the may and August units sold, the average is deemed reasonable. If it is not within the reasonable range obtained of the May and August sales, reasons for the significant variances are obtained. If there are exceptional items, these are adjusted for.

Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2013

Accounting Policies

1.12 Revenue from exchange transactions (continued)

- The resultant reasonable average consumption rate is used as an estimated consumption of prepaid electricity for June. The actual units sold in June are then compared to the estimated consumption for June.

If the actual quantity sold is more than the estimated consumption for June, prepaid electricity revenue sales for June is based on the estimated consumption for June and the excess is deferred to July of the ensuing year.

If the actual quantity sold in June is less than the estimated consumption for June, prepaid revenue sales for June is based on the actual units sold.

Interest, royalties and dividends

Interest earned and rentals received

Interest is recognised, in surplus or deficit as it accrues, using the effective interest rate method. Interest earned on unutilised conditional grants is recognised as an unspent conditional grants liability if the grant conditions indicate that interest is payable to the grantor.

Rental Income from operating leases is recognised on a straight line basis over the lease term.

Dividends

Dividends are recognised on the date that the municipality's right to receive payment has been established.

Royalties

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

Tariff charges.

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

Housing rental and installments

Finance income from the sale of housing by way of installment sales agreements or finance leases is recognised as it accrues in surplus or deficit using the effective interest rate.

1.13 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions includes rates levied, fines, donations and grants from other spheres of government.

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

Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2013

Accounting Policies

1.13 Revenue from non-exchange transactions (continued)

Revenue from non-exchange transactions is recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, the amount of the revenue can be measured reliably and, if applicable, there has been compliance with the relevant legal requirements or restrictions.

Measurement

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

Rates, including collection charges and penalties interest

Revenue from rates, including collection charges and penalty interest, is recognised on a monthly basis when the taxes are levied as this is regarded to be the date when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- there has been compliance with the relevant legal requirements.

A composite rating system charging different rates tariffs is employed. rebates are granted to certain categories of ratepayers and are deducted from revenue.

Changes to property values during a reporting period are valued by a suitably qualified valuator and adjustments are made to rates revenue, based on a time proportion basis. Adjustments to rates revenue already recognised are processed or additional rates revenue is recognised.

Fines

Revenue from the issuing of fines is recognised on receipt.

Accounting Policies

1.13 Revenue from non-exchange transactions (continued)

Government grants

Unconditional grants and receipts

Revenue from unconditional grants is recognised when it is probable that the economic benefits or service potential will flow to the municipality and the amount of the revenue can be measured reliably. Since these grants are unconditional and there are no attached stipulations, the grants are recognised as revenue or, if the recognition criteria has been met, as assets in the reporting period in which they are received or receivable.

Conditional grants and receipts

Revenue from conditional grants is recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

Interest earned on investments is treated in accordance with grant conditions. If the interest is payable to the grantor, it is recognised as a liability and if not, it is recognised as interest earned in the Statement of Financial Performance.

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

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

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

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Letsemeng Local Municipality

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Accounting Policies

1.13 Revenue from non-exchange transactions (continued)

Donations and contributions

Revenue from donations is recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- any restrictions associated with the donation have been met

Revenue from donations is measured at the fair value of the consideration received or receivable which is the cash amount received or where the donation is in the form of property, plant and equipment, the fair value of the property, plant and equipment received or receivable.

Revenue from recovery of unauthorised, irregular, fruitless and wasteful expenditure

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

Gifts and donations, including goods in kind

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

1.14 Consumer Deposits

Consumer deposits are charged when new water and/or electricity accounts are opened. The amounts vary per consumer and are approved by Council as part of the tariff structure.

1.15 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2013

Accounting Policies

1.15 Provisions and contingencies (continued)

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

Provisions are not recognised for future operating surplus.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 38.

Restoration and similar liability

Changes in the measurement of an existing restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

If the related asset is measured using the cost model, the related depreciation, based on the estimated useful life of the landfill site, is recognised immediately in surplus or deficit.

If the related asset is measured using the revaluation model, the revaluation surplus is recognised in full against accumulated surplus when the landfill site is rehabilitated. Thus depreciation is recognised in the Statement of Financial Position.

The provision (liability) is periodically discounted or interest is unwound on a yearly basis. The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

Long Service Awards

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the municipality.

The municipality's net obligation in respect of long service awards is the amount of future benefit that employees have earned in return for their service in the current and prior periods less amounts paid during the current period. The benefit is discounted to determine its present value less the amount.

Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the municipality from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of fulfilling the contract.

Reimbursements

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

Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2013

Accounting Policies

1.15 Provisions and contingencies (continued)

Restructuring

A provision for restructuring is recognised when the municipality has approved a detailed and formal restructuring plan and the restructuring either has commenced or has been announced publicly.

1.16 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past service or performance and the obligation can be estimated reliably.

Liabilities for short-term employee benefits that are unpaid at year-end are measured at the undiscounted amount that the municipality expects to pay in exchange for that service and had accumulated at the reporting date.

Defined contribution plans

The municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in surplus or deficit in the period in which the service is rendered by the relevant employees. prepaid contributions are recognised as an asset to the extent that a cash refund or reduction in future payments is available

The municipality contributes to various national and provincial administered defined benefit plans on behalf of its qualifying employees. These funds are multi-employer plans and are accounted for as defined contribution plans as there is no consistent and reliable basis available for allocating the obligation, plan assets and cost to individual municipalities participating in the plan. The contributions to fund obligations for the payment of retirement benefits are expensed in the year it becomes payable. These multi-employer plans are actuarially valued annually on a national or provincial level using the projected unit credit method. Deficits are recovered through lump sum payments or increased future contributions on a proportional basis from all participating municipalities.

Letsemeng Local Municipality

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Accounting Policies

1.16 Employee benefits (continued)

Defined benefit plans

The cost of providing benefits is determined using the Projected Unit Credit method, with actuarial valuations being carried out at the end of each reporting period. Actuarial gains and losses that exceed 10 per cent of the greater of the present value of the municipality's defined benefit obligation and the fair value of plan assets as at the end of the prior year are amortised over the expected average remaining working lives of the participating employees.

The municipality provides certain post-retirement medical benefits by funding the medical aid contributions of certain retired members of the municipality. According to the rules of all of the medical aid funds with which the municipality is associated, a member is entitled to remain a continued member of the medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. These medical aid funds are classified as defined benefit plans.

The current service cost is recognised as a period expense in the statement of financial performance and is matched to the benefit received during the working life of the employee. The current service cost includes the expense for benefits received by the employee currently in service and the cost of funding the employee when no longer in service.

Where some of the employees are not members of any qualifying medical aid scheme as at reporting date, the municipality accrues 50% of such potential liability. This management estimate is meant to cater for employees who are likely to join the qualifying medical schemes in future but before retirement.

1.17 Leases

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

Finance leases - lessor

The municipality recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the municipality's net investment in the finance lease.

Accounting Policies

1.17 Leases (continued)

Finance leases - lessee

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

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

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

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

Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Assets leased under operating leases, except for property interests held by the municipality as investment property, are not recognised in the statement of financial position.

Operating leases - lessor

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

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

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

Operating leases - lessee

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

Finance sale and leaseback

Where the sale and leaseback results in a finance lease, any excess of sales proceeds over the carrying amount of the asset is not recognised immediately as revenue in the annual financial statements of the seller -lessee. The excess amount is deferred and amortised over the lease term.

Operating sale and leaseback

Where the sale and leaseback results in an operating lease the transactions are accounted for as follows:

- If the transaction is concluded at fair value, any gain or loss is recognised immediately.

Letsemeng Local Municipality

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Accounting Policies

1.17 Leases (continued)

- If the price is below fair value, any gain or loss is recognised immediately except that, if the loss is compensated for by future lease payments at below market price, it is deferred and amortised in proportion to the lease payments over the period for which the asset is expected to be used.
- If the sale price is above fair value, the excess over fair value is deferred and amortised over the period for which the asset is expected to be used.

1.18 Value Added Tax

The municipality accounts for VAT on the cash basis. The municipality is liable to account for VAT at the standard rate (14%) in terms of section 7 (1) (a) of the VAT Act in respect of the supply of goods or services, except where the supplies are specifically zero-rated in terms of section 11, exempted in terms of section 12 of the VAT Act or are scoped out for VAT purposes. The municipality accounts for VAT on a monthly basis.

1.19 Unauthorised expenditure

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

1.20 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance. If the expenditure is not condoned by the relevant authority, it is treated as a receivable until it is written off as irrecoverable.

1.21 Fruitless and wasteful expenditure

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

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

1.22 Comparative figures

When the presentation or classification of items in the annual financial statements are amended, comparative amounts are reclassified. The nature and amounts of reclassifications as well as the reasons are disclosed.

Accounting Policies

1.23 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which a municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

If the related asset is measured using the cost model:

- changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- If the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable.

