

LEJWELEPUTSWA DISTRICT MUNICIPALITY



ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

LEJWELEPUTSWA DISTRICT MUNICIPALITY ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

EXECUTIVE MAYORS FOREWORD

On the 18 May 2011, the citizens of Lejweleputswa re-elected the African National Congress (ANC) as the governing party in the district and also in surrounding local municipalities. I express immense pleasure to present the 2010 to 2011 financial statement.

We have once again steadfastly continued with the trend of consulting our stakeholders on the IDP because we believe that, as the sphere of Government that is closest to the people, we carry a pronounced obligation to respond directly and positively to the needs and frustrations of our stakeholders and communities. We have to frequently reposition our development and service delivery programmes and objectives to ensure that they address the revised needs of our stakeholders and communities, as influenced by changing and shifting-economic dynamics.

The IDP document is thus a direct result of another extensive consultation process. It is an expression of the general interests of our people, and a mirror that reflects the holistic wishes of the Lejweleputswa communities, as expressed during our IDP hearings.

It is for this reason that the current IDP and Budget must and will be externally focused, driven by community needs and geared towards meeting community aspirations gleaned from stakeholder consultations and engagements.

As we continue on our march to deliver on our Manifesto commitments, we pledge ourselves to continue to work with our people to leave no stone unturned in fulfilling our objectives by accelerating and doubling our efforts to bring about a better life to all our people. We will do so in an accountable and ethical manner, as we have been proven to do over the years.

We look back with pride as we begin the first phase of our current term of our political office. It is this achievement, tied with commitment and loyalty which see us standing firm.

Finally I wish to congratulate Management and Staff on the remarkable results achieved and their forward looking initiatives that enable Lejweleputswa District Municipality to stay on a sound and sustainable growth path. Furthermore, I wish to thank my Mayoral Committee and fellow Councillors for their constructive contributions in speeding up service delivery.



Executive Mayor
Ms. Nokwanje Selina Leeto

Lejweleputswa District Municipality
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2011

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Annual Financial Statements

for

Lejweleputswa District Municipality

for the year ended 30 June: **2011**

Province:

Free State

Contact Information:

Name of Municipal Manager: Nontsikelelo Eunice Aaron

Name of Chief Financial Officer: Jacobus Heunis (Acting)

Contact telephone number: (057) 353 3094

Contact e-mail address: linda@lejwe.co.za

Name of contact at provincial treasury: Mamahlalosa Tshola

Contact telephone number: (051) 405 4767

Name of relevant Auditor: Michiel Klopper (Senior Manager - Auditor General SA Free State)

Contact telephone number: (051) 400 7626/ 082 465 7933

Contact e-mail address: MichielK@agsa.co.za

Name of contact at National Treasury:

Sello Mashaba

Contact telephone number: [\(012\) 315 5183](tel:0123155183)

Contact e-mail address: Sello.Mashaba@treasury.gov.za

Lejweleputswa District Municipality
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2011

General information

Executive Mayor

Cllr Selina Nokwanje Leeto

Speaker

Cllr Lennox Rubulana

Member of the Mayoral Committee

Cllr M Lekaota - MMC Corporate Services and Administration

Cllr MJ Pereko - MMC Social Services

Cllr MH Ntsebeng - MMC Public Works, Roads and Infrastructure

Cllr KR Phukunsi - MMC LED and Planning, Tourism and Agriculture

Cllr MP Motshabi - MMC Environmental Health & Disaster Management

Cllr XJ Toki - MMC Youth, Sport, Arts & Culture Development

Cllr MMT Matlabe - MMC Finance

Municipal Manager

Ms. Nontsikelelo Eunice Aaron

Chief Financial Officer

Mr. Jacobus Heunis (Acting)

Grading of Local Authority

4

Auditors

Auditor-General

Mr. Michiel Klopper (Senior Manager - Auditor General SA Free State)

Tel: (051) 400 7626/ 082 465 7933

Fax: (051) 405 5063

E-mail: MichielK@agsa.co.za

Bankers

ABSA Bank

ABSA Forum Building 3rd Floor

Cnr Donald Muray & Nelson Mandela Drive

BLOEMFONTEIN

9300

Lejweleputswa District Municipality
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2011

General information (continued)

Registered Office:	Office of the Municipal Manager
Physical address:	Corner Jan Hofmeyer and Tempest Road Jim Fouche Park WELKOM 9459
Postal address:	P.O. Box 2163 WELKOM 9460
Telephone number:	(057) 391 8906
Fax number:	(057) 391 8970
E-mail address:	linda@lejwe.co.za

Lejweleputswa District Municipality
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2011

Approval of annual financial statements

The preparation of the annual financial statements, is the responsibility of the Municipal Manager in terms of section 126(1) of the Municipal Finance Management Act (MFMA) and the statements are signed on behalf of Lejweleputswa District Municipality.

I certify that salaries, allowances and benefits of Councillors disclosed in note 14 of these annual financial statements are not within the determination of the upper limits of the framework-envisaged section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local government's determination in accordance with this act, however the matter is receiving Council's attention.

Municipal Manager:

DATE 31/08/2011

Lejweleputswa District Municipality
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 JUNE 2011

REPORT OF THE CHIEF FINANCIAL OFFICER

1. INTRODUCTION

These annual financial statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003). The standards and pronouncements that form the GRAP Reporting Framework for the 2010/11 financial period is set out in Directive 5 Issued by the Accounting Standards Board (ASB) on 11 March 2009.

2. KEY FINANCIAL INDICATORS

The following indicators give some insight into the financial results of the year under review.

Financial Statement Ratios:

INDICATOR	2011	2010
Surplus / (Deficit) before Appropriations	(2 809 691)	5 408 111
Surplus / (Deficit) at the end of the Year	55 728 445	58 538 136
Expenditure Categories as a percentage of Total Expenses:		
Employee Related Costs	43.64%	46.03%
Remuneration of Councillors	7.90%	8.27%
Depreciation and Amortisation	5.94%	3.90%
Impairment Losses	1.25%	0.00%
Repairs and Maintenance	0.80%	0.81%
Interest Paid	3.84%	4.57%
Donations of PPE	0.85%	0.00%
Loss on the disposal of PPE	0.35%	0.12%
Grants and Subsidies Paid	0.00%	2.78%
Transfer to local municipalities	9.39%	7.74%
Transfer to the development agency	2.00%	1.62%
General Expenses	24.04%	24.17%
Current Ratio:		
Creditors Days	25	34
Debtors Days	-	-

3. OPERATING RESULTS

Details of the operating results per segmental classification of expenditure are included in Appendix "D".

The overall operating results for the year ended 30 June 2011 are as follows:

DETAILS	Actual 2010/2011 R	Actual 2009/2010 R	Percentage Variance %	Budgeted 2010/2011 R	Variance actual/ budgeted %
Income:					
Opening surplus / (deficit)	58 538 135	52 959 028	11%	-	-
Operating income for the year	97 124 699	94 189 852	3.12%	96 717 000.00	0.42%
	155 662 834	147 148 880	5.79%	96 717 000.00	60.95%
Expenditure:					
Operating expenditure for the year	99 934 390	88 781 740	12.56%	109 094 301.00	-8.40%
Correction of error 2008/2009		-170 995			
Closing surplus / (deficit)	55 728 444	58 538 135	-4.80%	-12 377 301.00	
	155 662 834	147 148 880	5.79%	96 717 000.00	60.95%

**Lejweleputswa District Municipality
REPORT OF THE CHIEF FINANCIAL OFFICER (continued)**

4. FINANCING OF CAPITAL EXPENDITURE

The expenditure on Property, Plant and Equipment during the year amounted to R9 510 834 (2009/2010: 12 636 335). Full details of Property, Plant and Equipment are disclosed in Note 4 and appendices "B, C and E (2)" to the Annual Financial Statements.

Property, Plant and Equipment is funded to a great extent from its own funds.

5. RECONCILIATION OF BUDGET TO ACTUAL

5.1 Operating Budget:

DETAILS	2011	2010
<i>Variance per Category:</i>		
Budgeted surplus/deficit before appropriations	(12 377 301)	5 796 026
Revenue variances	(407 699)	(2 594 232)
Expenditure variances:		
Employee Related Costs	4 005 235	(479 490)
Remuneration of Councillors	1 760 546	927 406
Depreciation and Amortisation	(2 633 082)	(3 458 237)
Impairment Losses	(1 248 975)	115 220
Repairs and Maintenance	477 430	504 188
Interest Paid	366 637	279 679
Donations of PPE	(848 012)	-
Loss on the disposal of PPE	(347 530)	(106 717)
Grants and Subsidies Paid	573 784	(2 466 435)
Transfer to local municipalities	6 998 071	(173 409)
Transfer to the development agency	(2 000 000)	(1 434 226)
General Expenses	2 055 806	3 309 875
Actual surplus before appropriations	<u>(2 809 691)</u>	<u>5 408 111</u>

DETAILS	2011	2010
<i>Variance per Service Segment:</i>		
Budgeted surplus/deficit before appropriations	(12 377 301)	5 796 026
Information Technology		
Corporate Services		
Council general		
Disaster management		
Environmental health		
Executive mayor		
Financial department		
LED		
Municipal manager		
Property		
Rural roads		
Social services		
Speaker/Mayor committee		
Actual surplus before appropriations	<u>(12 377 301)</u>	<u>5 796 026</u>

Details of the operating results per segmental classification of expenditure are included in Appendix "D", whilst operational results per category of expenditure, together with a cryptic explanation of significant variances of more than 10% from budget, are included in Appendix "E (1)".

**Lejweleputswa District Municipality
REPORT OF THE CHIEF FINANCIAL OFFICER (continued)**

5.2 Capital Budget:

DETAILS	Actual 2010/2011 R	Actual 2009/2010 R	Variance/actual 2009/2010 vs. 2010/2011 R	Budgeted 2010/2011 R	Variance/actual budgeted R
Information Technology	207 502	77 119	130 383	250 000	(42 498)
Corporate Services	-	5 240 962	(5 240 962)	-	-
Council general	5 003 396	1 105 686	3 897 710	5 050 680	(47 284)
Disaster management	4 074 523	3 867 799	206 724	14 293 780	(10 219 257)
Environmental health	96 640	7 070	89 570	250 000	(153 360)
Executive mayor	33 189	925	32 264	30 000	3 189
Financial department	48 580	15 482	33 098	60 000	(11 420)
LED	-	95 724	(95 724)	-	-
Municipal manager	21 248	-	21 248	30 000	(8 752)
Property	-	-	-	-	-
Rural roads	13 449	11 398	2 051	61 500	(48 051)
Social services	-	500 737	(500 737)	220 000	(220 000)
Speaker/Mayor committee	12 308	-	12 308	60 000	(47 692)
	9 510 834	10 922 902	(1 412 068)	20 305 960	(10 795 126)

Details of the results per segmental classification of capital expenditure are included in Appendix "C", together with a cryptic explanation of significant variances of more than 5% from budget, are included in Appendix "E (2)".

6. ACCUMULATED SURPLUS AND RESERVES

The balance of the Accumulated Surplus and Reserves as at 30 June 2011 amounted to R 102 729 158 (30 June 2010: R106 641 688) and is made up as follows:

Capital Reserve	47 000 713
Accumulated Surplus	<u>55 728 445</u>
	<u><u>102 729 158</u></u>

Refer to the Statement of Change in Net Assets and note 14 for more detail.

7. LONG-TERM LIABILITIES

The outstanding amount of Long-term Liabilities as at 30 June 2011 was R18 337 504 (30 June 2010: R19 936 450).

Refer to Note 11 and Appendix "A" for more detail.

8. LONG TERM RETIREMENT BENEFIT LIABILITIES

The outstanding amount of Retirement Benefit Liabilities as at 30 June 2011 was R4 727 910 (30 June 2010: R3 407 353).

This liability is in respect of continued Health Care Benefits for employees of the municipality after retirement being members of schemes providing for such benefits.

Refer to Note 12 for more detail.

9. NON-CURRENT PROVISIONS

Non-current Provisions amounted to R1 580 346 as at 30 June 2011 (30 June 2010: R1 405 232) and is made up as follows:

Provision for Long-term Service	<u>1 580 346</u>
	<u><u>1 580 346</u></u>

These provisions are made in order to enable the municipality to be in a position to fulfil its known legal obligations when they become due and payable.

Refer to Note 13 for more detail.

Lejweleputswa District Municipality
REPORT OF THE CHIEF FINANCIAL OFFICER (continued)

11. CURRENT LIABILITIES

Current Liabilities amounted to R9 974 092 as at 30 June 2011 (30 June 2010: R11 219 375) and is made up as follows:

Provisions	Note 8	752 435
Creditors	Note 9	6 848 240
Unspent Conditional Grants and Receipts	Note 10	666 984
Current Portion of Long-term Liabilities	Note 11	1 706 434
		<u>9 974 092</u>

Non-current Liabilities are those liabilities of the municipality due and payable in the short-term (less than 12 months). There is no known reason as to why the municipality will not be able to meet its obligations.

Refer to the indicated Notes for more detail.

12. PROPERTY, PLANT AND EQUIPMENT

The net value of Property, Plant and Equipment was R89 018 112 as at 30 June 2011 (30 June 2010: R86 265 154).

Refer to Note 4 and Appendices "B, C and E (2)" for more detail.

13. INTANGIBLE ASSETS

The net value of Intangible Assets amounted to R915 545 as at 30 June 2011.

Refer to Note 5 for more detail.

14. INVESTMENTS (NON-CURRENT)

The municipality held Investments to the value of R100 (2010: R100).

Refer to Note 7 for more detail.

16. CURRENT ASSETS

Current Assets amounted R47 415 253 as at 30 June 2011 (30 June 2010: R 55 159 974) and is made up as follows:

Investments	Note 7	20 000 000
Trade Receivables from Non-Exchange Transactions	Note 2	662 289
VAT Receivable	Note 2	3 023 682
Cash and Cash Equivalents	Note 3	23 729 282
		<u>47 415 253</u>

The bulk of investments are ring-fenced for purposes of the Unspent Conditional Grants and security for Long-term Liabilities, with the result that no significant amounts are available for own purposes.

Refer to the indicated Notes for more detail.

17. INTER-GOVERNMENTAL GRANTS

The municipality is dependent on financial aid from other government spheres to finance its annual capital programme. Operating grants are utilised to finance expenditure.

Refer to Notes 10,16 and 23, and Appendix "F" for more detail.

18. EVENTS AFTER THE REPORTING DATE

Full details of all known events, if any, after the reporting date are disclosed in Note 38.

19. GENERAL RECOGNISED ACCOUNTING PRACTICE (GRAP)

In order to adhere to principles and procedures prescribed by law and the directions of National Treasury, the Annual Financial Statements have been converted to the new reporting GRAP-format and is now presented as such on continuous basis.

20. EXPRESSION OF APPRECIATION

We are grateful to the Executive Mayor, members of the Mayoral Committee, Councillors, the Municipal Manager and Heads of Departments for the support extended during the financial year. A special word of thanks to all staff in the Finance Department, for without their assistance these Annual Financial Statements would not have been possible.

CHIEF FINANCIAL OFFICER

31 August 2011

Lejweleputswa District Municipality
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2011

	Note	2011 R	2010 R
ASSETS			
Current Assets		47 415 253	55 159 974
Investments	7	20 000 000	45 000 000
Trade Receivables from Non-Exchange Transactions	2	662 289	2 330 510
VAT Receivable	2	3 023 682	2 820 600
Cash and Cash Equivalents	3	23 729 282	5 008 864
Non-Current Assets		89 933 757	87 450 123
Property, Plant and Equipment	4	89 018 112	86 265 154
Intangible Assets	5	915 545	1 184 868
Non-current Investments	7	100	100
Total Assets		137 349 011	142 610 097
LIABILITIES			
Current Liabilities		9 974 092	11 219 375
Provisions	8	752 435	118 359
Creditors	9	6 848 240	8 282 892
Unspent Conditional Grants and Receipts	10	666 984	847 509
Current Portion of Long-term Liabilities	11	1 706 434	1 970 614
Non-Current Liabilities		24 645 760	24 749 035
Long-term Liabilities	11	18 337 504	19 936 450
Retirement Benefit Liabilities	12	4 727 910	3 407 353
Non-current Provisions	13	1 580 346	1 405 232
Total Liabilities		34 619 852	35 968 409
Total Assets and Liabilities		102 729 158	106 641 688
NET ASSETS		102 729 158	106 641 688
Reserves	14	47 000 713	48 103 552
Accumulated Surplus / (Deficit)	14	55 728 445	58 538 136
Total Net Assets		102 729 158	106 641 688

Lejweleputswa District Municipality
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2011

Budget				Actual	
2010	2011		Note	2011	2010
R	R			R	R
REVENUE					
Revenue from Non-exchange Transactions					
86 528 000	92 722 000	Government Grants and Subsidies Received	16	92 886 204	88 138 644
Revenue from Exchange Transactions					
4 800 000	3 740 000	Interest Earned - External Investments	15	3 551 324	5 075 929
240 120	240 000	Interest Earned - Outstanding Debtors	15	532 830	371 123
27 500	15 000	Other Income	17	154 341	604 155
91 595 620	96 717 000	Total Revenue		97 124 699	94 189 852
EXPENDITURE					
40 389 448	47 615 208	Employee Related Costs	18	43 609 973	40 868 938
8 268 806	9 659 199	Remuneration of Councillors	19	7 898 653	7 341 400
-	3 300 000	Depreciation and Amortisation	20	5 933 082	3 458 237
115 220	-	Impairment Losses	21	1 248 975	-
1 227 703	1 280 162	Repairs and Maintenance		802 732	723 515
4 333 368	4 202 517	Finance Costs	22	3 835 880	4 053 689
-	-	Donations of PPE		848 012	-
-	-	Loss on the disposal of PPE		347 530	106 717
-	573 784	Grants and Subsidies Paid	23	-	2 466 435
24 765 049	26 081 321	General Expenses	24	24 025 515	21 455 174
6 700 000	16 382 110	Transfer to local municipalities		9 384 039	6 873 409
-	-	Transfer to the development agency		2 000 000	1 434 226
85 799 594	109 094 301	Total Expenditure		99 934 390	88 781 740
5 796 026	(12 377 301)	SURPLUS / (DEFICIT) FOR THE YEAR		(2 809 691)	5 408 111
Refer to Appendix E(1) for explanation of budget variances					

The prior year's comparative figures for General Expenses, Government Grants and Subsidies paid, Depreciation and amortization, Finance costs and employee costs have been restated due to the recording of a correction of error. Please refer to notes 37 for detail of the restatements mentioned.

Lejweleputswa District Municipality
STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2011

Description	Capital	Accumulated	Total for	Total
	Reserve	Surplus / (Deficit)	Accumulated Surplus/(Deficit) Account	
	R	R	R	R
2010				
Balance at 30 JUNE 2009	-	52 959 028	52 959 028	52 959 028
Correction of Error (Note 37)	48 103 554	(4 454 845)	(4 454 845)	43 648 708
Restated Balance	48 103 554	48 504 183	48 504 183	96 607 737
Surplus / (Deficit) for the year		10 033 952	10 033 952	10 033 952
Balance at 30 JUNE 2010	48 103 554	58 538 135	58 538 135	106 641 688
2011				
Surplus / (Deficit) for the year		(2 809 691)	(2 809 691)	(2 809 691)
Net decrease in capital reserve with regards to PPE	(1 102 840)	-		(1 102 840)
Balance at 30 JUNE 2011	47 000 713	55 728 444	55 728 444	102 729 157
	-			

Details on the movement of the Funds are set out in Note 14

The Capital reserve represents the difference between the current replacement value of assets and their initial amount of recognition in prior years. The value of this reserve forms part of Property plant and equipment and therefore this is not a cash backed reserve.

Lejweleputswa District Municipality
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2011

	Note	2011 R	2010 R
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from Ratepayers, Government and Other		97 433 761	84 288 106
Cash paid to Suppliers and Employees		(91 484 552)	(71 631 406)
Cash generated from / (utilised in) Operations	25	5 949 209	12 656 700
Interest received	15	3 082 473	4 055 446
Interest paid	22	(3 835 880)	(4 053 689)
NET CASH FLOWS FROM / (USED IN) OPERATING ACTIVITIES		5 195 802	12 658 457
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash movement of Property, Plant and Equipment acquisitions	4	(9 510 834)	(13 195 389)
Cash Movement in Intangible assets		(101 424)	(487 962)
Disposal of PPE		-	-
(Increase) / decrease in Investments	7	25 000 000	1 000 000
NET CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES		15 387 742	(12 683 351)
CASH FLOWS FROM FINANCING ACTIVITIES			
Loans obtained	11	-	-
Repayment of Loans and Finance lease liability	11	(1 863 126)	(1 373 840)
Net movement in Accumulated surplus	14	-	-
NET CASH FLOWS FROM / (USED IN) FINANCING ACTIVITIES		(1 863 126)	(1 373 840)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	3	18 720 418	(1 398 734)
Cash and Cash Equivalents at the beginning of the year		5 008 864	6 407 598
Cash and Cash Equivalents at the end of the year		23 729 282	5 008 864

The prior year's comparative figures for the cashflow statement have been restated due to the recording of correction of errors. Please refer to notes 37 for detail of the restatements mentioned.

LEJWELEPUTSWA DISTRICT MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

1. BASIS OF PRESENTATION

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

1. 1 CHANGES IN ACCOUNTING POLICY AND COMPARABILITY

Accounting Policies have been consistently applied, except where otherwise indicated below:

For the years ended 30 June 2010 and 30 June 2011 the municipality has adopted the accounting framework as set out in point 1 above. The details of any resulting changes in accounting policy and comparative restatements are set out below.

The municipality changes an accounting policy only in the following instances:

(a) is required by a Standard of GRAP; or

(b) results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the entity's financial position, financial performance or cash flow.

1. 2 CRITICAL JUDGEMENTS, ESTIMATIONS AND ASSUMPTIONS

In the application of the municipality's accounting policies, which are described below, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

The following are the critical judgements, apart from those involving estimations, that the management have made in the process of applying the municipality's Accounting Policies and that have the most significant effect on the amounts recognised in Annual Financial Statements:

1. 2. 1 Revenue Recognition

Accounting Policy 9.3 on Revenue from Non-exchange Transactions describes the conditions under which revenue will be recorded by the management of the municipality.

1. 2 CRITICAL JUDGEMENTS, ESTIMATIONS AND ASSUMPTIONS (continued)

1. 2. 1 Revenue Recognition (continued)

In making their judgement, the management considered the detailed criteria for the recognition of revenue as set out in GAMAP 9: Revenue, as far as Revenue from Non-Exchange Transactions is concerned (see Basis of Preparation above). Also of importance is the estimation process involved in initially measuring revenue at the fair value thereof. The management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

1. 2. 2 Financial assets and liabilities

The classification of financial assets and liabilities, into categories, is based on judgement by management. Accounting Policy 6.1 on *Financial Assets Classification* and Accounting Policy 6.2 on *Financial Liabilities Classification* describe the factors and criteria considered by the management of the municipality in the classification of financial assets and liabilities.

In making the above-mentioned judgement, management considered the definition and recognition criteria for the classification of financial instruments as set out in IAS 32: *Financial Instruments - Presentation* and IAS 39: *Financial Instruments - Recognition and Measurement*.

**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

1. BASIS OF PRESENTATION (continued)

1. 2. 3 Impairment of Financial Assets

Accounting Policy 6.4 on *Impairment of Financial Assets* describes the process followed to determine the value by which financial assets should be impaired. In making the estimation of the impairment, the management of the municipality considered the detailed criteria of impairment of financial assets as set out in IAS 39: *Financial Instruments - Recognition and Measurement*, and used its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of the reporting period. The management of the municipality is satisfied that the impairment of financial assets recorded during the year is appropriate.

Impairment of trade 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 across all classes of debtors.

1. 2. 4 Useful lives of Property, Plant and Equipment, Intangible assets and Investment property

As described in Accounting Policies 2.3, 4 and 5 the municipality depreciates/ amortises its property, plant and equipment, investment property and intangible assets over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use. The useful lives and residual values of the assets are based on industry knowledge.

1. 2. 5 Impairment: Write down of Property, Plant and Equipment and Inventories

Accounting Policy 2.9 on *PPE - Impairment of assets* and Accounting Policy 3.2 on *Intangible assets - Subsequent Measurement, Amortisation and Impairment - Subsequent measurement* describes the conditions under which non-financial assets are tested for potential impairment losses by the management of the municipality. Significant estimates and judgements are made relating to PPE impairment testing, Intangible assets impairment testing.

In making the above-mentioned estimates and judgement, management considered the subsequent measurement criteria and indicators of potential impairment losses as set out in GRAP 17: *Property, Plant and Equipment*, GRAP 12: *Inventory* and GRAP 102: *Intangible assets*. In particular, the calculation of the recoverable service amount for PPE and intangible assets and the NRV for inventories involves significant judgment by management.

1. 2. 6 Defined Benefit Plan Liabilities

As described in Accounting Policy 11, the municipality obtains actuarial valuations of its defined benefit plan liabilities. The defined benefit obligations of the municipality that were identified are Post-retirement Health Benefit Obligations and Long-service Awards. The estimated liabilities are recorded in accordance with the requirements of IAS 19. Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in Notes to the Annual Financial Statements.

1. 2. 7 Provisions and contingent liabilities

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the effect of discounting is material using actuarial valuations.

1. 3 PRESENTATION CURRENCY

The Annual Financial Statements are presented in South African Rand, rounded off to the nearest Rand, which is the municipality's functional currency.

1. 4 GOING CONCERN ASSUMPTION

The Annual Financial Statements have been prepared on a going concern basis.

1. 5 OFFSETTING

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
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1. BASIS OF PRESENTATION (continued)

1. 6 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

- GRAP 18 Segment Reporting - issued March 2005
- GRAP 21 Impairment of Non-cash-generating Assets - issued March 2009
- GRAP 23 Revenue from Non-Exchange Transactions (Taxes and Transfers) - issued February 2008
- GRAP 24 Presentation of Budget Information in Financial Statements - issued November 2007
- GRAP 26 Impairment of Cash-generating Assets - issued March 2009
- GRAP 103 Heritage Assets - issued July 2008
- GRAP 104 Financial Instruments - October 2009

The Minister of Finance announced that the application of GRAP 21, GRAP 23, GRAP 24, GRAP 26, GRAP 103 will be effective for period starting after 1 April 2012. All other standards as listed above will only be effective when a date is announced by the Minister of Finance.

Application of all of the above GRAP standards will be effective from a date to be announced by the Minister of Finance. This date is not currently available.

The ASB Directive 5 paragraph 29 sets out the principles for the application of the GRAP 3 guidelines in the determination of the GRAP Reporting Framework hierarchy, as set out in the standard of GRAP 3 on Accounting Policies, Changes in Accounting Estimates and Errors.

Where a standard of GRAP is approved as effective, it replaces the equivalent statement of International Public Sector Accounting Standards Board, International Financial Reporting Standards or Generally Accepted Accounting Principles. Where a standard of GRAP has been issued, but is not yet in effect, an entity may select to apply the principles established in that standard in developing an appropriate accounting policy dealing with a particular section or event before applying paragraph 12 of the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

The Municipality applied the principles established in the following Standards of GRAP that have been issued, but is not yet in effect, in developing an appropriate accounting policies dealing with the following transactions, but have not early adopted these Standards:

- Impairment of Non-cash-generating Assets (GRAP 21 - issued March 2009)
- Impairment of Cash-generating Assets (GRAP 26 - issued March 2009)
- Revenue from Non-Exchange Transactions (GRAP 23 - issued February 2008)
- Financial Instruments (GRAP 104 Financial Instruments - October 2009)

Management has considered all of the above-mentioned GRAP standards issued but not yet effective and anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the municipality.