If the related asset is measured using the revaluation model:

- changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that: a) a decrease in the liability is credited to revaluation surplus in equity, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit. b) an increase in the liability is recognised in surplus or deficit, except that it is debited to the revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.
- In the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit; and
- a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit. If the revaluation is necessary, all assets of that class are revalued.

1.24 Impairment of non-cash-generating assets

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

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

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

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

Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2013

Accounting Policies

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

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

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

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

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

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

Useful life is either:

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

Identification

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

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

Irrespective of whether there is any indication of impairment, the entity also test a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

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

Accounting Policies

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Reversal of an impairment loss

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

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

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

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

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

Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2013

Accounting Policies

1.25 Finance Income and expenses

Finance income comprises interest income on funds invested (including available-for-sale financial assets), dividend income, gains on the disposal of available-for-sale financial assets and changes in the fair value of financial assets at fair value through profit or loss. Interest income is recognised as it accrues in surplus or deficit, using the effective interest method. Dividend income is recognised in surplus or deficit on the date that the municipality's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Finance expenses comprise interest expense on borrowings, unwinding of the discount on provisions, changes in the fair value of financial assets at fair value through profit or loss and impairment losses recognised on financial assets. Borrowing costs are recognised in surplus or deficit using the effective interest method.

1.26 Budget information

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

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

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

Notes to the Annual Financial Statements

2013 2012

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

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

Standard/ Interpretation:	Effective date: Years beginning on or after
• GRAP 23: Revenue from Non-exchange Transactions (Taxes and Transfers)	01 April 2012
• GRAP 24: Presentation of Budget Information	01 April 2012
• GRAP 103: Heritage Assets	01 April 2012
• GRAP 21: Impairment of non-cash-generating assets	01 April 2012
• GRAP 26: Impairment of cash-generating assets	01 April 2012
• GRAP 104: Financial Instruments	01 April 2012

GRAP 23: Revenue from Non-exchange Transactions (Taxes and Transfers)

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The standard became effective for the years beginning on or after 1 April 2012. In particular, it requires deferral of revenue when a valid obligation exists. A valid obligation only exists where a grant or transfer is subject to conditions. It further requires that any existing liabilities which arise from grants and transfers that are not subject to conditions should be derecognised and the accumulated surplus or deficit adjusted.

Most of the grants received by the municipality are conditional grants, deferral of revenue is done on conditional grants and revenue is currently only recognised when the conditions associated with the respective grants are met and therefore there has not been a significant impact on the financial statements on adoption of GRAP 23 regarding grants, property rate receivables and donations in-kind. The required disclosures have been made in the notes to the financial statements.

The municipality has adopted the standard for the first time in the 2013 annual financial statements.

The impact of the standard is not material.

GRAP 24: Presentation of Budget Information

The budget is approved for same fiscal year as the annual financial statements.

The municipality's budget is on the same basis of accounting as the annual financial statements. In terms of GRAP 24, the financial statements and the budget are on a comparable basis.

A comparable basis means that the budget and annual financial statements:

- are prepared using the same basis of accounting i.e. either cash or accrual;
- include the same activities and entities;
- use the same classification system; and
- are prepared for the same period.

The comparison of actual amounts to budget amounts are presented in a separate statement to the annual financial statements.

The municipality has adopted the standard for the first time in the 2013 annual financial statements.

The adoption of this standard has not had a material impact on the results of the municipality, but has resulted in more disclosure than would have previously been provided in the annual financial statements.

GRAP 103: Heritage Assets

All the municipality's asset's were physically verified during the unbundling process in the financial period ending 30 June 2012. The exercise included the verification of heritage assets. The municipality therefore as required by the standard undertook a significant amount of work in advance in order to comply with the standard. The verification will determine the opening balance of heritage assets for the 2012/13 reporting period as the standard will be applied retrospectively..

The municipality has opted to utilise the transitional period of three years in which to measure the heritage assets.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

As at 30 June 2013, the municipality identified its heritage assets through physical verification.

This standard becomes effective for years beginning on or after 1 April 2012 and will therefore be formally adopted by the municipality on or after 1 July 2012. The standard will be applied prospectively. The standard determines the requirements and provides additional guidance on how to impair non-cash-generating assets, being assets that are not held to generate any sort of commercial benefit. In particular, it provides guidance on how to determine an asset's recoverable service amount in the absence of any future cash flows.

The municipality has considered the principles set by this standard in developing its general asset impairment policy and therefore does not expect significant changes in how assets will be accounted for or disclosed when the standard becomes effective.

GRAP 104: Financial Instruments

The municipality has unlisted shares with Senwes Limited and Senwes Beleggings Limited. These shares were previously presented as available-for-sale under IAS 39 and measured at fair value with the gains and losses being accounted for in a fair value adjustment reserve in equity. With the adoption of GRAP 104, the shares have been reclassified to financial asset at fair value. The gains and losses which were previously recognised through net assets are recognised through surplus or deficit. The previous years' gains and losses have been written off through accumulated surplus.

The municipality has adopted the standard for the first time in the 2013 annual financial statements.

2.2 Standards and interpretations issued, but not yet effective

The following standards expected to be applicable to the municipality have been issued, but are not yet effective.

The GRAP standards below will be applied by the municipality from the effective date determined by the Minister of Finance. The effective dates are currently unknown. Their impact on the financial statements will be discussed and determined when the Minister of Finance determines the effective dates.

Standard/ Interpretation:	Effective date: Years beginning on or after
• GRAP 18: Segment Reporting	01 April 2013
• GRAP 105: Transfers of functions between entities under common control	01 April 2014
• GRAP 106: Transfers of functions between entities not under common control	01 April 2014
• GRAP 107: Mergers	01 April 2014
• GRAP 20: Related parties	01 April 2013

Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

Figures in Rand

3. Property, plant and equipment

	2013			2012		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land and Buildings	161 607 019	(24 632 664)	136 974 355	149 779 954	(23 799 235)	125 980 719
Infrastructure	692 833 050	(207 994 137)	484 838 913	684 925 977	(191 469 457)	493 456 520
Other property, plant and equipment	10 763 919	(4 309 385)	6 454 534	10 002 872	(3 291 538)	6 711 334
Total	865 203 988	(236 936 186)	628 267 802	844 708 803	(218 560 230)	626 148 573

Reconciliation of property, plant and equipment - 2013

	Opening balance	Additions	Under Construction	Depreciation	Total
Land and buildings	125 980 719	241 631	11 585 434	(833 429)	136 974 355
Infrastructure	493 456 520	-	7 907 074	(16 524 681)	484 838 913
Other property, plant and equipment	6 711 334	761 047	-	(1 017 847)	6 454 534
	626 148 573	1 002 678	19 492 508	(18 375 957)	628 267 802

Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

Figures in Rand

3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2012

	Opening balance	Additions	Under Construction	Depreciation	Write-back	Total
Land and Buildings	122 348 689	-	4 499 348	(867 318)	-	125 980 719
Infrastructure	493 961 976	7 469 391	9 465 724	(17 440 571)	-	493 456 520
Other property, plant and equipment	7 429 144	678 810	-	(1 397 395)	775	6 711 334
	623 739 809	8 148 201	13 965 072	(19 705 284)	775	626 148 573

Pledged as security

None of the tangible assets were pledged as security during the current and previous year.

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

Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

2013 2012

4. Intangible assets

	2013			2012		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	837 619	(475 697)	361 922	694 396	(448 038)	246 358

Reconciliation of intangible assets - 2013

	Opening balance	Additions	Amortisation	Total
Computer software, other	246 358	143 223	(27 659)	361 922

Reconciliation of intangible assets - 2012

	Opening balance	Additions	Amortisation	Total
Computer software, other	449 056	22 735	(225 433)	246 358

Pledged as security

None of the intangible assets were pledged as security during the current and previous year.

5. Other financial assets

Financial assets at fair value

Unlisted shares	62 750	57 350
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Current assets

Financial Instruments at fair value	62 750	57 350
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Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

	2013	2012
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Financial assets at fair value

Fair values of financial assets measured or disclosed at fair value

Unlisted Shares

	62 750	57 350
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This comprises of a non-controlling interest of 3,600 shares in Senwes Limited and 4,990 shares in Senwes Beleggings Limited, which are recognised at fair value. The shares are valued as per valuation obtained from the Senwes Transfer Secretaries as at 30 June 2013. The share price values were R10.50 (2012:R9.70) and R5.00 (2012: R5.00) respectively.