2. PROPERTY, PLANT AND EQUIPMENT

2. 1 Initial Recognition

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

The cost of an item of property, plant and equipment is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the municipality, and if the cost or fair value of the item can be measured reliably.

Property, plant and equipment are initially recognised at cost on its acquisition date or in the case of assets acquired by grant or donation, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

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

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

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ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
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2. PROPERTY, PLANT AND EQUIPMENT (continued)

2. 1 Initial Recognition (Continued)

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at its fair value. If the acquired item could not be measured at its fair value, its cost was measured at the carrying amount of the asset given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

2. 2 Subsequent Measurement

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the entity and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently all property plant and equipment, are measured at cost (or deemed cost), less accumulated depreciation and accumulated impairment losses.

When revalued assets are sold or retired, the amounts included in the revaluation reserve in respect of that assets, are transferred to accumulated surplus or deficit.

Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is included in surplus or deficit when the compensation becomes receivable.

2. 3 Depreciation

Land is not depreciated as it is regarded as having an unlimited life. Depreciation on assets other than land is calculated on cost, using the straight line method, to allocate their cost or revalued amounts to their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The depreciation rates are based on the following estimated useful lives.

Depreciation only commences when the asset is available for use, unless stated otherwise.

	Years
Buildings	
Normal Buildings	30
Tiles	10
Paving	30
Fencing	30
Parking	30
Other	
Motor Vehicles	7
Emergency equipment	5
Office Equipment	4
Furniture and Fittings	5
Plant and Equipment	5
Other items	5
Finance lease assets	5

The assets' residual values, estimated useful lives and depreciation method are reviewed annually, and adjusted prospectively if appropriate, at each reporting date.

2. 4 Incomplete Construction Work

Incomplete construction work is stated at historical cost. Depreciation only commences when the asset is available for use.

2. 5 Finance Leases

Assets capitalised under finance leases are depreciated over their expected useful lives on the same basis as PPE controlled by the entity or where shorter, the term of the relevant lease if there is no reasonable certainty that the municipality will obtain ownership by the end of the lease term.

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

2. PROPERTY, PLANT AND EQUIPMENT (continued)

2. 6 Land

Land is not depreciated as it is deemed to have an indefinite useful life.

2. 7 Derecognition of property, plant and equipment

The carrying amount of an item of property, plant and equipment is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. Gains are not classified as revenue.

Gains or losses are calculated as the difference between the carrying value of assets (cost less accumulated depreciation and accumulated impairment losses) and the disposal proceeds is included in the Statement of Financial Performance as a gain or loss on disposal of property, plant and equipment.

3. INTANGIBLE ASSETS

3. 1 Initial Recognition

Identifiable non-monetary assets without physical substance are classified and recognised as intangible assets. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when the following criteria are fulfilled:

- it is technically feasible to complete the intangible asset so that it will be available for use;
- management intends to complete the intangible asset and use or sell it;
- there is an ability to use or sell the intangible asset;
- it can be demonstrated how the intangible asset will generate probable future economic benefits;

- adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and
- the expenditure attributable to the intangible asset during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use on a straight-line basis over its useful life, not exceeding five years. Development assets are tested for impairment annually, in accordance with IPSAS 21/ IAS 36.

3. 1 Initial Recognition (continued)

Intangible assets are initially recognised at cost. The cost of an intangible asset is the purchase price and other costs attributable to bring the intangible asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality, or where an intangible asset is acquired at no cost, or for a nominal cost, the cost shall be its fair value as at the date of acquisition. Trade discounts and rebates are deducted in arriving at the cost. Intangible assets acquired separately or internally generated are reported at cost less accumulated amortisation and accumulated impairment losses. Where an intangible asset is acquired at no cost or for a nominal consideration, its cost is its fair value as at the date it is acquired. Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
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3. INTANGIBLE ASSETS (continued)

3. 2 Subsequent Measurement, Amortisation and Impairment

After initial recognition, an intangible asset are carried at its cost less any accumulated amortisation and any accumulated impairment losses. Expenditure on an intangible item that was initially recognised as an expense shall not be recognised as part of the cost of an intangible asset at a later date.

In terms of GRAP 102, intangible assets are distinguished between internally generated intangible assets and other intangible assets. It is further distinguished between indefinite or finite useful lives. Amortisation is charged on a straight-line basis over the intangible assets' useful lives, which are estimated to be between 3 to 5 years for normal computer software and 5-15 years for specialized computer software, the residual value of assets with finite useful lives is zero, unless an active market exists. Where intangible assets are deemed to have an indefinite useful life, such intangible assets are not amortised, however such intangible assets are subject to an annual impairment test.

Intangible assets are annually tested for impairment, including intangible assets not yet available for use. Where items of intangible assets have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified except where the impairment reverses a previous revaluation. The impairment loss is the difference between the carrying amount and the recoverable amount.

The estimated useful life, residual values and amortisation method are reviewed annually at the end of the financial year. Any adjustments arising from the annual review are applied prospectively as a change in accounting estimate in the Statement of Financial Performance.

3. 3 Derecognition

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the net disposals proceeds and the carrying value and is recognised in the Statement of Financial Performance.

Transitional provisions

The fair values of intangible assets recognised in terms of GRAP 102 have been disclosed for the financial year ended 30 June 2011 (and retrospectively where practicable) in accordance with the requirements of GRAP 102, GRAP 3 and ASB Directive 4.

4. INVESTMENT PROPERTY

4. 1 Initial Recognition

Investment property includes property (land or a building, or part of a building, or both land or buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is the cost at date of completion.

Based on management's judgement, the following criteria have been applied to distinguish investment properties from owner occupied property or property held for resale:

- All properties held to earn market-related rentals or for capital appreciation or both and that are not used for administrative purposes and that will not be sold within the next 12 months are classified as Investment Properties;
- Land held for a currently undetermined future use. (If the Municipality has not determined that it will use the land as owner-occupied property or for short-term sale in the ordinary course of business, the land is regarded as held for capital appreciation);
- A building owned by the entity (or held by the entity under a finance lease) and leased out under one or more operating leases (this will include
- A building that is vacant but is held to be leased out under one or more operating leases on a commercial basis to external parties.

The following assets do not fall in the ambit of Investment Property and shall be classified as Property, Plant and Equipment, Inventory or Non-Current Assets Held for Sale, as appropriate:

- Property intended for sale in the ordinary course of operations or in the process of construction or development for such sale;
- Property being constructed or developed on behalf of third parties;
- Owner-occupied property, including (among other things) property held for future use as owner-occupied property, property held for future development and subsequent use as owner-occupied property, property occupied by employees such as housing for personnel (whether or not the employees pay rent at market rates) and owner-occupied property awaiting disposal;
- Property that is being constructed or developed for future use as investment property;
- Property that is leased to another entity under a finance lease;
- Property held to provide a social service and which also generates cash inflows, e.g. property rented out below market rental to sporting bodies, schools, low income families, etc; and
- Property held for strategic purposes or service delivery.

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

4. INVESTMENT PROPERTY (continued)

4. 2 Subsequent Measurement - Cost Model

Investment property is measured using the cost model. Investment Property is stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated on cost, using the straight-line method over the useful life of the property, which is estimated at 20 - 30 years. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately.

The gain or loss arising on the disposal of an investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

The gain or loss arising on the disposal of an investment property is determined as the difference between the sales proceeds and the carrying value

4. 3 Subsequent Measurement - Fair Value Model

Investment property is measured using the fair value model. Investment property is carried at fair value, representing open market value determined annually by external valuers at the reporting date. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. A gain or loss arising from a change in the fair value of investment property is included in surplus or deficit for the period in which it arises.

4. 4 Derecognition

An investment property shall be derecognised (eliminated from the statement of financial position) on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal

5. IMPAIRMENT OF ASSETS

5. 1. Impairment of Cash generating assets

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

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

The best evidence of fair value less cost to sell is the price in a binding sale agreement in an arms length transaction, adjusted for the incremental cost that would be directly attributable to the disposal of the asset"

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

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

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

An impairment of assets carried at revalued amount in reduces the revaluation surplus for that asset. The decrease shall be debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

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

- to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit

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

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

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

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ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
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5. IMPAIRMENT OF ASSETS (continued)

5. 2. Impairment of Non-Cash generating assets

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

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

The recoverable service amount is the higher of a non-cash generating asset's fair value less costs to sell and its value in use. The value in use for a non-cash generating asset is the present value of the asset's remaining service potential.

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

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An impairment loss is recognised for non cash-generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:
to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

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

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

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

Transitional provisions

The estimated useful lives and depreciation methods have been reviewed for the year ended 30 June 2011 (and applied retrospectively where practicable), and any changes therein have been implemented in accordance with the requirements of GRAP 17, GRAP 3 and ASB Directive 4.

6. FINANCIAL INSTRUMENTS

The municipality has various types of financial instruments and these can be broadly categorised as either financial assets, financial liabilities or equity instruments in accordance with the substance of the contractual agreement. The municipality only recognises a financial instrument when it becomes a party to the contractual provisions of the instrument.

Initial recognition

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

The Entity does not offset a financial asset and a financial liability unless a legally enforceable right to set off the recognised amounts currently exist; and the entity intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Fair value methods and assumptions

The fair values of financial instruments are determined as follows:

The fair values of quoted investments are based on current bid prices.

If the market for a financial asset is not active (and for unlisted securities), the company establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs

The effective interest rate method

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

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6 FINANCIAL INSTRUMENTS (continued)

Amortised cost

Amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction for impairment or uncollectibility.

6. 1 Financial Assets - Classification

A financial asset is any asset that is a cash or contractual right to receive cash.

In accordance with IAS 39.09 the Financial Assets of the municipality are classified as follows into the four categories allowed by this standard:

Loans and Receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months, which are classified as non-current assets. Loans and receivables are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. After initial recognition Financial Assets are measured at amortised cost, using the effective interest rate method less a provision for impairment.

Held-to-Maturity Investments are financial assets with fixed or determinable payments and fixed maturity where the municipality has the positive intent and ability to hold the investment to maturity.

Financial assets at fair value through profit or loss are financial assets that meet either of the following conditions:

- they are classified as held for trading; or
- upon initial recognition they are designated as at fair value through the Statement of Financial Performance.

Available for sale investments are financial assets that are designated as available for sale or are not classified as:

- Loans and Receivables;
- Held-to-Maturity Investments; or
- Financial assets at fair value through profit and loss

The municipality has the following types of financial assets as reflected on the face of the Statement of Financial Position or in the notes thereto:

Type of Financial Asset	Classification in terms of IAS 39.09
Short-term Investment Deposits – Call	Held-to-maturity investments
Bank Balances and Cash	Loans and receivables
Long-term Receivables	Loans and receivables
Consumer Debtors	Loans and receivables
Other Debtors	Loans and receivables
Investments in Fixed Deposits	Held-to-maturity investments

6. 1 Financial Assets - Classification (continued)

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

6. 2 Financial Liabilities - Classification

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity. The municipality has the following types of financial liabilities as reflected on the face of the Statement of Financial Position or in the notes thereto:

- Long-term Liabilities
- Certain Other Creditors
- Bank Overdraft
- Short-term loans
- Current Portion of Long-term Liabilities
- Consumer Deposits

There are three main categories of *Financial Liabilities*, the classification determining how they are measured. Financial liabilities may be measured at:

- (i) Fair value through profit or loss; or
- (ii) Other financial liabilities (Financial liabilities measured at amortised cost)
- (iii) Financial guarantee contract

Financial liabilities that are measured at fair value through profit or loss are financial liabilities that are essentially held for trading (i.e. purchased with the intention to sell or repurchase in the short term; derivatives other than hedging instruments or are part of a portfolio of financial instruments where there is recent actual evidence of short-term profiteering or are derivatives)

Any other financial liabilities are classified as "Other financial liabilities" in accordance with IAS 39.09

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

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6. FINANCIAL INSTRUMENTS (continued)

6. 3 Initial and Subsequent Measurement

6. 3. 1 Financial Assets:

Held-to-maturity Investments are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. Subsequently, these assets are measured at amortised cost using the Effective Interest Method less any impairment, with revenue recognised on an effective yield basis.

Loans and Receivables are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. Subsequently, these assets are measured at amortised cost using the Effective Interest Method less any impairment, with interest recognised on an effective yield basis. .

Trade and other receivables (excluding Value Added Taxation, prepayments and operating lease receivables), loans to Municipality entities and loans that have fixed and determinable payments that are not quoted in an active market are classified as loans and receivables.

Available-for-Sale Financial Assets are initially measured at fair value plus directly attributable transaction costs. They are subsequently measured at fair value with unrealised gains or losses recognised directly in equity until the investment is derecognised, at which time the cumulative gain or loss recorded in equity is recognised in the statement of financial performance, or determined to be impaired, at which time the cumulative loss recorded in equity is recognised in the statement of financial performance.

6. 3. 2 Financial Liabilities:

Financial liabilities

Financial liabilities that are measured at fair value through profit or loss are measured at fair value through profit or loss are stated at fair value, with any resulted gain or loss recognised in the Statement of Financial Performance.

Financial Liabilities held at amortised cost

Any other financial liabilities are classified as "Other financial liabilities" (All payables, loans and borrowings are classified as other liabilities) and are initially measured at fair value, net of transaction costs. Trade and other payables, interest bearing debt including finance lease liabilities, non-interest bearing debt and bank borrowings are subsequently measured at amortised cost using the effective interest rate method. Interest expense is recognised in the Statement of Financial Performance by applying the effective interest rate.

Bank borrowings, consisting of interest-bearing short-term bank loans, repayable on demand and overdrafts are recorded at the proceeds received. Finance costs are accounted for using the accrual basis and are added to the carrying amount of the bank borrowing to the extent that they are not settled in the period that they arise.

Prepayments are carried at cost less any accumulated impairment losses.

Financial guarantee contract

Financial guarantee contracts represent contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when they are contractually due.

Financial guarantee contract liabilities are initially measured at fair value.

The subsequent measurement of financial guarantee contracts is the higher of the amount determined in accordance with the policy on provisions as set out below, or the amount initially recognised less when appropriate cumulative amortisation.

6. 4 Impairment of Financial Assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence of impairment of Financial Assets (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in accordance with IAS 39.

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ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
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6. FINANCIAL INSTRUMENTS (continued)

6. 4 Impairment of Financial Assets (continued)

Available-for-sale financial assets

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

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

Impairment losses recognised in the Statement of Financial Performance for an investment in an equity instrument classified as available-for-sale are not reversed through the Statement of Financial Performance

If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss is recognised in the Statement of Financial Performance, the impairment loss must be reversed, with the amount of the reversal recognised in the Statement of Financial Performance.

Financial assets carried at amortised cost

Accounts receivables encompasses long term debtors, consumer debtors and other debtors.

Initially Accounts Receivable are valued at fair value and subsequently carried at amortised cost using the effective interest rate method. An estimate is made for doubtful debt based on past default experience of all outstanding amounts at year-end. Bad debts are written off the year in which they are identified as irrecoverable. Amounts receivable within 12 months from the date of reporting are classified as current.

A provision for impairment of accounts receivables is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables. The provision is made in accordance with IAS 39.64 whereby the recoverability of accounts receivable is assessed individually and then collectively after grouping the assets in financial assets with similar credit risk characteristics. The amount of the provision is the difference between the financial asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Cash flows relating to short term receivables are not discounted where the effect of discounting is immaterial.

Government accounts are not provided for as such accounts are regarded as receivable.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets carried at amortised cost with the exception of consumer debtors, where the carrying amount is reduced through the use of an allowance account. When a consumer debtor is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against revenue. Changes in the carrying amount of the allowance account are recognised in the Statement of Financial Performance.

With the exception of Available-for-Sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the Statement of Financial Performance to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

6. 5 Derecognition of Financial Assets

The municipality derecognises Financial Assets only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity, except when Council approves the write-off of Financial Assets due to non recoverability.

If the municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the municipality retains substantially all the risks and rewards of ownership of a transferred financial asset, the municipality continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

6. 6 Derecognition of Financial Liabilities

The municipality derecognises Financial Liabilities when, and only when, the municipality's obligations are discharged, cancelled or they expire.

The municipality recognises the difference between the carrying amount of the financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, in the Statement of Financial Performance.

7. INVESTMENT IN JOINT VENTURES

A joint venture is a contractual arrangement whereby the Municipality and the other parties undertake an economic activity that is subject to joint control. Interests in jointly controlled entities are stated at cost.

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

8. NON-CURRENT ASSETS HELD-FOR-SALE

8. 1 Initial Recognition

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. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

8. 2 Subsequent Measurement

Non-current Assets (and Disposal Groups) classified as held-for-sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

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

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

The gain or loss on the eventual sale of non-current assets held for sale is included in the Statement of Financial Performance as gain or loss on sale of assets. The gain or loss on the eventual sale of non-current assets held for sale, is calculated on the difference between the net disposal proceeds and the carrying amount of the individual asset or the disposal group.

9. REVENUE RECOGNITION

9. 1 General

Revenue, excluding value-added taxation where applicable, is derived from a variety of sources which include grants from other tiers of government. Revenue is recognised when it is probable that future economic benefits or service potential will flow to the municipality and these benefits can be measured reliably, except when specifically stated otherwise.

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the municipality's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

The municipality recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the municipality and when specific criteria have been met for each of the municipalities' activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The municipality bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Furthermore services rendered are recognised by reference to the stage of completion of the transaction at the reporting date.

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

9. 2 Revenue from Exchange Transactions

9. 2 1 Finance income

Interest earned on investments is recognised in the Statement of Financial Performance on the time proportionate basis that takes into account the effective yield on the investment.

9. 2 2 Government Grants and receipts

Equitable share allocations are recognised in revenue at the time when it has been received

Conditional Grants and receipts

Income received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs are recognised in the Statement of Financial Performance in the period in which they become receivable.

9. 2 3 Revenue from Recovery of Unauthorised, Irregular, Fruitless and Wasteful Expenditure

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

LEJWELEPUTSWA DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

10. PROVISIONS

Provisions for legal claims are recognised when the municipality has a present legal or constructive obligation as a result of past events, 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.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it - this unavoidable cost resulting from the contract is the amount of the provision to be recognised.

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the Statement of Financial Performance as a finance cost as it occurs.

11. EMPLOYEE BENEFITS

11. 1 Short-term Employee Benefits

Remuneration to employees is recognised in the Statement of Financial Performance as the services are rendered, except for non-accumulating benefits, which are only recognised when the specific event occurs.

The municipality treats its provision for leave pay as an accrual.

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service. The liability for leave pay is based on the total accrued leave days at year end and is shown as a creditor in the Statement of Financial Position. The municipality recognises the expected cost of performance bonuses only when the municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

11. 2 Post employment benefits

The municipality provides retirement benefits for its employees, and has both defined benefit and defined contribution post employment plans.

11. 2 1 Defined Contribution Plans

A **defined contribution plan** is a plan under which the municipality pays fixed contributions into a separate entity. The municipality has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to service in the current or prior periods.

The municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in the Statement of Financial Performance in the period in which the service is rendered by the relevant employees. The municipality has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

11. 3 Defined Benefit Plans

A **defined benefit plan** is a post-employment benefit plan other than a defined contribution plan.

11. 3 1 Post-retirement Health Care Benefits:

The municipality has an obligation to provide Post-retirement Health Care Benefits to certain of its retirees. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service), on retirement, is entitled to remain a continued member of the Medical Aid Fund, in which case the municipality is liable for a certain portion of the medical aid membership fee.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and unrecognised actuarial gains and losses, reduced by unrecognised past service costs. The plan is unfunded. The present value of the defined benefit obligation is calculated using the projected unit credit method, incorporating actuarial assumptions and a discount rate based on the government bond rate. Valuations of these obligations are carried out every year by independent qualified actuaries.

Actuarial gains or losses are accounted for using the "*corridor method*". Actuarial gains and losses are eligible for recognition in the Statement of Financial Performance .

Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

LEJWELEPUTSWA DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

11. EMPLOYEE BENEFITS (continued)

11. 3 2 Long-service Allowance

The municipality has an obligation to provide Long-service Allowance Benefits to all of its employees. According to the rules of the Long-service Allowance Scheme, which the municipality instituted and operates, an employee (who is on the current Conditions of Service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 5, 10, 15, 20, 25 and 30 years of continued service. The municipality's liability is based on an actuarial valuation. The projected unit credit method has been used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through the statement of financial performance.

12. LEASES

Lease Classification

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality.

Leases of property, plant and equipment, in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

12. 1 The Municipality as Lessee

Finance leases

Where the Municipality enters into a finance lease, Property, plant and equipment or Intangible Assets subject to finance lease agreements are capitalised at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. Corresponding liabilities are included in the Statement of Financial Position as Finance Lease Liabilities. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred. Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

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

Operating leases

The municipality recognises operating lease rentals as an expense in the statement of financial performance on a straight-line basis over the term of the relevant lease. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

12. 2 The Municipality as Lessor

Amounts due from lessees under finance leases or instalment sale agreements are recorded as receivables at the amount of the Municipality's net investment in the leases. Finance lease or instalment sale income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Municipality's net investment outstanding in respect of the leases or instalment sale agreements.

Operating lease rental income is recognised on a straight-line basis over the term of the relevant lease.

12. 3 Determining whether an arrangement contains a lease

At inception of an arrangement, the Municipality determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Municipality the right to control the use of the underlying asset. At inception or upon reassessment of the arrangement, the Municipality separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Municipality concludes for a finance lease that it is impracticable to separate the payments reliably, an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the Municipality's incremental borrowing rate.

LEJWELEPUTSWA DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

13. BORROWING COSTS

The municipality capitalises borrowing costs incurred that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset only when the commencement date for capitalisation is on or after 1 July 2008, while all other borrowing costs incurred (including borrowing cost incurred on qualifying assets where the commencement date for capitalisation is prior to 1 July 2008) are recognised as an expense in the Statement of Financial Performance for the financial year ending 30 June 2011 in accordance with the requirements of GRAP 5 and ASB Directive 4.

It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established - the municipality expenses borrowing costs when it is inappropriate to capitalise it. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete.

The municipality ceases to capitalise borrowing costs when substantially all the activities necessary to prepare the qualifying assets for its intended use has been completed. Where the construction of the qualifying asset is completed in parts and each part is capable of being used while construction continues on other parts, the entity shall cease capitalising borrowing costs when it completes substantially all the activities necessary to prepare that part.

14. GRANTS-IN-AID

The municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the municipality does not:

- receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- expect to be repaid in future; or
- expect a financial return, as would be expected from an investment.

These transfers are recognised in the Statement of Financial Performance as expenses in the period that the events giving rise to the transfer occurred.

15. VALUE ADDED TAX

The Municipality is registered with SARS for VAT on the payments basis, in accordance with Sec15(2)(a) of the Value-Added Tax Act No 89 of 1991.

16. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No 56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

17. 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), the Public Office Bearers Act (Act No 20 of 1998) or is in contravention of the Municipality's or Municipal Entities' supply chain management policies. Irregular expenditure excludes unauthorised expenditure. Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

18. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

19. CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND ERRORS

Changes in accounting policies that are effected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Refer to note 37 for details of changes in accounting policies.

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the notes to the annual financial statements where applicable.

Correction of errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Refer to Note 37 to the Annual Financial Statements for details of corrections of errors recorded during the period under review.

20. RELATED PARTIES

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

LEJWELEPUTSWA DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

21. EVENTS AFTER THE REPORTING DATE

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

22. FOREIGN CURRENCIES

Transactions in foreign currencies are initially recorded at the prevailing exchange rate on the dates of the transactions. Monetary assets and liabilities denominated in such foreign currencies are retranslated at the rates prevailing at the reporting date. Exchange differences are included in the Statement of Financial Performance.

23. COMPARATIVE INFORMATION

23. 1 Prior year comparatives

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are reclassified. The nature and reasons for the reclassification are disclosed.

24. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Contingent liabilities represent a possible obligation that arises from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

A contingent liability can also arise as a result of a present obligation that arises from past events but which is not recognised as a liability either because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets represent possible assets that arise from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in the notes to the annual financial statements.

25 CAPITAL COMMITMENTS

Items are classified as commitments where the Municipality commits itself to future transactions that will normally result in the outflow of resources.

Capital commitments are not recognised in the statement of financial position as a liability but are included in the disclosure notes in the following cases:

- Approved and contracted commitments, where the expenditure has been approved and the contract has been awarded at the reporting date, where disclosure is required by a specific standard of GRAP.

Lejweleputswa District Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
1 GENERAL INFORMATION		
<p>Lejweleputswa Municipality is a district government institution in Welkom, Free State Province. The addresses of its registered office and principal place of business are disclosed under "General Information" included in the Annual Financial Statements and in the introduction and overview of the Annual Report. The principal activities of the municipality are disclosed in the Annual Report and are prescribed by the Constitution.</p>		
2 TRADE RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS		
Payments made in Advance	1 008	(597)
Sundry Deposits	4 700	4 700
Sundry Debtors	8 695 971	9 835 890
VAT	3 023 682	2 820 600
	11 725 361	12 660 592
Less: Provision for Impairment	(8 039 390)	(7 509 483)
Total Other Debtors	3 685 971	5 151 110
Total Other Debtors (EXCL VAT)	662 289	2 330 510

The claims instituted against the municipality's insurance company are supported by valid insurance claims which are claimable in terms of the insurance contract entered into by the municipality. The average waiting period depends on the nature of the claim. No interest is charged on outstanding insurance claims.

The average credit period for Other Debtors is 30 days. No interest is charged for the first 30 days from the date of the invoice. Thereafter interest is charged at the prime rate, charged by the municipality's banker, plus one percent per annum on the outstanding balance. The municipality strictly enforces its approved credit control policy to ensure the recovery of Other Debtors.

The management of the municipality is of the opinion that the carrying value of Other Debtors approximate their fair values.

The fair value of Other Debtors was determined after considering the standard terms and conditions of agreements entered into between the municipality and National / Provincial Departments as well as Other Debtors. The current payment ratio's of Other Debtors were also taken into account for fair value determination.

2.1 Reconciliation of Provision for Impairment

Balance at beginning of year	7 509 483	7 509 483
Impairment Losses recognised	1 248 975	-
Amounts written off as uncollectable	(719 067)	-
Balance at end of year	8 039 391	7 509 483

The Provision for Bad Debts was calculated after grouping all the financial assets of similar nature and risk ratings and by calculating the historical payment ratios for the groupings and by assuming that the future payment ratios would be similar to the historical payment ratios.

The Provision for Impairment on other debtors (loans and receivables) exists predominantly due to the possibility that these debts will not be recovered. Loans and receivables were assessed individually and grouped together at the Statement of Financial Position as financial assets with similar credit risk characteristics and collectively assessed for impairment.

In determining the recoverability of a Debtor, the municipality considers any change in the credit quality of the Debtor from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the management believe that there is no further credit provision required in excess of the Provision for Impairment.

Lejweleputswa District Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
2 TRADE RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS (continued)		
VAT RECEIVABLE		
Vat Receivable	<u>3 023 682</u>	<u>2 820 600</u>

Vat is payable on the receipts basis.

No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies. The municipality has financial risk policies in place to ensure that payments are affected before the due date.