Notes to the Annual Financial Statements

2013

2012

6. Employee benefit obligations

Defined benefit plan

The following are the defined benefit plans that employees of the municipality belong to:

- SALA Pension Fund
- Free State Municipal Provident Fund
- Free State Municipal Pension Fund
- SAMWU Provident fund
- Metropolitan Pension Fund

These are not treated as defined benefit plans as defined by IAS 19, but are accounted for as defined contribution plans. This is in line with the exemption in IAS 19 paragraph 30 which states that where information required for proper defined benefit accounting is not available in respect of multi-employer and state plans, these should be accounted for as defined contribution plans. The municipality has been unsuccessful in obtaining the necessary information to support proper defined benefit plan accounting due to restrictions imposed by the multi-employer plan. It is therefore deemed impracticable to obtain this information at a suitable level of detail.

In terms of contributions to the fund, the employer and employee contributions are as follows:

- Free State Municipal Provident Fund - Employee: 4.5%, Council: 18.07%
- South African Local Authorities (SALA) Pension Fund - Employer: 8.6%, Council: 20.78%
- Free State Municipal Fund - Employee: 8.5%, Council: 18.07%
- Metropolitan Pension Fund - Employee: 8.6%, Council 18.06%
- South African Municipal Workers Union (SAMWU) - Employee: 8.6%, Council 18.6%

An amount of R (2012: R2,299,843) was contributed by Council in respect of Councillors and employees retirement funding. These contributions have been expensed and are included in employee related costs for the year.

Post retirement medical aid plan

The municipality operates a funded post-employment health care plans for qualifying employees. employees of the municipality are members of Bonitas, Keyhealth, Samwumed and Hosmed medical schemes.

The municipality is committed to pay 60% of the members' post -employment medical scheme contributions up to an amount that is currently capped at R3 440 per month. Under the plan, dependants of employees are entitled to continued membership of their Medical Aid Scheme upon the death of the primary member. No other post-retirement benefits are provided to these employees. As at the Statement of financial position date, the members of the medical aid entitled to the post employment medical scheme subsidy were 31-in-service members and 14 pensioners.

The most recent actuarial valuation of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2013 by D.T Mureriwa, Fellow of the Institute of Actuaries. The present value of the defined benefit obligation, and related current service cost and past service cost, were measured using the Projected Unit Credit Method.

Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

2013 2012

6. Employee benefit obligations (continued)

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

Carrying value

Present value of the defined benefit obligation-wholly unfunded	(10 231 000)	(9 103 000)
Non-current liabilities	(9 855 000)	(8 760 000)
Current liabilities	(376 000)	(343 000)
	(10 231 000)	(9 103 000)

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

Opening balance	9 103 000	9 000 000
Benefits paid	(343 000)	(302 000)
Net expense recognised in the statement of financial performance	1 471 000	405 000
	10 231 000	9 103 000

Net expense recognised in the statement of financial performance

Past service cost	450 000	493 000
Interest cost	737 000	796 000
Actuarial (gains) losses	284 000	(884 000)
	1 471 000	405 000

Key assumptions used

The principal assumptions used for the purposes of the actuarial valuation on 30 June 2013 were as follows:

Discount rates used	7.25 %	8.25 %
Expected health care cost inflation	6.75 %	6.75 %
Net discount rate used	0.47 %	1.41 %
Consumer price inflation	6.00 %	6.25 %
Expected increase in salaries	7.15 %	6.90 %

Plan Assets

The municipality does not have assets set aside for post employment medical aid funding that qualify as plan assets in terms of the requirements of IAS 19. As such no value has been ascribed to the fair value of plan assets.

Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

	2013	2012
7. Inventories		
Maintenance materials	354 579	1 161 538
Water	19 123	22 212
	373 702	1 183 750
7.1 Non - Financial information - Quantities of Water (mega litres)		
Koffiefontein (4 tanks)	10 243	5 134
Petrusburg (4 tanks)	1 378	1 430
Jacobsdal (5 tanks)	732	15 996
Luckhoff (3 tanks)	1 050	1 249
Oppermans (2 tanks)	2 533	1 857
	15 936	25 666
Water inventory has been calculated to include purified water in the pipe network within the jurisdiction of Letsemeng Local Municipality.		
Inventory pledged as security		
No inventory was pledged as security during the current and previous financial period.		
8. Other receivables from exchange transactions		
Deposits	1 217 200	1 151 387
Other receivables	923 749	922 403
Prepaid expenses	-	33 439
Less Provision for Bad Debts	(643 879)	(599 956)
	1 497 070	1 507 273
Reconciliation of provision for impairment of trade and other receivables		
Opening balance	599 956	494 148
Provision for impairment	43 923	105 808
	643 879	599 956
The basis of provision is described in note 11.		
9. Other receivables from non-exchange transactions		
Property rates	8 120 147	5 933 013
Grants receivable	12 608 493	12 633 250
Provision for bad debts	(7 649 865)	(5 521 815)
	13 078 775	13 044 448

Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

2013 2012

9. Other receivables from non-exchange transactions (continued)

Other receivables from non-exchange transactions past due but not impaired

Other receivables from non-exchange transactions which are less than 3 months past due are not considered to be impaired. At 30 June 2013, 470 282 (2012: 411 198) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

1 month past due	247 637	254 062
2 months past due	130 707	105 224
3 months past due	91 938	51 912

Other receivables from non-exchange transactions impaired

As of 30 June 2013, other receivables from non-exchange transactions of 7 649 865 (2012: 5 521 185) were impaired and provided for.

The ageing of these loans is as follows:

Up to 3 months	740 965	631 290
Over 3 months	6 908 900	4 890 525

10. VAT receivable

VAT receivable	4 427 635	2 193 900
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All VAT returns have been submitted by the due date throughout the year.

11. Trade Receivables from exchange transactions

Gross balances

Electricity	2 026 843	1 913 380
Water	7 169 787	9 503 459
Sewerage	6 386 792	5 475 515
Refuse	6 150 848	5 245 566
	21 734 270	22 137 920

Less: Allowance for impairment

Electricity	(1 096 639)	(926 125)
Water	(6 217 578)	(8 839 723)
Sewerage	(5 739 454)	(4 905 245)
Refuse	(5 533 196)	(4 703 245)
	(18 586 867)	(19 374 338)

Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

	2013	2012
11. Trade Receivables from exchange transactions (continued)		
Net balance		
Electricity	930 204	987 255
Water	952 209	663 736
Sewerage	647 338	570 270
Refuse	617 652	542 321
	3 147 403	2 763 582
Electricity		
Current (0 -30 days)	723 365	806 947
31 - 60 days	135 572	107 677
61 - 90 days	71 267	72 631
	930 204	987 255
Water		
Current (0 -30 days)	776 228	560 146
31 - 60 days	109 794	60 749
61 - 90 days	66 187	42 841
	952 209	663 736
Sewerage		
Current (0 -30 days)	560 469	496 926
31 - 60 days	54 349	49 374
61 - 90 days	32 520	23 970
	647 338	570 270
Refuse		
Current (0 -30 days)	538 664	478 397
31 - 60 days	51 718	41 920
61 - 90 days	27 270	22 004
	617 652	542 321

Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

	2013	2012
11. Trade Receivables from exchange transactions (continued)		
Summary of debtors by customer classification		
Consumers/Households		
Current (0 -30 days)	2 217 051	2 255 445
31 - 60 days	753 619	634 577
61 - 90 days	651 151	585 002
91 - 120 days	16 145 634	15 973 148
	19 767 455	19 448 172
Industrial/ commercial		
Current (0 -30 days)	716 795	655 156
31 - 60 days	357 762	258 034
61 - 90 days	337 464	218 552
91 - 120 days	7 898 894	6 490 464
	9 310 915	7 622 206
National and provincial government		
Current (0 -30 days)	316 790	289 233
31 - 60 days	131 107	171 019
61 - 90 days	79 221	126 667
91 - 120 days	510 392	508 134
	1 037 510	1 095 053
Total		
Current (0 -30 days)	3 155 282	3 228 348
31 - 60 days	847 492	727 678
61 - 90 days	703 459	658 033
91 - 120 days	623 058	835 712
121 - 150 days	560 472	731 877
> 150 days	15 844 507	15 956 272
	21 734 270	22 137 920
Less: Allowance for impairment	(18 586 867)	(19 374 338)
	3 147 403	2 763 582
Less: Provision for debt impairment		
Current (0 -30 days)	(556 506)	(885 932)
31 - 60 days	(496 060)	(467 959)
61 - 90 days	(506 216)	(496 586)
91 - 120 days	(623 058)	(835 712)
> 150 days	(16 405 027)	(16 688 149)
	(18 586 867)	(19 374 338)

Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

	2013	2012
11. Trade Receivables from exchange transactions (continued)		
Reconciliation of allowance for impairment		
Balance at beginning of the year	(19 374 338)	(14 183 970)
Contributions to allowance	(3 785 133)	-
Debt impairment written off against allowance	3 785 133	-
(Increase)/Reversal of provision	787 471	(5 190 368)
	(18 586 867)	(19 374 338)
Consumer debtors pledged as security		
No consumer debtors were pledged as security for any facilities.		
None of the financial assets that are fully performing have been renegotiated in the last year.		
Consumer debtors past due but not impaired		
Consumer debtors which are less than 3 months past due are not considered to be impaired. At 30 June 2013, 2 728 722 (2012: 2 194 058) were past due but not impaired.		
The ageing of amounts past due but not impaired is as follows:		
1 month past due	2 180 046	1 772 892
2 months past due	351 432	259 719
3 months past due	197 243	161 447
Consumer debtors impaired		
As of 30 June 2013, consumer debtors of 18 586 865 (2012: 19 374 338) were impaired and provided for.		
The ageing of these loans is as follows:		
Up to 3 months	1 558 780	1 850 477
Over 3 months	17 028 085	17 523 861
Reconciliation of allowance for impairment of consumer debtors		
Opening balance	(19 374 338)	(14 183 970)
Allowance for impairment	4 572 604	(5 190 368)
Amounts written off as uncollectible	(3 785 133)	-
	(18 586 867)	(19 374 338)

The creation and release of allowance for impaired receivables have been included in operating expenses in the statement of financial performance. Amounts charged to the allowance account are written off when there is no expectation of recovering additional cash.