	Gross Balances	Provision for Impairment	Net Balances
As at 30 JUNE 2011			
Sundry debtors	8 696 979	-8 039 390	657 589
Deposits at creditors	4 700	0	4 700
Total Assessment Rates Debtors	<u>8 701 679</u>	<u>-8 039 390</u>	<u>662 289</u>

	Gross Balances	Provision for Impairment	Net Balances
As at 30 JUNE 2010			
Sundry debtors	9 835 293	-7 509 483	2 325 810
Deposits at creditors	4 700	0	4 700
Total Assessment Rates Debtors	<u>9 839 993</u>	<u>-7 509 483</u>	<u>2 330 510</u>

2.2 Ageing of Other Debtors

Rates: Ageing

Current:

0 - 30 days	590 227	1 085 445
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Past Due:

31 - 60 Days	12 366	28 621
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61 - 90 Days	-	-
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91 - 120 Days	-	-
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+ 120 Days	8 094 386	8 725 811
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Total	<u>8 696 979</u>	<u>9 839 877</u>
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3 CASH AND CASH EQUIVALENTS

Bank, Cash and Cash Equivalents	23 729 282	5 008 864
Total Cash and Cash Equivalents	<u>23 729 282</u>	<u>5 008 864</u>

For the purposes of the Statement of Financial Position and the Cash Flow Statement, Cash and Cash Equivalents include Cash-on-Hand, Cash in Banks and Investments in Money Market Instruments, net of outstanding Bank Overdrafts.

3.1 FIXED DEPOSITS- Call accounts

NEDBANK BANK - Welkom Branch: Account Number 03/7662020096/00003

Cash book balance at beginning of year	5 000 000	-
Cash book balance at end of year	-	5 000 000
	<u>5 000 000</u>	<u>-</u>
Bank statement balance at beginning of year	5 000 000	-
Bank statement balance at end of year	-	5 000 000
	<u>5 000 000</u>	<u>5 000 000</u>

Lejweleputswa District Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
3 CASH AND CASH EQUIVALENTS (continued)		
NEDBANK BANK - Welkom Branch: Account Number 03/7662020096/0000009		
Cash book balance at beginning of year	-	-
Cash book balance at end of year	10 000 000	-
Bank statement balance at beginning of year	-	-
Bank statement balance at end of year	10 000 000	-
ABSA BANK - Welkom Branch: Account Number 2071228328		
Cash book balance at beginning of year	-	-
Cash book balance at end of year	10 000 000	-
Bank statement balance at beginning of year	-	-
Bank statement balance at end of year	10 000 000	-
3.2 Bank Accounts		
Primary Bank Account		
ABSA Bank Limited – Welkom Branch: Account Number: 134 0000 117		
<i>Cash book balance at end of year</i>		
Cash book balance at beginning of year	6 664	407 598
Cash book balance at end of year	3 727 082	6 664
Bank statement balance at beginning of year	294 668	1 499 948
Bank statement balance at end of year	4 998 107	294 668
3.3 Cash and Cash equivalents		
Cash Floats and Advances	200	200
Other Cash Equivalents	2 000	2 000
Cash on hand in Cash Floats, Advances and Equivalents	2 200	2 200

The management of the municipality is of the opinion that the carrying value of Bank Balances, Cash and Cash Equivalents recorded at amortised cost in the Annual Financial Statements approximate their fair values.

The fair value of Bank Balances, Cash and Cash Equivalents was determined after considering the standard terms and conditions of agreements entered into between the municipality and financial institutions.

Lejweleputswa District Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (continued)

4 PROPERTY, PLANT AND EQUIPMENT

30 JUNE 2011

Reconciliation of Carrying Value

Description	Land and Buildings	Emergency Equipment	Furniture and Fittings	Motor Vehicles	Office Equipment	Property and Plant	Other	Finance lease assets	Total
	R	R	R	R	R	R	R	R	R
Carrying values at 01 JULY 2010	63 841 117	114 252	5 671 204	5 475 360	1 220 003	10 872 745	245 257	(911 228)	86 265 155
Cost	67 960 781	117 110	4 211 478	5 324 916	2 646 401	14 331 670	155 372	63 514	94 811 242
- Completed Assets	20 911 875	88 340	2 628 137	4 685 639	3 694 921	14 395 228	56 384	1 038 256	47 498 780
- Under Construction	-	-	-	-	-	-	-	-	-
- Correction of error: Completed assets	35 838 371	28 770	1 583 341	639 277	(1 048 520)	(63 558)	98 988	(974 742)	36 101 926
- Correction of error: Assets Under construction	11 210 536	-	-	-	-	-	-	-	11 210 536
Accumulated Depreciation:	(4 119 664)	(31 628)	(123 615)	(488 833)	(377 878)	(3 395 367)	(9 102)	-	(8 546 087)
- Cost	(1 502 554)	(35 100)	(1 447 418)	(739 700)	(2 115 374)	(2 576 254)	(8 259)	(634 490)	(9 059 149)
- Correction of error	(2 617 110)	3 472	1 323 803	250 868	1 737 496	(819 113)	(843)	634 490	513 062
Acquisitions	241 665	398 249	203 726	452 052	488 979	110 089	20 747	-	1 915 507
Capital under Construction - Additions	7 595 327	-	-	-	-	-	-	-	7 595 327
- Cost	7 595 327	-	-	-	-	-	-	-	7 595 327
Depreciation:	(1 395 762)	(16 800)	(429 372)	(727 894)	(412 487)	(2 552 860)	(21 445)	(5 716)	(5 562 335)
- Based on Cost	(1 395 762)	(3 415)	(424 174)	(725 604)	(325 174)	(2 531 338)	(19 622)	(5 716)	(5 430 805)
- Disposals	-	(13 385)	(5 198)	(2 290)	(87 313)	(21 523)	(1 823)	-	(131 531)
Carrying value of Disposals:	-	(432 842)	(27 328)	(449 762)	(218 784)	(61 717)	(5 108)	-	(1 195 541)
- Cost	-	(477 819)	(96 007)	(452 052)	(585 683)	(133 422)	(11 351)	-	(1 756 334)
- Accumulated Depreciation	-	44 977	68 679	2 290	366 899	71 704	6 244	-	560 792
- Based on Cost	-	44 977	68 679	2 290	366 899	71 704	6 244	-	560 792
Capital under Construction - Completed	18 805 862	-	-	-	-	-	-	-	18 805 862
Carrying values at 30 JUNE 2011	70 282 346	34 089	3 834 890	4 110 479	2 126 231	8 431 814	140 464	57 798	89 018 112
Cost	75 797 772	37 540	4 319 198	5 324 916	2 549 697	14 308 337	164 767	63 514	102 565 742
- Completed Assets	75 797 772	37 540	4 319 198	5 324 916	2 549 697	14 308 337	164 767	63 514	102 565 742
- Under Construction	-	-	-	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-	-	-	-
Accumulated Impairment Losses	-	-	-	-	-	-	-	-	-
Accumulated Depreciation:	(5 515 426)	(3 451)	(484 307)	(1 214 437)	(423 466)	(5 876 523)	(24 304)	(5 716)	(13 547 630)
- Cost	(5 515 426)	(3 451)	(484 307)	(1 214 437)	(423 466)	(5 876 523)	(24 304)	(5 716)	(13 547 630)
- Revaluation	-	-	-	-	-	-	-	-	-

Lejweleputswa District Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (continued)

4 PROPERTY, PLANT AND EQUIPMENT (Continued)

30 JUNE 2010

Reconciliation of Carrying Value

Description	Land and Buildings	Emergency Equipment	Furniture and Fittings	Motor Vehicles	Office Equipment	Property and Plant	Other	Finance lease assets	Total
	R	R	R	R	R	R			R
Carrying values at 01 JULY 2009	10 589 380	70 161	1 238 462	1 931 783	1 582 951	13 193 647	12 015	813 366	29 431 763
Cost	11 803 113	87 701	2 486 602	2 253 611	3 205 305	14 128 903	13 963	1 038 256	35 017 453
- Completed Assets	11 803 113	87 701	2 486 602	2 253 611	3 205 305	14 128 903	13 963	1 038 256	35 017 453
Accumulated Depreciation:	(1 213 734)	(17 540)	(1 248 140)	(321 828)	(1 622 353)	(935 256)	(1 948)	(288 404)	(5 649 204)
- Cost	(1 213 734)	(17 540)	(1 248 140)	(321 828)	(1 622 353)	(935 256)	(1 948)	(288 404)	(5 649 204)
Acquisitions	9 108 761	639	141 536	2 587 036	489 617	266 325	42 421	-	12 636 335
Depreciation:	(288 820)	(17 560)	(199 278)	(466 164)	(493 021)	(1 640 998)	(6 311)	(346 085)	(3 458 237)
- Based on Cost	(288 820)	(17 560)	(199 278)	(466 164)	(493 021)	(1 640 998)	(6 311)	(346 085)	(3 458 237)
	-	-	-	-	-	-	-	-	-
Carrying value of Disposals:	-	-	-	(106 717)	-	-	-	-	(106 717)
- Cost	-	-	-	(155 008)	-	-	-	-	(155 008)
- Accumulated Depreciation	-	-	-	48 292	-	-	-	-	48 292
- Based on Cost	-	-	-	48 292	-	-	-	-	48 292
	-	-	-	-	-	-	-	-	-
Carrying values at 30 JUNE 2010	63 841 117	85 482	4 087 863	4 836 083	2 268 523	10 936 303	146 269	63 514	86 265 154
Cost	67 960 781	117 110	4 211 478	5 324 916	2 646 401	14 331 670	155 372	63 514	94 811 242
- Completed Assets	20 911 875	88 340	2 628 137	4 685 639	3 694 921	14 395 228	56 384	1 038 256	47 498 780
- Under Construction	-	-	-	-	-	-	-	-	-
- Correction of error: Completed assets	35 838 371	28 770	1 583 341	639 277	(1 048 520)	(63 558)	98 988	(974 742)	36 101 926
- Correction of error: Assets Under construction	11 210 536	-	-	-	-	-	-	-	11 210 536
Accumulated Depreciation:	(4 119 664)	(31 628)	(123 615)	(488 833)	(377 878)	(3 395 367)	(9 102)	-	(8 546 087)
- Cost	(1 502 554)	(35 100)	(1 447 418)	(739 700)	(2 115 374)	(2 576 254)	(8 259)	(634 490)	(9 059 149)
- Correction of error (Note 37)	(2 617 110)	3 472	1 323 803	250 868	1 737 496	(819 113)	(843)	634 490	513 062

Lejweleputswa District Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (continued)

	2011	2010
	R	R
5 PROPERTY, PLANT AND EQUIPMENT (Continued)		
5.1 Carrying Amount of Property, Plant and Equipment		
Land and Buildings	70 282 346	63 841 117
Emergency Equipment	34 089	85 482
Furniture and fittings	3 834 890	4 087 863
Motor Vehicles	4 110 479	4 836 083
Office Equipment	2 126 231	2 268 523
Property and Plant	8 431 814	10 936 303
Other	140 464	146 269
Finance lease assets	57 798	63 514
Carrying Value of PPE	89 018 112	86 265 155

5.2 Assets pledged as security:

No assets have been pledged as security.

The municipality's obligations under Finance Leases are secured by the lessors' title to the leased assets, which have a carrying amount of :

	57 798	63 514
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5.4 Change in Estimate - Useful Life of Property, Plant and Equipment reviewed:

The Remaining Useful Life of property, plant and equipment was taken into consideration by the consultants, Ducharme Consulting , during the process of identifying property, plant and equipment and included in the Depreciated Replacement Cost calculated during the exercise. The amounts for Change in Useful Life were not calculated separately and therefore no changes in values are disclosed.

The comparative figures for Property, Plant and Equipment have been restated to correct an error contained in the 2009/2010 Annual Financial Statements. Refer to note 37.7 on Correction of Errors for details of the restatement.

6 INTANGIBLE ASSETS

At Cost less Accumulated Amortisation and Accumulated Impairment Losses	915 545	1 184 868
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The movement in Intangible Assets is reconciled as follows:

	Computer Software	Total
Carrying values at 01 JULY 2010	1 184 868	1 184 868
Cost	1 730 370	1 730 370
Correction of Error: Cost	170 995	170 995
Accumulated Amortisation	(1 262 157)	(1 262 157)
Correction of Error: Amortization	545 660	545 660
	-	-
Acquisitions during the Year:	101 424	101 424
Purchased	101 424	101 424
Internally Developed	-	-
	-	-
Amortisation during the Year:	(370 747)	(370 747)
Purchased	(370 747)	(370 747)
Transfer from Property, Plant & Equipment	-	-
	-	-
Impairment Losses during the Year	-	-
	-	-
	-	-
Carrying values at 30 JUNE 2011	915 545	915 545
Cost	2 002 789	2 002 789
Accumulated Amortisation	(1 087 244)	(1 087 244)

Lejweleputswa District Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (continued)

	2011 R	2010 R
6 INTANGIBLE ASSETS (continued)		
	Computer Software	Total
Carrying values at 01 JULY 2009	247 883	247 883
Cost	1 242 409	1 242 409
Correction of Error: Cost	-	-
Accumulated Amortisation	(994 526)	(994 526)
Accumulated Impairment Losses	-	-
Acquisitions during the Year:	487 962	487 962
Purchased	487 962	487 962
Transfer from Property, Plant & Equipment	-	-
Amortisation during the Year:	(267 631)	(267 631)
Purchased	(267 631)	(267 631)
Transfer from Property, Plant & Equipment	-	-
Carrying values at 30 JUNE 2010	1 184 868	1 184 868
Cost	1 730 370	1 730 370
Correction of Error: Cost	170 995	170 995
Accumulated Amortisation	(1 262 157)	(1 262 157)
Correction of Error: Accumulated depreciation	545 660	545 660

The amortisation expense has been included in the line item "Depreciation and Amortisation" in the Statement of Financial Performance.

All of the municipality's Intangible Assets are held under freehold interests and no Intangible Assets had been pledged as security for any liabilities of the municipality.

No restrictions apply to any of the Intangible Assets of the municipality.

Refer to Appendix "B" for more detail on Intangible Assets.

The comparative figures for Intangible assets have been restated to correct an error contained in the 2009/2010 Annual Financial Statements. Refer to note 37.14 on Correction of Errors for details of the restatement.

7 INVESTMENTS

Financial Instruments

Total Investments	40 000 100	50 000 100
Non-Current investments	100	100
Less: Call accounts transferred to Cash and Cash equivalents:	20 000 000	5 000 000
Current Investments	20 000 000	45 000 000

Non Current investments consists of the following:

7.1 Investment in Subsidiary

Lejwe Le Putswa Development Agency (Pty) Limited	100	100
The investment in the subsidiary is measured at cost.		

7.2 The Short-Term Investments consists of the following:

ABSA	5 000 000	5 000 000
African bank	5 000 000	20 000 000
FNB	-	10 000 000
Standard bank	5 000 000	5 000 000
Nedbank	5 000 000	5 000 000
	20 000 000	45 000 000

The management of the municipality is of the opinion that the carrying value of Investments recorded at amortised cost in the Annual Financial Statements approximate their fair values.

The fair value of Investments was determined after considering the standard terms and conditions of agreements entered into between the municipality and financial institutions.

Lejweleputswa District Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (continued)

	2011 R	2010 R
8 CURRENT PROVISIONS		
Performance Bonuses	434 588	-
Current Portion of Post-retirement Medical Aid Benefits Liability (See Note below)	16 608	13 104
Current Portion of Long-term service awards (See Note below):	301 239	105 255
Total Provisions	752 435	118 359

Provisions have been restated to correct an error contained in the 2009/2010 Annual Financial Statements. Refer to Note 37.12 and 37.13 on "Correction of Error" for details of the restatement.

Long-Term Service

The municipality operates an funded defined benefit plan for all its employees. Under the plan, a Long-service Award is payable and extra leave is accrued after 5 years of continuous service and every 5 years thereafter to employees.

Performance Bonuses accrue to senior managers on an annual basis, subject to certain conditions. The provision is an estimate of the amount due at the reporting date.

Post Retirement Medical Aid

The municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an defined benefit plan for these qualifying employees. No other post-retirement benefits are provided to these employees.

The movement in current provisions are reconciled as follows:

Current Portion of Non-Current Provisions:

	Performance Bonuses R
30 JUNE 2011	
Balance at beginning of year	-
Contributions to provision	(434 588)
Expenditure incurred	-
Balance at end of year	(434 588)

30 JUNE 2010

Balance at beginning of year	-
Contributions to provision	-
Expenditure incurred	-
Balance at end of year	-

Current Portion of Non-Current Provisions:

	Long-term Service R	Post-retirement Benefit liability R
30 JUNE 2011		
Balance at beginning of year	(105 255)	(13 104)
Transfer from non-current	105 255	13 104
Contributions to provision	(301 239)	(16 608)
Balance at end of year	(301 239)	(16 608)

30 JUNE 2010

Balance at beginning of year	-	-
Transfer from non-current	-	-
Contributions to provision	(105 255)	(13 104)
Balance at end of year	(105 255)	(13 104)

Lejweleputswa District Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (continued)

	2011 R	2010 R
9 CREDITORS		
Trade Creditors	2 765 567	4 436 065
Payments received in Advance	-	-
Retentions	310 208	280 279
Suspense - Other	2 293	3 662
Other Creditors	-	-
Annual bonus accrued	812 009	583 891
Accrued leave	2 958 163	2 978 996
Total Creditors	6 848 240	8 282 892

The average credit period on purchases is 30 days from the receipt of the invoice, as determined by the MFMA. No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the municipality deals with. The municipality has financial risk policies in place to ensure that all payables are paid within the credit timeframe.

The management of the municipality is of the opinion that the carrying value of Creditors approximate their fair values.

The fair value of Creditors was determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties.

Staff Leave accrue to the staff of the municipality on an annual basis, subject to certain conditions. The accrual is an estimate of the amount due at the reporting date.

10 UNSPENT CONDITIONAL GRANTS AND RECEIPTS

	666 984	847 509
Conditional Grants from Government		
National Government Grants	85 945	213 820
Provincial Government Grants	581 039	633 689
Local Government Grants	-	-
Other Spheres of Government	-	-
Total Conditional Grants and Receipts	666 984	847 509

The amount for Unspent Conditional Grants and Receipts are deposited in ring-fenced investment accounts until utilised.

See Note 16 for the reconciliation of Grants from Other Spheres of Government. The Unspent Grants are cash backed by term deposits. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.

Refer to Appendix "F" for more detail on Conditional Grants.

11 LONG TERM LIABILITIES

Annuity Loans	19 891 050	21 252 830
Finance Lease Liabilities	152 888	654 234
Sub-total	20 043 938	21 907 064
Less: Current Portion transferred to Current Liabilities:-	1 706 434	1 970 614
Annuity Loans	1 553 546	1 361 821
Finance Lease Liabilities	152 888	608 793
Total Long-term Liabilities (Neither past due, nor impaired)	18 337 504	19 936 450

Lejweleputswa District Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (continued)

2011
R
2010
R

11 LONG TERM LIABILITIES (continued)

11.1 Summary of Arrangements

Annuity Loans are repaid over a period of 20 (2010: 20) years and at interest rates varying from 10% to 15.75% (2010: 10% to 15.75%) per annum.

Finance Lease Liabilities relates to Office Equipment with lease terms of 3 (2010: 3) years. The effective interest rate on Finance Leases is 116% (2010: 87.88%). Capitalised Lease Liabilities are secured over the items of vehicles and equipment leased.

The Annuity loans were raised from the DBSA for the purpose of the development of infrastructure assets such as Sewer Networks and purification works, Water Reticulation and the loans are redeemable from 2013 to 2020.

The management of the municipality is of the opinion that the carrying value of Long-term Liabilities recorded at amortised cost in the Annual Financial Statements approximate their fair values.

The fair value of Long-term Liabilities was determined after considering the standard terms and conditions of agreements entered into between the municipality and the relevant financing institutions.

Refer to Appendix "A" for more detail on Long-term Liabilities.

11.2 Obligations under Finance Lease Liabilities

The Municipality as Lessee:

Finance Lease Liabilities relates to Office Equipment with lease terms of 3 (2010: 3) years. The effective interest rate on Finance Leases is 116% (2010: 87.88%). Capitalised Lease Liabilities are secured over the items of vehicles and equipment leased.

The municipality does not have an option to purchase the leased equipment at the conclusion of the lease agreements. The municipality's obligations under Finance Leases are secured by the lessors' title to the leased assets.

The obligations under Finance Leases are as follows:

	Minimum Lease Payments		Present Value of Minimum Lease Payments	
	2010 R	2011 R	2010 R	2011 R
Amounts payable under finance leases:				
Within one year	1 038 624	176 517	501 346	152 888
In the second to fifth years, inclusive	176 517	-	152 888	-
Over five years	-	-	-	-
	1 215 141	176 517	654 234	152 888
Present Value of Minimum Lease Obligations			654 234	152 888
Less: Amounts due for settlement within 12 months (Current Portion)			(501 346)	(152 888)
Finance Lease Obligations due for settlement after 12 months (Non-current Portion)			152 888	-

The municipality has finance lease agreements for the following significant classes of assets:

- Office Equipment

Included in these classes are the

- (i) Gestetner Laser printers and copiers
 - Instalments are payable monthly in advance
 - Average period outstanding 2 months
 - Average effective interest rate 117.00%
 - Average monthly instalment R 86 551.97

The last instalment payment date for the lease is August 2011. No arrangements have been entered into for contingent rent.

Finance leases have been restated to adhere to the disclosure provisions of IAS 19. Refer to Note 37.2, 37.3 and 37.6 on "Correction of Error" for details of the restatement.

Lejweleputswa District Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (continued)

	2011 R	2010 R
12 RETIREMENT BENEFIT LIABILITIES		
<i>12.1 Post-retirement Health Care Benefits Liability</i>		
Balance at beginning of Year	3 407 353	3 381 272
Contributions to Provision	1 337 165	39 185
Balance at end of Year	4 744 518	3 420 457
Transfer to Current Provisions	(16 608)	(13 104)
Total Post-retirement Health Care Benefits Liability	4 727 910	3 407 353

Retirement Benefit Liabilities have been restated to adhere to the disclosure provisions of IAS 19. Refer to Note 37.12 on "Correction of Error" for details of the restatement.

The municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees. No other post-retirement benefits are provided to these employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2011 by Arch Actuaries, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

The members of the Post-employment Health Care Benefit Plan are made up as follows:

In-service Members (Employees)	82	79
In-service Members (Employees) - Non-members	10	17
Continuation Members (Retirees, widowers and orphans)	1	-
Total Members	93	96

The liability in respect of past service has been estimated as follows:

In-service Members	4 475 846	3 207 811
Continuation Members	268 672	212 646
Total Liability	4 744 518	3 420 457

The municipality makes monthly contributions for health care arrangements to the following Medical Aid Schemes:

- Bonitas
- Keyhealth
- LA Health
- Samwumed
- Mosmed

The Current-service Cost for the year ending 30 June 2011 is estimated to be R 338 283, whereas the cost for the ensuing year is estimated to be R 385 687.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

Discount Rate	8.15%	9.15%
Health Care Cost Inflation Rate	6.84%	7.23%
Net Effective Discount Rate	1.23%	1.79%
Expected Retirement Age - Females	65	65
Expected Retirement Age - Males	65	65

Lejweleputswa District Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (continued)

	2011 R	2010 R
12 RETIREMENT BENEFIT LIABILITIES (continued)		
<i>12.1 Post-retirement Health Care Benefits Liability (continued)</i>		
Movements in the present value of the Defined Benefit Obligation were as follows:		
Balance at the beginning of the year	3 420 457	3 394 712
Current service costs	338 283	379 299
Interest cost	312 358	296 984
Benefits paid	-13 104	-13 440
Actuarial losses / (gains)	686 524	-637 098
Present Value of Fund Obligation at the end of the Year	4 744 518	3 420 457
Actuarial losses / (gains) unrecognised	-	-
Total Recognised Benefit Liability	4 744 518	3 420 457
The amounts recognised in the Statement of Financial Performance are as follows:		
Current service cost	338 283	379 299
Interest cost	312 358	296 984
Actuarial losses / (gains)	686 524	(637 098)
Total Post-retirement Benefit included in Employee Related Costs (Note 26)	1 337 165	39 185
The history of experienced adjustments is as follows:		
Present Value of Defined Benefit Obligation	4 744 518	3 420 457
Deficit	4 744 518	3 420 457

The Post retirement benefit liability have been recognised in the Annual Financial Statements of the municipality as at 30 June 2010 in terms of IAS 19, Employee Benefits, paragraph 155(a). The municipality has elected to recognise the full increase in this Defined Benefit Liability immediately, thus the full transitional liability have been recognised as at 30 June 2011.

The effect of a 1% movement in the assumed rate of health care cost inflation is as follows:

Increase:		
Effect on the aggregate of the current service cost and the interest cost	157 400	169 900
Effect on the defined benefit obligation	1 033 000	716 000
Decrease:		
Effect on the aggregate of the current service cost and the interest cost	(123 800)	(132 600)
Effect on the defined benefit obligation	(824 000)	(575 000)

The municipality expects to make a contribution of R16 608 (2011: R 13 104) to the Defined Benefit Plans during the next financial year.

13 NON-CURRENT PROVISIONS

Provision for Long Service Awards	1 580 346	1 405 232
Total Non-current Provisions	1 580 346	1 405 232

Non-current Provisions have been restated to adhere to the disclosure provisions of IAS 19. Refer to Note 37.13 on "Correction of Error" for details of the restatement.

Lejweleputswa District Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (continued)

	2011 R	2010 R
13 NON-CURRENT PROVISIONS (continued)		
The movement in Non-current Provisions are reconciled as follows:		
	Long Service Awards	
	R	
30 June 2011		
Balance at beginning of year	1 405 232	
Contributions to provision	476 353	
	1 881 585	
Transfer to current provisions	(301 239)	
Balance at end of year	1 580 346	
30 June 2010		
Balance at beginning of year	-	
Contributions to provision	1 510 487	
	1 510 487	
Transfer to current provisions	(105 255)	
Balance at end of year	1 405 232	

13.1 Long Service Awards

The municipality operates an funded defined benefit plan for all its employees. Under the plan, a Long-service Award is payable and extra leave is accrued after 5 years of continuous service and every 5 years thereafter to employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2011 by Mr C Weiss, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

At year end, 92 (2010: 0) employees were eligible for Long-services Awards.

The Current-service Cost for the year ending 30 June 2011 is estimated to be R 278 260, whereas the cost for the ensuing year is estimated to be R 368 779.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

Discount Rate	7.49%	0.00%
Net Effective Discount Rate	1.34%	0.00%
Expected Rate of Salary Increase	6.07%	0.00%
Expected Retirement Age - Females	65	-
Expected Retirement Age - Males	65	-

Movements in the present value of the Defined Benefit Obligation were as follows:

Balance at the beginning of the year	1 510 487	-
Current service costs	278 260	-
Interest cost	119 046	-
Recognition of liability/Provision for 2011	-	1 510 487
Benefits paid	-105 255	-
Actuarial losses / (gains)	79 047	-
Present Value of Fund Obligation at the end of the Year	1 881 585	1 510 487
Actuarial losses / (gains) unrecognised	-	-
Total Recognised Benefit Liability	1 881 585	1 510 487

Lejweleputswa District Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (continued)

	2011 R	2010 R
13 NON-CURRENT PROVISIONS (continued)		
<i>13.1 Long Service Awards (continued)</i>		
The amounts recognised in the Statement of Financial Position are as follows:		
Present value of fund obligations	1 881 585	1 510 487
Deficit	1 881 585	1 510 487
Total Benefit Liability	1 881 585	1 510 487
The amounts recognised in the Statement of Financial Performance are as follows:		
Current service cost	278 260	-
Interest cost	119 046	-
Actuarial losses / (gains)	79 047	-
Total Post-retirement Benefit included in Employee Related Costs (Note 26)	476 353	-
The history of experienced adjustments is as follows:		
Present Value of Defined Benefit Obligation	1 881 585	1 510 487
Deficit	1 881 585	1 510 487

The transitional Defined Benefit Liabilities for Long Service Awards have been recognised in the Annual Financial Statements of the municipality as at 30 June 2010 in terms of IAS 19, Employee Benefits, paragraph 155(a). The municipality has elected to recognise the full increase in this Defined Benefit Liability immediately, thus the full transitional liability have been recognised as at 30 June 2010, therefore providing for the 2011 financial year, as the Long service awards only came into being on the 1st of July 2010.