Letsemeng Local Municipality

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2013 2012

11. Trade Receivables from exchange transactions (continued)

The municipality's bad debts provision is based on individual payments history. Debtors that show signs of non payment through accumulation of arrear balances are considered as delinquent debtors. These debtors are considered to be impaired due to uncertainty surrounding the recoverability of these amounts.

The write off of bad debts relates to water balances of indigent households. The bad debts written off were approved at Council meeting held 30 August 2012.

12. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	690	575
Bank balances	1 874 892	8 437 835
Short-term deposits	15 703 794	12 213 213
	17 579 376	20 651 623

The total amount of undrawn facilities available for future operating activities and commitments	2 000 000	2 000 000
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Cash and cash equivalents pledged as collateral

Total financial assets pledged as collateral for overdraft facility	1 670 000	1 670 000
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An investment account was opened, ceded and pledged as security for the duration of overdraft facility which expires on 31 March 2014.

Movement during the year

Opening balance	1 825 756	1 745 133
Interest earned and capitalised	25 644	80 623
	1 851 400	1 825 756

Letsemeng Local Municipality

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12. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2013	30 June 2012	30 June 2011	30 June 2013	30 June 2012	30 June 2011
FNB BANK - Account Type - Current Number 527115689918	1 747 824	5 091 164	1 935 971	1 874 892	8 437 835	(1 932 185)
ABSA BANK - Account Type - Current Number 40-4803-4774	153 236	3 410 711	-	-	-	-
STANDARD BANK - Account Type - Investment Number 248467824-008	-	6 157 130	-	-	6 157 130	-
STANDARD BANK - Account Type - Investment Number 248467824-010	-	6 056 083	-	-	6 056 083	-
STANDARD BANK - Account Type - Investment Number 551151119	-	-	22 254	-	-	22 131
FNB BANK - Account Type - Call account number 62273244849	17 555 194	-	-	15 703 794	-	-
CASH ON HAND	-	-	-	690	575	575
Total	19 456 254	20 715 088	1 958 225	17 579 376	20 651 623	(1 909 479)

The municipality maintains one cashbook for its primary bank account with First National Bank and the ABSA bank account.

13. Money Market Investments

These are money market instruments placed with local institutions. Average interest rates for the year was 5.14% (2012: 5.61%).

Money Market Investments

FNB Account Number 62273244849	17 555 194	14 038 641
Maturing within 3 months disclosed in cash & cash equivalents	(15 703 794)	(12 213 213)
	1 851 400	1 825 428

Letsemeng Local Municipality

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14. Fair value adjustment reserve

This relates to changes in the value of unlisted shares (see note 5). The gains and losses previously recognised in the reserve have been written off to accumulated surplus as a result of a change in accounting policy on adoption of GRAP 104.

Opening Balance	-	17 255
Current year charge	-	(1 023)
Written off to accumulated surplus	-	(16 232)
	-	-

15. Finance lease obligation

Minimum lease payments due

- within one year	45 143	569 146
- in second to fifth year inclusive	-	45 142

	45 143	614 288
less: future finance charges	(1 748)	(32 577)

Present value of minimum lease payments **43 395** **581 711**

Present value of minimum lease payments due

- within one year	43 395	538 317
- in second to fifth year inclusive	-	43 394

43 395 **581 711**

Non-current liabilities	-	43 395
Current liabilities	43 395	538 316

43 395 **581 711**

It is municipality policy to lease certain office equipment, security and communication equipment under finance leases.

The average lease term was 2-3 years and the average effective borrowing rate was 9% (2012: 9%).

Interest rates are linked to prime at the contract date. Fintech lease escalate at 15% p.a , Multitech leases and Bytes/Xerox leases has 0% escalation. These would include additional charges for variable costs based on the number of copies printed by the municipality in an given month. .

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note 4.

16. Interest bearing liability

Non-current liability	-	104 626
Current liability	104 626	331 145

Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2013

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	2013	2012
16. Interest bearing liability (continued)		
	104 626	435 771

This relates to embedded loans advanced towards the installation of the municipality's communication and access control equipment. The loans bears an average interest of 8.5% (2012: 9.5%) per annum.

17. Provisions

Reconciliation of provisions - 2013

	Opening Balance	Utilised during the year	Actuarial (gains/losses)	Service cost and Interest	Unwound Interest	Total
Environmental rehabilitation	27 037 313	-	-	-	2 838 918	29 876 231
Long Service Awards Provision	1 366 000	(211 000)	(37 000)	425 000	-	1 543 000
	28 403 313	(211 000)	(37 000)	425 000	2 838 918	31 419 231

Reconciliation of provisions - 2012

	Opening Balance	Utilised during the year	Actuarial (gains)/losses	Service cost and interest	Unwound interest	Total
Environmental rehabilitation	24 140 458	-	-	-	2 896 855	27 037 313
Long Service Awards	1 063 000	(136 085)	24 085	415 000	-	1 366 000
	25 203 458	(136 085)	24 085	415 000	2 896 855	28 403 313

Non-current liabilities	31 302 231	28 207 313
Current liabilities	117 000	196 000
	31 419 231	28 403 313

The Municipality operates five disposal sites. Based on the engineers report and estimate costs (Mr A. Troskie of Bovicon Consulting Engineers cc), three of the municipality's five sites namely Koffiefontein, Luckhoff and Oppermansgronde do not meet all the minimum registration and operating requirements as prescribed by the National Environmental Conservation Act (Act No.73 of 1989). These sites will need to be closed and new sites be identified and opened. The remaining two, namely Petrusburg and Jacobsdal mainly need upgrading as the existing sites meet the regulatory requirements. In lieu of the foregoing, the provision of R29,876,231-00 is based on the assumption that these sites and the other two will be closed and upgraded respectively, in short to medium term, once all the relevant legal and other processes are completed. For more information relating to the assumptions made, refer to note 50.

Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2013

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2013 2012

17. Provisions (continued)

Long Service Awards

The actuarial valuation of the long service bonus awards accrued liability was carried out by D.T. Mureriwa, Fellow of the Institute of Actuaries.

The long service bonus awards consists of an obligation to pay out a bonus in the year of the employee attaining the required service. The obligation presents a liability to Letsemeng Local Municipality and the value is represented by the present value of the total long service bonus awards expected to become payable under Letsemeng's current policy.

The municipality offers bonuses for every 5 years of completed service from 5 years to 45 years.

Long service accumulated leave must be taken within one year of receiving such leave or may be wholly or partially cashed

The portion of the bonus that is a percentage of annual salary is awarded within the month following the employee attaining the qualifying completed years of service.

Movement for the year

Opening accrued liability	1 366 000	1 063 000
Service cost	320 000	311 000
Interest cost	105 000	104 000
Bonuses paid	(211 000)	(112 000)
Actuarial (gains)/losses	(37 000)	-
	1 543 000	1 366 000

Assumptions made include discount rate of 7.25% (2012: 8.25%), Salary increase rate of 7.15% (2012: 6.90%) and net discount rate of 0.09% (2012:1.50%).

Other assumptions included a mortality of SA85-90 and a normal retirement age of 63

18. Deferred revenue

Reconciliation of movement during the period

Balance at beginning of period	240 518	98 784
Additions during the year	150 461	240 518
Recognised in the Statement of Financial Performance	(240 518)	(98 784)
	150 461	240 518

Balance at end of period

Transferred to current liabilities	(150 461)	(240 518)
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The deferred revenue arises in respect of a portion of prepaid electricity sold during the year but not consumed during the current financial period.

Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

	2013	2012
19. Trade and payables from exchange transactions		
Trade payables	4 616 371	9 544 113
Salary Control Account	15 858	1 718
Other payables	257 164	207 516
Deposits	1 860	2 991
Ambulance related services	-	21 731
Accumulated leave pay	4 271 278	2 610 954
Accrued bonus	650 886	423 554
	9 813 417	12 812 577
20. Consumer deposits		
Electricity	368 412	363 713
Water	400 590	304 946
	769 002	668 659
21. Unspent conditional grants and receipts		
Unspent conditional grants and receipts comprises of:		
Unspent conditional grants and receipts		
Road Transport Grant	1 416 404	1 494 430
Department of Water Affairs	-	1 077 236
	1 416 404	2 571 666
Movement during the year		
Balance at the beginning of the year	2 571 666	1 994 996
Received during the year	77 073 250	27 033 000
Income recognition during the year	(78 228 512)	(26 456 330)
	1 416 404	2 571 666

See note for reconciliation of grants from National/Provincial Government as well as their purpose.

These amounts are invested with one of the local banks, together with the municipality's excess cash. See note 13.

Letsemeng Local Municipality

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Notes to the Annual Financial Statements

	2013	2012
22. Service charges		
Sale of electricity	14 037 990	14 515 520
Sale of water	4 466 907	5 302 075
Sewerage and sanitation charges	2 572 976	2 466 487
Refuse removal	2 335 976	2 258 303
	23 413 849	24 542 385
23. Rental of facilities and equipment		
Premises		
Premises	265 757	331 100
Venue hire	20 527	17 713
	286 284	348 813
Facilities and equipment		
Rental of equipment	2 268	5 750
	288 552	354 563
24. Property rates		
Rates received		
Residential	2 726 746	2 289 853
Commercial	1 043 412	789 095
State	783 533	144 139
Small holdings and farms	2 741 323	2 126 935
	7 295 014	5 350 022

Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

	2013	2012
24. Property rates (continued)		
Valuations		
Residential	341 471	341 471
Commercial	73 539	73 539
State	121 763	121 763
Municipal	117 957	117 957
Small holdings and farms	4 594	4 594
Agriculture	1 489 032	1 489 032
Other	120 595	120 595
	2 268 951	2 268 951

Valuations on which property rates are based are performed every 4 years. The last general valuation came into effect on 1 July 2009. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

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.

The new general valuation was implemented on 01 July 2013.

25. Government grants and subsidies

Operating grants

Equitable share	50 508 245	46 542 250
Expanded Public Works Programme	1 074 000	389 000
Department of Minerals and Energy	-	594 000
Municipal Systems Improvement Grant (MSIG)	800 000	790 000
Financial Management Grant	1 500 000	1 450 000
Police Road Transport	78 026	500 567
Department of Local Government (COGTA)	1 060 000	-
Department of Health	115 000	-
	55 135 271	50 265 817

Capital grants

Municipal Infrastructure Grant (MIG)	22 090 000	18 210 000
Department of Water Affairs (DWA)	1 077 236	4 522 764
	23 167 236	22 732 764
	78 302 507	72 998 581

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

	2013	2012
<hr/>		
25. Government grants and subsidies (continued)		
Conditional grants received	27 794 262	26 456 331
Unconditional grants received	50 508 252	46 542 250
	<u>78 302 514</u>	<u>72 998 581</u>

Equitable Share

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

All registered indigents receive a monthly subsidy of 207 (2012: 187), which is funded from the grant.

No grant was held during the current period.

Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

	2013	2012
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25. Government grants and subsidies (continued)

Finance Management Grant(FMG)

Current-year receipts	1 500 000	1 450 000
Conditions met - transferred to revenue	(1 500 000)	(1 450 000)
	<u>-</u>	<u>-</u>

Conditions still to be met - remain liabilities (see note 21).

The grant is meant for assisting municipalities in the improvement of system related transactions.

Municipal Systems Improvement Grant (MSIG)

Current-year receipts	800 000	790 000
Conditions met - transferred to revenue	(800 000)	(790 000)
	<u>-</u>	<u>-</u>

Conditions still to be met - remain liabilities (see note 21).

The grant is mainly used for promoting and supporting reforms in the financial management by building capacities in municipalities to implement MFMA and improve progressive financial reporting for municipalities.

No grant was held during the current period.

Municipal Infrastructure Grant (MIG)

Current-year receipts	22 090 000	18 210 000
Conditions met - transferred to revenue	(22 090 000)	(18 210 000)
	<u>-</u>	<u>-</u>

Conditions still to be met - remain liabilities (see note 21).

The grant was used to fund infrastructure related projects (mainly as part of the service delivery). Capitalised projects funded by this grant are included in property, plant and equipment whilst the unspent portion of the grant is included in current liabilities.

Letsemeng Local Municipality

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Notes to the Annual Financial Statements

2013 2012

25. Government grants and subsidies (continued)

Department of Minerals and Energy Affairs (DME)

Current-year receipts	-	594 000
Conditions met - transferred to revenue	-	(594 000)
	-	-

Conditions still to be met - remain liabilities (see note 21).

The grant was utilised for the electrification of newly developed areas.

No grant was withheld during the year.

Road Transport Grant

Balance unspent at beginning of year	1 494 430	1 994 996
Conditions met - transferred to revenue	(78 026)	(500 566)
	1 416 404	1 494 430

Conditions still to be met - remain liabilities (see note 21).

The grant was used to finance the upgrading and construction of the street network within the municipal boundaries.

No grant was withheld during the year.

Department of Water Affairs (DWA)

Balance unspent at beginning of year	1 077 236	-
Current-year receipts	-	5 600 000
Conditions met - transferred to revenue	(1 077 236)	(4 522 764)
	-	1 077 236

Conditions still to be met - remain liabilities (see note 21).

The grant is used for the provision of water and sanitation services to the community.

Expanded Public Works Programme (EPWP)

Current-year receipts	1 000 000	389 000
Conditions met - transferred to revenue	(1 000 000)	(389 000)
	-	-

Conditions still to be met - remain liabilities (see note 21).

The grant is for the improvement of public infrastructure.

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Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

	2013	2012
25. Government grants and subsidies (continued)		
Department of Local Government (COGTA)		
Current-year receipts	1 060 000	-
Conditions met - transferred to revenue	(1 060 000)	-
	<u>-</u>	<u>-</u>
Conditions still to be met - remain liabilities (see note 21).		
The grant was to fund the Chief Financial Officer's remuneration and any other finance needs in the Budget and Treasury department.		
Department of Health		
Current-year receipts	115 000	-
Conditions met - transferred to revenue	(115 000)	-
	<u>-</u>	<u>-</u>
Conditions still to be met - remain liabilities (see note 21).		
26. Public contributions and donations		
Public contributions and donations	<u>9 034</u>	<u>20 000</u>
Conditions still to be met - remain liabilities (see note 21)		
27. Other income		
Photocopies	2 500	2 935
Refuse bags	-	114
Tax certificates	15 457	14 923
Test meters	111	202
Trading licences	1 399	3 268
Other Income	752 707	542 305
Building plan fees	3 929	4 119
Agreements	3 070	17 939
Court fines	55 510	77 740
Grave plots	29 481	34 083
Call out fees	55	-
Reconnection fees	114 662	104 745
	<u>978 881</u>	<u>802 373</u>

Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2013

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2013 2012

28. Investment and interest revenue

Dividend revenue

Unlisted financial assets - Local	10 607	5 247
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Interest revenue

Interest received on investments	1 027 725	1 003 127
Interest received - Bank	106 199	-
Interest charged on trade and other receivables	2 227 301	1 923 149
Interest received - Eskom and SARS	65 814	74 726
	3 427 039	3 001 002
	3 437 646	3 006 249

29. Operating surplus

Operating surplus for the year is stated after accounting for the following:

Gain on sale of property, plant and equipment	-	1 176
Impairment on trade and other receivables	1 384 500	7 056 286
Depreciation on property, plant and equipment	18 403 616	21 929 675
Employee costs	33 167 643	27 877 177

Letsemeng Local Municipality

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Notes to the Annual Financial Statements

	2013	2012
30. Employee related costs		
Basic	15 311 185	13 859 685
Special Bonuses	-	137 757
Medical aid - company contributions	558 589	781 056
UIF contributions	154 788	150 919
WCA contributions	546 639	-
SDL	214 052	218 442
Leave pay provision charge	1 660 323	1 248 018
Post-employment benefits - Pension - Defined contribution plan	1 898 931	1 861 194
Travel, motor car, accommodation, subsistence and other allowances	1 235 166	1 141 429
Overtime payments	1 770 203	1 725 167
Long-service awards	132	154 475
13th Cheques and other bonuses	1 115 016	910 671
Housing benefits and allowances	351 121	18 596
Industrial Council	9 222	6 580
Actuarial gains and losses	479 659	(859 915)
Defined benefit -Current Service Cost	1 057 000	804 000
	26 362 026	22 158 074

Remuneration of Municipal Manager

Annual Remuneration	789 670	741 981
Car Allowance	112 109	108 893
Other	243 890	98 677
	1 145 669	949 551

The Municipal Manager was re-appointed effective 01 August 2012.