The effect of a 1% movement in the assumed rate (general salary inflation) of long service cost inflation is as follows:

Increase:		
Effect on the aggregate of the current service cost and the interest cost	26 499	-
Effect on the defined benefit obligation	124 000	104 000
Decrease:		
Effect on the aggregate of the current service cost and the interest cost	(23 775)	-
Effect on the defined benefit obligation	(112 000)	(94 000)

14 ACCUMULATED SURPLUS AND RESERVES

The Accumulated Surplus and reserves consists of the following:

Accumulated Surplus / (Deficit) due to the results of Operations	55 728 445	58 538 136
Capital Reserve	47 000 713	48 103 552
Total Accumulated Surplus and Reserves	102 729 158	106 641 688

Refer to Statement of Changes in Net Assets for more detail and the movement on Accumulated Surplus.

Accumulated Surplus and Reserves have been restated due to correction of error and restatements relating to the prior year financial statements. Refer to Note 37 on "Correction of Error" for details of the restatement and error corrections affecting accumulated surplus and reserves.

Lejweleputswa District Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (continued)

	2011 R	2010 R
15 INTEREST EARNED		
External Investments:		
Bank Account	341 183	649 593
Investments	3 210 141	4 426 336
	<u>3 551 324</u>	<u>5 075 929</u>
Outstanding Debtors:		
Long-term Debtors	-	203
Outstanding Other Debtors	532 830	370 921
	<u>532 830</u>	<u>371 123</u>
Total Interest Earned	<u>4 084 154</u>	<u>5 447 053</u>
Interest Earned on Financial Assets, analysed by category of asset, is as follows:		
Available-for-Sale Financial Assets	3 551 324	5 075 929
Loans and Receivables	532 830	371 123
Held-to-Maturity Investments	-	-
	<u>4 084 154</u>	<u>5 447 053</u>
Interest Earned on Non-financial Assets	-	-
	<u>4 084 154</u>	<u>5 447 053</u>
Revenue recognised in respect of Financial Assets designated as at "fair value through profit or loss" is disclosed in Note 29.2.		
16 GOVERNMENT GRANTS AND SUBSIDIES		
LEVY REPLACEMENT GRANT	69 739 744	67 694 891
EQUITABLE SHARE	21 182 001	15 883 000
Operational Grants	<u>90 921 745</u>	<u>83 577 891</u>
Conditional Grants	1 964 459	4 560 753
DAC GRANT	-	74 572
DWAF	-	751 883
FM GRANT	1 151 507	1 449 183
DEPARTMENT SPORT AND RECREATION	-	525 727
LGWSETA GRANT	86 583	26 065
MIG	-	1 188 825
MUNICIPAL SERVICE IMPROVEMENT PROGRAMME	726 369	544 498
Transferred from Deferred Revenue (offset depreciation on assets funded from Grants)	-	-
Total Government Grants and Subsidies	<u>92 886 204</u>	<u>88 138 644</u>
Attributable to:		
Continuing Operations	92 886 204	88 138 644
Discontinued Operations	-	-
	<u>92 886 204</u>	<u>88 138 644</u>
Operational Grants:		
16.1 LEVY REPLACEMENT GRANT	<u>69 739 744</u>	<u>67 694 891</u>
Levy replacement grant is a operational grant which is used by the municipality on its own discretion, which is mainly to fund its operational activities.		
16.2 EQUITABLE SHARE	<u>21 182 001</u>	<u>15 883 000</u>
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.		

Lejweleputswa District Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (continued)

	2011 R	2010 R
16 GOVERNMENT GRANTS AND SUBSIDIES (continued)		
Conditional Grants:		
16.3 DAC GRANT		
Balance unspent at beginning of year	59 905	(134 477)
Current year receipts	-	-
Interest allocated	-	-
Conditions met - transferred to Revenue: Operating Expenses	(52 650)	74 572
Conditions met - transferred to Revenue: Capital Expenses	-	-
Other Transfers	-	-
Conditions still to be met - transferred to Liabilities (see Note 10)	<u>7 255</u>	<u>(59 905)</u>
These funds were used for the purposes of district aid council meetings.		
16.4 DWAF		
Balance unspent at beginning of year	-	751 883
Current year receipts	-	-
Interest allocated	-	-
Conditions met - transferred to Revenue: Operating Expenses	-	(751 883)
Conditions met - transferred to Revenue: Capital Expenses	-	-
Other Transfers	-	-
Conditions still to be met - transferred to Liabilities (see Note 10)	<u>-</u>	<u>-</u>
16.5 FM GRANT		
Balance unspent at beginning of year	212 484	911 667
Current year receipts	1 000 000	750 000
Interest allocated	-	-
Conditions met - transferred to Revenue: Operating Expenses	(1 125 960)	(1 449 183)
Conditions met - transferred to Revenue: Capital Expenses	-	-
Other Transfers	-	-
Conditions still to be met - transferred to Liabilities (see Note 10)	<u>86 524</u>	<u>212 484</u>
To promote and support reforms in financial management by building capacity in municipalities to implement the Municipal Financial Management Act (MFMA)		
16.6 DEPARTMENT SPORT AND RECREATION		
Balance unspent at beginning of year	573 784	1 099 511
Current year receipts	-	-
Interest allocated	-	-
Conditions met - transferred to Revenue: Operating Expenses	-	(525 727)
Conditions met - transferred to Revenue: Capital Expenses	-	-
Other Transfers	-	-
Conditions still to be met - transferred to Liabilities (see Note 10)	<u>573 784</u>	<u>573 784</u>
16.7 LGWSETA GRANT		
Balance unspent at beginning of year	-	-
Current year receipts	86 583	26 065
Interest allocated	-	-
Conditions met - transferred to Revenue: Operating Expenses	(86 583)	(26 065)
Conditions met - transferred to Revenue: Capital Expenses	-	-
Other Transfers	-	-
Conditions still to be met - transferred to Liabilities (see Note 10)	<u>-</u>	<u>-</u>
16.8 MIG		
Balance unspent at beginning of year	-	1 188 825
Current year receipts	-	-
Interest allocated	-	-
Conditions met - transferred to Revenue: Operating Expenses	-	(1 188 825)
Conditions met - transferred to Revenue: Capital Expenses	-	-
Other Transfers	-	-
Conditions still to be met - transferred to Liabilities (see Note 10)	<u>-</u>	<u>-</u>

Lejweleputswa District Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (continued)

	2011 R	2010 R
16 GOVERNMENT GRANTS AND SUBSIDIES (continued)		
Conditional Grants (continued):		
16.9 MUNICIPAL SERVICE IMPROVEMENT PROGRAMME		
Balance unspent at beginning of year	1 336	45 834
Current year receipts	750 000	500 000
Interest allocated	-	-
Conditions met - transferred to Revenue: Operating Expenses	(726 368)	(544 498)
Conditions met - transferred to Revenue: Capital Expenses	-	-
Other Transfers	-	-
Conditions still to be met - transferred to Liabilities (see Note 10)	<u>24 968</u>	<u>1 336</u>
16.10 Changes in levels of government Grants		
Based on the allocation set out in the division of Revenue Act (Act. No. 2 of 2008) government grant funding is expected to increase over the following three financial years.		
17 OTHER INCOME		
Other non-material Income	154 341	604 155
Total Other Income	<u>154 341</u>	<u>604 155</u>
Attributable to:		
Continuing Operations	154 341	604 155
Discontinued Operations	-	-
	<u>154 341</u>	<u>604 155</u>
18 EMPLOYEE RELATED COSTS		
Employee Related Costs - Salaries and Wages	27 148 208	24 587 026
Employee Related Costs - Contributions for UIF, Pensions and Medical Aids	6 500 471	5 239 289
Travel Allowances	4 832 252	4 039 410
Housing Benefits and Allowances	230 344	272 539
Overtime Payments	258 586	158 460
Annual Bonuses	2 097 705	1 587 712
Performance Bonuses	647 135	-
Acting allowance	76 920	53 560
Defined Benefit Plan Expense:	1 818 351	4 930 944
Current Service Cost	616 543	379 299
Interest Cost	431 404	296 984
Recognition of Long service liability and Retirement benefit opening balance	-	4 905 199
Benefits paid	4 833	(13 440)
Net Actuarial (gains)/losses recognised	765 571	(637 098)
Total Employee Related Costs	<u>43 609 973</u>	<u>40 868 938</u>
Attributable to:		
Continuing Operations	43 609 973	40 868 938
Discontinued Operations	-	-
	<u>43 609 973</u>	<u>40 868 938</u>
Remuneration of the Municipal Manager		
Annual Remuneration	592 362	712 029
Performance Bonus	46 500	-
Annual Bonus	49 971	46 500
Housing allowance	54 000	-
Acting allowance	-	69 227
Car and Travel Allowance	127 438	134 731
Contributions to UIF, Medical and Pension Funds	150 377	29 866
Total	<u>1 020 648</u>	<u>992 353</u>

Lejweleputswa District Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (continued)

	2011 R	2010 R
18 EMPLOYEE RELATED COSTS (continued)		
Remuneration of the Acting Municipal support executive		
Annual Remuneration	407 844	398 281
Annual bonus	33 987	-
Performance Bonus	34 440	-
Housing Allowance	5 676	6 624
Car and Travel Allowance	196 541	177 590
Contributions to UIF, Medical and Pension Funds	107 959	87 915
Total	786 446	670 410
Remuneration of the Chief Financial Officer		
Annual Remuneration	438 629	445 201
Performance Bonus	34 636	-
Annual bonus	30 631	-
Housing Allowance	-	-
Car and Travel Allowance	193 427	178 725
Contributions to UIF, Medical and Pension Funds	61 943	72 628
Total	759 267	696 554
Remuneration of the Acting Chief Financial Officer		
Acting allowance	51 935	-
Total	51 935	-

The period from which there was an acting CFO was from the 1st of February 2011 to the financial year end

Remuneration of the Acting Manager: Corporate Services		
Annual Remuneration	318 937	287 004
Performance bonus	33 960	-
Annual Bonus	56 985	-
Housing allowance	5 676	6 130
Acting allowance	82 181	57 584
Car and Travel Allowance	148 433	134 366
Contributions to UIF, Medical and Pension Funds	96 384	70 382
Total	742 557	555 466
Remuneration of the Acting Manager: Social services Strategic executive		
Annual Remuneration	324 483	244 529
Acting allowance	55 917	130 076
Performance bonus	29 763	-
Housing allowance	5 676	5 596
Car and Travel Allowance	143 616	118 446
Contributions to UIF, Medical and Pension Funds	87 074	57 416
Total	646 529	556 063
Remuneration of the Manager: Strategic economic development		
Acting Allowance	22 353	440 914
Total	22 353	440 914

The period from which there was an acting strategic economic development manager was from the 1st of March 2011 to 31 May 2011

Remuneration of the Manager: Strategic economic development		
Annual Remuneration	255 007	440 914
Annual Bonus	48 333	-
Performance Bonus	33 249	-
Annuity Allowance	31 815	-
Car and Travel Allowance	86 397	129 284
Contributions to UIF, Medical and Pension Funds	67 093	84 834
Total	521 894	655 032

Lejweleputswa District Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (continued)

	2011 R	2010 R
19 REMUNERATION OF COUNCILLORS		
Executive Mayor	518 592	487 203
Speaker	419 550	260 339
Executive Members	2 569 220	2 483 527
Other councillors	1 441 393	1 338 918
Councillors Transport Allowance	1 640 010	1 522 449
Company Contributions to UIF, Medical and Pension Funds	980 583	871 122
Councillors: Telephone allowance	143 461	95 867
Councillors Sitting allowances	185 843	281 975
Total Councillors' Remuneration	7 898 653	7 341 400

The comparative figures for Remuneration of councillors have been restated to correct an error contained in the 2009/2010 Annual Financial Statements. Refer to note 37.11 on Correction of Errors for details of the restatement.

In-kind Benefits

The Salaries, allowance and benefits paid to all councillors are not within the Remuneration of Public Office Bearers Act: Determination of upper limits salaries, allowances and benefits of different members of municipal councils are not within section 219 of the Constitution, read with the Remuneration of the Public Officer Bearers Act, however, this matter is receiving attention.

The Executive Mayor, Speaker and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at Council's cost. The executive Mayor has the use of a Council owned vehicle for official duties as well as two drivers.

20 DEPRECIATION AND AMORTISATION

Depreciation & Amortisation	5 933 082	3 458 237
Total Depreciation and Amortisation	5 933 082	3 458 237
Attributable to:		
Continuing Operations	5 933 082	3 458 237
Discontinued Operations	-	-
	5 933 082	3 458 237

Depreciation and amortization have been restated to correctly classify amounts now included in the disclosure for Depreciation and amortization. Refer to Note 37.4 on "Correction of Error" for details of the restatement.