Remuneration of Chief Finance Officer

Annual Remuneration	332 667	454 697
Car Allowance	97 536	164 566
Contributions to UIF, Medical and Pension Funds	24 000	36 000
Acting Allowance	59 899	-
Other	198 578	74 178
	712 680	729 441

The Chief Financial Officer resigned 28 February 2013. An Acting Chief Financial Officer was appointed on 05 March 2013.

Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

2013 2012

30. Employee related costs (continued)

Remuneration of Technical Services Manager

Annual Remuneration	508 040	250 495
Car Allowance	144 000	60 000
Acting Allowance	-	145 377
Other	38 433	17 361
	690 473	473 233

Remuneration of Corporate Services Manager

Annual Remuneration	521 900	237 427
Car Allowance	96 000	40 000
Contributions to UIF, Medical and Pension Funds	35 832	12 535
Acting Allowance	-	166 624
Other	52 469	41 920
	706 201	498 506

31. Remuneration of councillors

Executive Mayor/Speaker	628 273	596 538
Councillors	2 922 321	2 471 834
	3 550 594	3 068 372

In-kind benefits

The Executive Mayor/Speaker is full-time and she is provided with an office and secretarial support at the cost of the Council. She also has a driver, who acts as her bodyguard.

32. Impairment of receivables

Impairments

Change in provision for receivables	1 384 500	7 056 286
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Customer account balances are considered impaired when the debtor has significant financial difficulties, the probability that the debtor will enter bankruptcy or financial reorganisation, and default in payments (more than 90 days overdue). The municipality charges interest on overdue customer balances.

Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

	2013	2012
33. Finance costs		
Unwound interest on landfill site	2 838 918	2 896 855
Non-current borrowings	26 192	56 802
Trade and other payables	63 895	76 021
Finance leases	29 873	95 455
Long service awards	105 000	104 000
Post retirement medical fund	450 000	796 000
	3 513 878	4 025 133
34. Bulk purchases		
Electricity	15 933 519	13 803 956
Water	4 019 880	3 022 188
	19 953 399	16 826 144
35. Other expenses		
Advertising	259 902	177 783
Auditors remuneration	2 976 289	2 583 334
Bank charges	124 719	131 156
Consulting and professional fees	4 797 963	4 232 860
Materials and Consumables	13 929	28 559
Entertainment	300 732	222 628
Penalties	21 851	1 000
Insurance Short Term	321 787	451 536
Fuel and Oil	1 154 709	1 083 560
Postage and courier	56 051	61 724
Printing and stationery	382 287	392 023
License fees	331 243	414 423
Subscriptions and membership fees	450 415	625 529
Telephone and fax	1 651 030	1 364 251
Rental of Equipment	1 697 743	67 693
Travel and subsistence	1 862 341	1 390 828
Municipal Services	2 924 236	2 253 274
Uniforms	80 086	196 174
Administration costs	-	90 342
Special Events	111 994	380 372
Valuations	2 304 941	-
SMME projects	452 659	979 162
Loss of cash	77 821	2 570
Chemicals	2 075 866	2 698 892
Other expenses	2 876 978	1 272 161
	27 307 572	21 101 834

Letsemeng Local Municipality

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Notes to the Annual Financial Statements

	2013	2012
36. Cash generated from operations		
Surplus	2 686 962	3 625 127
Adjustments for:		
Depreciation and amortisation	18 403 616	21 929 675
Loss on sale of assets and liabilities	-	(1 176)
Fair value adjustments	(5 400)	1 023
Finance costs - Finance leases	29 873	95 455
Impairment deficit	1 384 500	7 056 286
Debt impairment	3 816 416	-
Movements in retirement benefit assets and liabilities	1 128 000	1 037 000
Movements in provisions	3 015 918	3 199 855
Changes in working capital:		
Inventories	810 048	728 831
Other receivables from exchange transactions	(1 374 297)	(7 198 495)
Other receivables from non-exchange transactions	(34 327)	(1 510 847)
Consumer debtors	(4 200 237)	(107 366)
Trade and payables from exchange transactions	(2 999 160)	7 712 809
VAT	(2 233 735)	963 872
Unspent conditional grants and receipts	(1 155 262)	576 670
Consumer deposits	100 343	25 791
Other non-cash item	(791 733)	(269 618)
	18 581 525	37 864 892
37. Capital Commitments		
Approved and contracted for		
Already contracted for but not provided for		
• Infrastructure	4 356 398	16 920 850
Not yet contracted for and authorised by accounting officer		
• Property, plant and equipment	2 506 000	1 788 000
• Infrastructure	32 038 995	28 823 414
	34 544 995	30 611 414
This committed expenditure relates to property and will be financed by government grants and funds internally generated.		
This expenditure will be finance from		
Government Grants	36 395 393	45 744 264
Own Resources	2 506 000	1 788 000
	38 901 393	47 532 264

Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

2013 2012

38. Contingencies

Disposal Sites

Disposal sites

Disposal sites	15 000 000	15 000 000
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Section 20 (b) of the National Environmental Management: Waste Act (2008) states that no person may commence or conduct a waste management activity except in accordance with:

- the requirements or standards determined in terms of section 19 (3) for that entity or
- a waste management licence issued in respect of that activity, if a licence is required.

The municipality operates five disposal sites of which three (Koffiefontein, Luckhoff and Oppermansgronde) do not meet the registration and operating requirements as prescribed by the National Environmental Management: Waste Act (2008). These sites are unlicensed and as such there is a possibility that a penalty may be imposed on the municipality in accordance with section 68 (1) of this Act.

39. Related parties

During the year there were no related party transactions. The municipality has various processes in place to identify and note any related party transactions. These range from disclosure on the bid documents to maintenance of a conflict of interest register. For councilors and senior managers, this is kept in the office of the Municipal Manager.

40. Prior period errors

The correction of the error(s) resulted in the following adjustments:

Statement of financial position

Other receivables from exchange transactions	-	1 176
VAT Receivable	-	(120 753)
Property, plant and equipment	-	(10 772)
Finance Lease Obligation (Current liability)	-	331 839
Trade and other payables from exchange transactions	-	9 065
Finance Lease Liability (Non-current liability)	-	114 456
Retirement Benefit Obligation (Non-current liability)	-	4 911 000
Accumulated Surplus	-	(5 232 701)

The errors comprise of:

- **Other receivables from exchange transactions** - This relates to a debtor that was raised for disposal of asset. The debtor balance was recognised at an amount equivalent to the carrying amount of the tablet instead of the amount agreed with the municipality.
- **VAT Receivable** - The prior period creditors listing was reconstructed and this resulted in the adjustment of Input VAT.

Letsemeng Local Municipality

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Notes to the Annual Financial Statements

2013 2012

40. Prior period errors (continued)

- **Property, plant and equipment** -A printer valued at R2,323 was purchased in April 2012 and paid for in March 2013. The printer was not recognised in the asset additions of financial year ended 30 June 2012. Furthermore, a payment relating to the 2013 financial period was in the previous period erroneously accounted for in trade payables and an asset recognised.
- **Finance Lease Obligation (Current & non-current liabilities)** - The 2012 interest bearing liability balances were accounted for twice and disclosed in finance lease and separate as Interest bearing liability.
- **Trade and other payables** - This relates to leave accrual of 48-72 days that was incorrectly disclosed as a contingent liability instead of a leave accrual, and restatement of the creditors balance.
- **Retirement Benefit Obligation** - The 2012 data was erroneously compiled. The total number of non-contributing employees used was incorrect. The list included Councilors and contract workers of which, based on the nature of their contracts, are not eligible for post employment medical subsidies.
- **Accumulated Surplus** - The corrections done to accumulated surplus are composed of a stale cheque effectively not written back in the AFS of 2012, leave accrual previously disclosed as a contingent liability, the effect of interest bearing liability accounted for twice, recognition of interest and penalties levied by SARS in the prior periods, the restatement of Retirement Benefit obligation due to incorrect data used in the estimation, the gain on disposal of asset and the restatement of creditors balance.

Statement of Financial Performance

Gains and losses on disposal of assets	-	(1 176)
Employee related costs	-	294 891
Finance costs	-	(358 000)
Depreciation expense	-	1
Repairs and maintenance	-	(83 939)
Bulk Purchases	-	(270 517)
Other expenses	-	(290 832)

The errors comprise of:

- **Gains and losses from disposal of assets** - An asset in the prior period was disposed of at an amount R1,176 more than the carrying amount. The gain was not recognised in the financial statements.
- **Depreciation and Amortisation** - This relates to the depreciation expense of the 2012 asset additions omitted in the 2012 annual financial statements and the write- back of asset erroneously recognised in assets in the 2012 financial period.(refer Property, plant and equipment error)
- **Employee related costs** -The error is comprised of the leave accrual previously disclosed as a contingent liability, restatement of actuarial gains/losses, current service cost as a result of restating the retirement benefit obligation and the restatement of creditors balance.
- **Finance Costs** - This relates to the restatement of the Retirement benefit obligation due to inclusion of Councilors and contract workers in the 2012 compilation of the obligation.
- **Repairs and maintenance** - The restatement was due to corrections made to the creditors listing and balance of financial period 2012.
- **Bulk Purchases** - The restatement was due to corrections made to the creditors listing and balance of financial period 2012.
- **Other expenses** - The restatement was due to corrections made to the creditors listing and balance of financial period 2012.

Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

2013 2012

41. Comparative figures

Certain comparative figures have been reclassified/restated.

42. Risk management

Financial risk management

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

The Council audit committee oversees the monitoring of compliance and oversight of the municipality's risk management framework. The Council a Risk management Committee which is responsible for developing and monitoring the municipality's risk management policies.

The shared audit committee oversees the monitoring of compliance with the municipality's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the municipality. The audit committee is assisted in its oversight role by the municipality's internal audit unit.

Liquidity risk

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.

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

Cash flow forecasts are prepared on a monthly basis to monitor cash resources of the municipality.

Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

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42. Risk management (continued)

Credit risk

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

Trade receivables comprise a widespread customer base. The municipality cannot, however, limit the rate at which it can offer services to its stakeholders as it has a constitutional mandate to offer these services.

Trade receivables are presented net of an allowance for impairment.

In terms of the Credit Control and Debt Collection Policy, customers whose accounts become in arrears, collection of such accounts should be done through levying penalty charges, issuing demands for payment, restricting service and handling customers over for collection. However, during the current year proper procedures were not enforced to collect amounts amounts owing to the Municipality. Management is in the process of establishing procedures to be implemented by the credit control function to improve debt collection.

Price Risk

The municipality is exposed to equity price risks arising from equity investments, classified on the statement of financial position as available-for-sale. 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.

43. Events after the reporting date

On 25 August 2013 there was a break-in at the municipality's offices situated in Luckhoff. The desktop computer for prepaid electricity was stolen. The case was recorded to the South African Police Service.

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44. Unauthorised expenditure

Opening balance	37 551 834	9 320 075
Unauthorised expenditure - current year	5 152 616	33 109 579
Amount condoned or written off by Council	(10 675 643)	(4 877 820)
	32 028 807	37 551 834

The unauthorised expenditure of R10,675,643.0 relates to prior year. It was condoned at the Council meeting held 30 August 2012.

Departments that exceed their budgets were as follows:

Unauthorised expenditure by department

Budget and Treasury Office	4 000 975	32 362 238
Townhall and Offices	592 763	647 675
Planning and Development	558 878	-
Corporate Services Management	-	99 666
	5 152 616	33 109 579

45. Fruitless and wasteful expenditure

Opening balance	740 096	854 809
Fruitless and wasteful expenditure - current year	355 449	541 952
Amounts condoned or written off by Council	(319 486)	(656 665)
	776 059	740 096

The fruitless and wasteful expenditure of R319,485.57 relates to prior year and was condoned at a Council meeting held 30 August 2012

Current year fruitless and wasteful expenditure relates to:

- Interest paid to creditors for late payments of R65,223.29
- Lease payments of R260,504-24 for five bioguards which were not operational for the entire financial year
- Legal costs of R6,976-89 for a lost cases during the year.
- A claim of R893.85 made against the municipality for repairs and maintenance to a vehicle damaged because of a pothole.
- Traffic fines of R400-00
- Penalty of R21,450.74 paid to South African Revenue Services due to late submission of VAT returns.

Letsemeng Local Municipality

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46. Irregular expenditure

Opening balance	42 797 102	37 653 805
Add: Irregular Expenditure - current year	18 841 368	11 350 820
Less: Amounts condoned or written off by Council	(4 951 563)	(6 207 523)
	56 686 907	42 797 102

Details of irregular expenditure condoned or written off by Council

-

Irregular expenditure of R4,951,562.81 relates to the previous year and was condoned by Council at a meeting held on 30 August 2012.

47. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription/fee	9 223	6 580
Amount paid - current year	(9 223)	(6 580)
	-	-

Water Losses

The municipality purchases water from the local water service authority and sells to its residents.

The water losses incurred for the current year are as follows:

Pumped for the year (kilolitres)	15 334 251	4 901 488
Sales for the year (kilolitres)	(4 860 850)	(1 098 852)
Losses for the year (kilolitres)	10 473 401	3 802 636

The water losses are attributable to illegal connections and burst pipes.

The municipality has implemented processes to attend to burst pipes to reduce the amount of water lost through such means.

Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

	2013	2012
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47. Additional disclosure in terms of Municipal Finance Management Act (continued)

Electricity Losses

The municipality purchases electricity from Eskom and sells to its residents.

Electricity losses incurred during the current year are as follows:

Purchased during the year (kilowatt hours)	29 985 063	20 895 495
Sold during the year (kilowatt hours)	(27 910 855)	(13 056 943)
Losses for the year (kilowatt hours)	2 074 208	7 838 552

The resultant losses are attributable to illegal connections.

Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2013

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47. Additional disclosure in terms of Municipal Finance Management Act (continued)

Material losses through criminal conduct

Prepaid Electricity

Opening balance	273 257	270 687
Loss - current year	77 821	2 570
	351 078	273 257

The fraudulent activities relating to prepaid electricity sales was discovered by management during the year. The matter was reported to the South African Police Services and is still under investigation.

The current year fraudulent activities activities are suspected to have occurred on purchases of some customers as follows:

- A banking batch is generated during the day and a second batch generated end of day but only one of the two batches is banked.

The prior period fraudulent activities occurred as a result of deleting sales on the system after issuing a coupon that remained valid. The banking batch for the day would not recognise the sales deleted and hence underbankings occurred. The cases have since been closed.

Other Income Receipts

Loss - current year	-	5 222
Recovered - current year	-	(5 222)
	-	-

The fraudulent activities relating to receipts was discovered by management in the prior year. The matter employee acknowledged to defrauding the municipality and paid the amount. The matter was reported to South African Police Services.

The fraudulent activities occurred as follows:

- Certain customers paid cash at the counter and were issued with manual receipts. The manual receipt would then be captured on the system. However, instead of capturing and surrendering the full amounts collected from the customers, part of the receipt would be captured and part money surrendered for banking. The amount surrendered would agree to the system receipts.

Audit fees

Opening balance	(112 995)	20 614
Current year subscription / fee	3 402 121	2 583 334
Amount paid - current year	(3 289 169)	(2 716 943)
	(43)	(112 995)

Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

	2013	2012
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47. Additional disclosure in terms of Municipal Finance Management Act (continued)

PAYE and UIF

Current year subscription / fee	3 245 107	2 492 934
Amount paid - current year	(3 251 456)	(2 245 083)
	<u>(6 349)</u>	<u>247 851</u>

Pension and Medical Aid Deductions

Current year subscription / fee	3 600 373	3 567 650
Amount paid - current year	(4 167 995)	(3 253 730)
	<u>(567 622)</u>	<u>313 920</u>

Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

2013 2012

47. Additional disclosure in terms of Municipal Finance Management Act (continued)

Councillors' arrear consumer accounts

No Councillors' had arrear accounts outstanding for more than 90 days as at 30 June 2013.

30 June 2012	Highest outstanding amount	Aging (in days)
Councillor T.M. Gomojong	1 013	180
Councillor M.U. Jantjies	646	150
Councillor K.W. Nel	2 653	120
	4 312	450

Letsemeng Local Municipality

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2013 2012

48. Donations and public contributions

This represents the carrying amount of assets donated by various stakeholders i.e. not funded by own income

Opening balance	108 451	130 128
Additions	9 034	-
Depreciation charge	(20 485)	(21 677)
	97 000	108 451

49. Deviation from supply chain management regulations

In terms of section 36(1) of the Supply Chain Management Regulations, the accounting officer may dispense with the official procurement process in the following instances:

- In an emergency
- If such goods or services were produced or available from a single provider only
- For acquisition of special works of art or historical objects where specifications were difficult to complete
- Acquisition of animals for zoos and/or nature and game reserves
- In any other exceptional cases where it is impractical or impossible to follow the official procurement processes

Deviation from the official procurement process during the financial year were approved in terms of the delegations as stipulated in the Supply Chain Management Policy and amounted to the following:

Deviation from normal procurement processes (SCM Policy)

DWA funds	1 077 236	4 522 765
Co-sourcing of Internal Audit Services	86 596	-
Repairs to Daniel Moopela Hall	113 000	-
	1 276 832	4 522 765

- **DWA Funds** - The municipality deviated from the normal procurement policies for the use of these funds due to an emergency situation in Bolokanang in Petrusburg.
- **Co-sourcing of internal auditing services** - This was a procurement of services under contracts secured by other organ of state. The deviation from normal procurement policies occurred due to time limitations.
- **Repairs to Daniel Moopela Hall** - The municipality deviated from the normal procurement policies for the awarding of the contract to repair the hall as it was an emergency situation.

Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

	2013	2012
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50. Key Assumptions and estimates

Long Service Awards Provision

The key assumptions used in estimating the long service awards provision are:

- To each beneficiary, a mortality rate of an individual three years younger than that beneficiary was assigned.
- The percentage salary inflation rate will be 7.15%.
- A discount rate of 7.25% per annum was used to determine the present value of the provision.

It was also assumed that the collective bargaining will remain the same. For the carrying amount of this provision refer to note 17.

Landfill Site Rehabilitation

The key assumptions made by management in estimating the provision for land rehabilitation are:

- That the estimate was based on the worst case scenario in that the landfill site do not comply to the minimum requirements should the geotechnical analysis confirm otherwise the provision should significantly change, and;
- That the geotechnical analysis is highly dependent on the risk factor analysis in the case of contamination.

The carrying amount as disclosed in note 18.

Post Retirement Benefits

The key assumptions used for the estimation of post retirement benefit obligation refer note 7. Refer to same note for the carrying amount of the post retirement benefit.

Letsemeng Local Municipality
Appendix A

Schedule of external loans as at 30 June 2012

Loan Number	Redeemable	Balance at 30 June 2012	Received during the period	Redeemed written off during the period	Balance at 30 June 2013	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
		Rand	Rand	Rand	Rand	Rand	Rand
Loan Stock		-	-	-	-	-	-
Structured loans		-	-	-	-	-	-
Funding facility		-	-	-	-	-	-
Development Bank of South Africa		-	-	-	-	-	-
Bonds		-	-	-	-	-	-
Other loans		-	-	-	-	-	-
Lease liability							
FINTECH		469 541	-	469 541	-	-	-
MULTITECH		475 670	-	471 600	4 070	-	-
BYTES		82 795	-	43 470	39 325	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		1 028 006	-	984 611	43 395	-	-
Annuity loans							
MULTITECH		435 771	-	331 145	104 626	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		435 771	-	331 145	104 626	-	-
Government loans		-	-	-	-	-	-
Total external loans							
Loan Stock		-	-	-	-	-	-

**Letsemeng Local Municipality
Appendix B**

Analysis of property, plant and equipment as at 30 June 2013
Cost/Revaluation **Accumulated depreciation**

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Under construction Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Land and buildings														
Land (Separate for AFS purposes)	100 125 307	-	-	-	-	-	100 125 307	-	-	-	-	-	-	100 125 307
Buildings (Separate for AFS purposes)	49 654 647	241 631	-	-	-	11 585 434	61 481 712	(23 799 235)	-	-	(833 429)	-	(24 632 664)	36 849 048
	149 779 954	241 631	-	-	-	11 585 434	161 607 019	(23 799 235)	-	-	(833 429)	-	(24 632 664)	136 974 355
Infrastructure														
Roads, Pavements & Bridges	428 060 363	-	-	-	-	7 077 323	435 137 686	(124 425 822)	-	-	(9 589 210)	-	(134 015 032)	301 122 654
Electricity Network	29 157 254	-	-	-	-	396 845	29 554 099	(9 734 292)	-	-	(593 912)	-	(10 328 204)	19 225 895
Water Network	139 319 349	-	-	-	-	-	139 319 349	(38 720 803)	-	-	(3 834 483)	-	(42 555 286)	96 764 063
Sewerage Network	69 482 010	-	-	-	-	325 503	69 807 513	(16 697 840)	-	-	(1 780 401)	-	(18 478 241)	51 329 272
Solid Waste Disposal	18 907 000	-	-	-	-	107 403	19 014 403	(1 890 700)	-	-	(726 675)	-	(2 617 375)	16 397 028
	684 925 976	-	-	-	-	7 907 074	692 833 050	(191 469 457)	-	-	(16 524 681)	-	(207 994 138)	484 838 912
Community Assets														
Fire, safety & emergency	33 868	-	-	-	-	-	33 868	(10 418)	-	-	(4 671)	-	(15 089)	18 779
	33 868	-	-	-	-	-	33 868	(10 418)	-	-	(4 671)	-	(15 089)	18 779

Letsemeng Local Municipality
Appendix B

Analysis of property, plant and equipment as at 30 June 2013
Cost/Revaluation **Accumulated depreciation**

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Under construction Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Heritage assets														
Specialised vehicles														
Other assets														
General vehicles	3 058 946	59 650	-	-	-	-	3 118 596	(546 549)	-	-	(121 037)	-	(667 586)	2 451 010
Plant & equipment	1 317 572	118 725	-	-	-	-	1 436 297	(389 928)	-	-	(125 664)	-	(515 592)	920 705
Furniture & Fittings	2 415 863	65 278	-	-	-	-	2 481 141	(738 082)	-	-	(262 572)	-	(1 000 654)	1 480 487
Office Equipment	3 174 299	446 090	-	-	-	-	3 620 389	(1 606 560)	-	-	(503 903)	-	(2 110 463)	1 509 926
Other	-	73 606	-	-	-	-	73 606	-	-	-	-	-	-	73 606
	9 966 680	763 349	-	-	-	-	10 730 029	(3 281 119)	-	-	(1 013 176)	-	(4 294 295)	6 435 734

Letsemeng Local Municipality
Appendix B

Analysis of property, plant and equipment as at 30 June 2013
Cost/Revaluation **Accumulated depreciation**

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Under construction Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Total property plant and equipment														
Land and buildings	149 779 954	241 631	-	-	-	11 585 434	161 607 019	(23 799 235)	-	-	(833 429)	-	(24 632 664)	136 974 355
Infrastructure	684 925 976	-	-	-	-	7 907 074	692 833 050	(191 469 457)	-	-	(16 524 681)	-	(207 994 138)	484 838 912
Community Assets	33 868	-	-	-	-	-	33 868	(10 418)	-	-	(4 671)	-	(15 089)	18 779
Other assets	9 966 680	763 349	-	-	-	-	10 730 029	(3 281 119)	-	-	(1 013 176)	-	(4 294 295)	6 435 734
	844 706 478	1 004 980	-	-	-	19 492 508	865 203 966	(218 560 229)	-	-	(18 375 957)	-	(236 936 186)	628 267 780
Intangible assets														
Other	694 396	143 223	-	-	-	-	837 619	(448 038)	-	-	(27 659)	-	(475 697)	361 922
	694 396	143 223	-	-	-	-	837 619	(448 038)	-	-	(27 659)	-	(475 697)	361 922
Total														
Land and buildings	149 779 954	241 631	-	-	-	11 585 434	161 607 019	(23 799 235)	-	-	(833 429)	-	(24 632 664)	136 974 355
Infrastructure	684 925 976	-	-	-	-	7 907 074	692 833 050	(191 469 457)	-	-	(16 524 681)	-	(207 994 138)	484 838 912
Community Assets	33 868	-	-	-	-	-	33 868	(10 418)	-	-	(4 671)	-	(15 089)	18 779
Other assets	9 966 680	763 349	-	-	-	-	10 730 029	(3 281 119)	-	-	(1 013 176)	-	(4 294 295)	6 435 734
Intangible assets	694 396	143 223	-	-	-	-	837 619	(448 038)	-	-	(27 659)	-	(475 697)	361 922
	845 400 874	1 148 203	-	-	-	19 492 508	866 041 585	(219 008 267)	-	-	(18 403 616)	-	(237 411 883)	628 629 702

Letsemeng Local Municipality
Appendix F
Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts					Quarterly Expenditure					Grants and Subsidies delayed / withheld					Reason for delay/withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for noncompliance
Equitable Share		50 508 250	-	-	-	-	46 542 250	-	-	-	-	-	-	-	-	-	MIG plan did not meet required standards	Yes	MIG withheld
MSIG		800 000	-	-	-	-	800 000	-	-	-	-	-	-	-	-	-		Yes	
MIG		22 090 000	-	-	-	-	22 090 000	-	-	-	-	-	-	-	-	-	MIG plan did not meet required standards	Yes	Plan did not meet standard
FMG		1 500 000	-	-	-	-	1 500 000	-	-	-	-	-	-	-	-	-		Yes	
DWAF		-	-	-	-	-	1 077 236	-	-	-	-	-	-	-	-	-		Yes	
EPWP		1 074 000	-	-	-	-	1 074 000	-	-	-	-	-	-	-	-	-		Yes	
DME		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		Yes	
COGTA		1 060 000	-	-	-	-	1 060 000	-	-	-	-	-	-	-	-	-		Yes	
Sport		115 000	-	-	-	-	-	-	-	-	-	-	-	-	-	-		Yes	
Road Transport		-	-	-	-	-	78 026	-	-	-	-	-	-	-	-	-		Yes	
		77 147 250	-	-	-	-	74 221 512	-	-	-	-	-	-	-	-	-			

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