21 IMPAIRMENT LOSSES

21.1 Impairment Losses on Financial Assets

Impairment Losses Recognised:	1 248 975	-
Other Debtors	1 248 975	-
Total Impairment Losses	1 248 975	-
Attributable to:		
Continuing Operations	1 248 975	-
Discontinued Operations	-	-
	1 248 975	-

22 FINANCE COSTS

Loans and Payables at amortised cost	3 296 430	3 446 778
Finance Leases	537 277	606 911
Other	2 173	-
Total Interest Expense	3 835 880	4 053 689
Less: Amounts included in the Cost of qualifying Assets	-	-
Total Interest Paid on External Borrowings	3 835 880	4 053 689
Attributable to:		
Continuing Operations	3 835 880	4 053 689
Discontinued Operations	-	-
	3 835 880	4 053 689

Lejweleputswa District Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (continued)

	2011 R	2010 R
23 GRANTS AND SUBSIDIES PAID		
Indigents	-	-
Other	-	2 466 435
Total Grants and Subsidies	-	2 466 435

The comparative figures for Grants and Subsidies Paid have been restated to correct an disclosure error contained in the 2009/2010 Annual Financial Statements. Refer to note 37.5 on Correction of Errors for details of the restatement.

The Executive Mayor makes grants available on application after consultation with the Municipal Manager on the merits of such an application.

24 GENERAL EXPENSES

Branding of the municipality	770 305	1 599 113
Tourism awareness	1 783 671	1 181 511
Seminars / training courses / congresses	1 312 353	1 117 226
Financial management reforms	1 151 507	1 103 087
Fan parks SWC	-	963 285
Poverty alleviation	1 901 511	958 944
Led development	499 461	766 717
Campaigns	2 027 083	627 340
Environmental development	504 113	618 301
Telephone	487 035	585 430
Capacity development programmes	726 369	544 198
OR Tambo games	213 060	502 396
Insurance	269 092	448 094
Bursaries	514 035	420 695
Entertainment	525 990	420 070
Legal services	775 737	365 611
Policy development	-	350 800
Levy skills development	358 910	338 660
Stationery costs	429 874	334 229
Disaster relief fund	40 503	299 574
Cellular phone charges	316 643	284 758
Advertisements	210 444	275 181
Cleaning services	141 499	275 015
Consultant fees	1 154 600	274 422
Communication	182 651	270 420
Youth development	101 410	266 533
Training	20 453	242 238
Audit fees	2 327 019	2 107 118
Other General Expenses	5 280 189	3 914 206
Total General Expenses	24 025 515	21 455 174

The comparative figures for General Expenses have been restated to correct an error contained in the 2009/2010 Annual Financial Statements. Refer to note 37.5 and 37.8 on Correction of Errors for details of the restatement.

The amounts disclosed above for Other General Expenses are in respect of costs incurred in the general management of the municipality and not direct attributable to a specific service or class of expense.

Lejweleputswa District Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (continued)

	2011 R	2010 R
25 CASH GENERATED BY OPERATIONS		
Surplus / (Deficit) for the Year	(2 809 691)	5 408 111
Adjustment for:		
Other non cash flow items		
Depreciation and Amortisation	5 933 082	3 458 237
Impairment Losses on Property, Plant and Equipment	-	-
Loss on Disposal of Property, Plant and Equipment	347 530	106 717
Other Movement on Property, Plant and Equipment: Asset donations	848 012	
Other Movement on Intangible Assets	-	-
Contribution to Retirement Benefit Liabilities	1 320 557	3 407 353
Expenditure incurred from Retirement Benefit Liabilities	-	-
Correction of errors: prior year	(476 099)	(956 237)
Movements in provisions - Current	634 076	118 359
Movement in provision - Long-term	175 114	1 405 232
Movements in provisions - Bad debt	(1 248 975)	-
Expenditure incurred from Provisions: Bad debt	719 067	-
Investment Income	(3 082 473)	(4 055 446)
Finance Costs	3 835 880	4 053 689
Operating surplus before working capital changes	6 196 080	12 946 016
(Increase)/Decrease in Accounts receivable	1 368 307	783 354
Increase/(Decrease) in Creditors (incl conditional grants and receipts)	(1 615 178)	(1 072 669)
Cash generated by / (utilised in) Operations	5 949 209	12 656 700

26 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION

Long-term Liabilities (See Note 11)	20 043 938	21 907 064
Used to finance Property, Plant and Equipment - at cost	(20 043 938)	(21 907 064)
Sub-total	-	-
Cash set aside for the Repayment of Long-term Liabilities (See Notes 11)	-	-
Cash invested for Repayment of Long-term Liabilities	-	-

Long-term Liabilities have been utilised in accordance with the Municipal Finance Management Act. Sufficient cash has been set aside to ensure that Long-term Liabilities can be repaid on the scheduled redemption dates.

27 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

27.1 Unauthorised Expenditure

To management's best of knowledge no Unauthorised Expenditure was incurred during the year under review.

Reconciliation of Unauthorised Expenditure:

Opening balance	1 140 100	1 140 100
Unauthorised Expenditure current year	-	
Approved by Council or condoned	-	
To be recovered – contingent asset	-	
Transfer to receivables for recovery	-	
Unauthorised Expenditure awaiting authorisation	1 140 100	1 140 100

Incident	Details	Amount	Action taken
Total Unauthorised Expenditure	<i>Over expenditure on budget</i>		<i>Refer note below</i>
		R -	

Note

Council to investigate above expenditure and institute actions where required and report findings to council for further attention.

Lejweleputswa District Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (continued)

2011
R

2010
R

27 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED (continued)

27.2 Fruitless and Wasteful Expenditure

To management's best of knowledge instances of note indicating that Fruitless and Wasteful Expenditure was incurred during the year under review were not revealed.

Reconciliation of Fruitless and Wasteful expenditure:

Opening balance	260 015	260 015
Fruitless and Wasteful Expenditure current year	27 128	-
Condoned or written off by Council	-	-
To be recovered – contingent asset	-	-
Transfer to receivables for recovery	-	-
Fruitless and Wasteful Expenditure awaiting condonement	287 143	260 015

Incident	Details	Amount	Action taken
	<i>Interest levied on late payment of account</i>	R 24 788	
<i>Interest - AG account</i>			<i>Refer note below</i>
	<i>Interest levied on late payment of account</i>	R 2 340	
<i>Interest - Telkom account</i>			<i>Refer note below</i>
		R 27 128	

Note

Council to investigate above expenditure and institute actions where required and report findings to council for further attention.

27.3 Irregular Expenditure

To management's best of knowledge instances of note indicating that Irregular Expenditure was incurred during the year under review were not revealed.

Reconciliation of Irregular Expenditure:

Opening balance	5 472 508	4 403 902
Irregular Expenditure current year	1 180 931	1 068 606
Condoned or written off by Council	-	-
To be recovered – contingent asset	-	-
Transfer to receivables for recovery	-	-
Irregular Expenditure awaiting condonement	6 653 439	5 472 508

Incident	Details	Amount	Action taken
Total Irregular Expenditure	Non-compliance to the Municipal supply chain Regulations, PPPFA, PPR.		Refer note below
Councillor Remuneration	<i>Councillors qualify as Grade 4, but were paid as Grade 5 Councillors</i>	R 1 180 931	<i>Refer note below</i>

Note

Council to investigate above expenditure and institute actions where required and report findings to council for further attention.

Lejweleputswa District Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (continued)

	2011 R	2010 R
28 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL		
FINANCE MANAGEMENT ACT		
28.1 Contributions to organised local government - SALGA		
Opening Balance	-	-
Council Subscriptions	330 048	197 844
Amount Paid - current year	(330 048)	(197 844)
Amount Paid - previous years	-	-
Balance Unpaid (included in Creditors)	-	-
28.2 Audit Fees		
Opening Balance	-	-
Current year Audit Fee-External	2 246 220	1 756 040
Current year Audit Fee-Internal	80 800	351 078
Amount Paid - current year	(2 247 442)	(2 107 118)
Amount Paid - previous years	-	-
Balance Unpaid (included in Creditors)	79 577	-
28.3 VAT		
VAT inputs receivables and VAT outputs receivables are shown in Note 2. All VAT returns have been submitted by the due date throughout the year.		
28.3 PAYE, SDL and UIF Deductions and contributions		
Opening Balance	-	-
Current year Payroll Deductions	8 888 112	7 335 024
Amount Paid - current year	(8 888 112)	(7 335 024)
Amount Paid - previous years	-	-
Balance Unpaid (included in Creditors)	-	-
The above disclosure have been restated to correctly classify amounts now included in the		
28.4 Pension and Medical Aid Deductions and contributions		
Opening Balance	-	-
Current year Payroll Deductions and Council Contributions	10 592 461	9 125 495
Amount Paid - current year	(10 592 461)	(9 125 495)
Amount Paid - previous years	-	-
Balance Unpaid (included in Creditors)	-	-

The above disclosure have been restated to correctly classify amounts now included in the

28.6 Non-Compliance with the Municipal Finance management act

Chapter 4, Section 32 (2)

No recovery of irregular, unauthorised, fruitless and wasteful expenditures.

Lejweleputswa District Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (continued)

2011
R

2010
R

28 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL (continued)

28.7 Deviation from, and ratification of minor breaches of the Procurement Processes

In terms of section 36(2) of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved / condoned by the Municipal Manager and noted by Council.

The following deviations from the tender stipulations in terms of the municipality's Supply Chain Management Policy were ratified by the Municipal Manager and reported to Council:

Department	Date	Successful tender	Reason	Amount
EXECUTIVE MAYOR	02/07/2010	LEADERSHIP MAGAZINE	PREFERRED MAGAZINE	R 91 200.00
LED	19/07/2010	TOGOTO TOURISM EXPO	EXPO FOR FREE STATE PUBLISHED IN SPECIFIC MAGAZINE	R 95 000.00
DISASTER	27/08/2010	ATLAS SCHOOL & SPORT	ATLAS IS MAKING UNIFORM FOR THAT SCHOOL	R 2 712.00
MUNICIPAL MANAGER	03/09/2010	MOTLOHI TRADING T/A AFROCENTRIC	PREFERRED SERVICE PROVIDER	R 20 000.00
MUNICIPAL MANAGER	03/09/2010	SNOWLINE TRADING	PREFERRED SERVICE PROVIDER	R 15 250.00
EXECUTIVE MAYOR	28/09/2010	TA MUSIC PRODUCTION	PREFERRED ARTIST	R 38 000.00
CORPORATE SERVICES	29/09/2010	TP PLUMBING	EMERGENCY	R 1 380.00
DISASTER	06/10/2010	BACK OF THE MOON	SOLE PROVIDER OF SCHOOL UNIFORM IN HOOPSTAD	R 6 370.00
DISASTER	06/10/2010	MOKHOSI S.P	FIRE DISASTER	R 24 500.00
DISASTER	07/10/2010	RADEBE TRANSPORT	FIRE DISASTER	R 16 500.00
LED	07/10/2010	C-SQUARED CONSUMER	THE ONLY MACUFE APPROVED SERVICE PROVIDER	R 133 950.00
FINANCE	4/11/2010	FREE STATE SUN	TENDER SPECIFICATION FOR LOCAL	R 3 210.00
MUNICIPAL SUPPORT	25/10/2010	IKAMVA ICT	PREFERRED SERVICE PROVIDER	R 22 173.00
SPEAKER	19/11/2010	LE MASTERS GENERAL TRADING	PREFERRED SERVICE PROVIDER	R 3 500.00
SPEAKER	19/11/2010	LE MASTERS GENERAL TRADING	PREFERRED SERVICE PROVIDER	R 5 400.00
SPEAKER	20/11/2010	LE MASTERS GENERAL TRADING	PREFERRED SERVICE PROVIDER	R 11 500.00
SPEAKER	24/11/2010	HLAPS AND MINDAS CC	PREFERRED SERVICE PROVIDER	R 3 000.00
SPEAKER	24/11/2010	HLAPS AND MINDAS CC	PREFERRED SERVICE PROVIDER	R 8 000.00
EXECUTIVE MAYOR	23/11/2010	TSOLO LEOKAOKE	PREFERRED SERVICE PROVIDER	R 25 000.00
EXECUTIVE MAYOR	23/11/2010	LEBO RECORDS	PREFERRED SERVICE PROVIDER	R 28 500.00
EXECUTIVE MAYOR	23/11/2010	CANDLES 4 ALL LIGHT & BRIGHT	PREFERRED SERVICE PROVIDER	R 960.00
EXECUTIVE MAYOR	25/11/2010	MOLEKO DEVELOPMENT PROJECTS	PREFERRED SERVICE PROVIDER	R 27 500.00
EXECUTIVE MAYOR	29/11/2010	RADEBE TRANSPORT	PREFERRED SERVICE PROVIDER	R 29 800.00
EXECUTIVE MAYOR	29/11/2010	GRANNY ZWANE	PREFERRED SERVICE PROVIDER	R 7 200.00
EXECUTIVE MAYOR	29/11/2010	RADEBE TRANSPORT	PREFERRED SERVICE PROVIDER	R 1 200.00
EXECUTIVE MAYOR	29/11/2010	RASETSHEHO GENERAL TRADING	URGENT MATTER	R 99 000.00
EXECUTIVE MAYOR	29/11/2010	THABISO SKILLS DEVELOPMENT	PREFERRED SERVICE PROVIDER	R 72 000.00
LED	01/12/2010	KALANE CLEANING & PROJECTS	SHORT NOTICE	R 6 825.00
SPEAKER	01/12/2010	JOY MUM CC	PREFERRED SERVICE PROVIDER	R 8 500.00
SPEAKER	01/12/2010	JOY MUM CC	PREFERRED SERVICE PROVIDER	R 2 800.00
SPEAKER	08/12/2010	MAMELLO TRADING 570 CC	URGENT MATTER	R 15 000.00
CORPORATE SERVICES	05/01/2011	G. VON DER FECHT	TO AVOID CALL OUT FEE TO 3 SERVICE PROVIDERS	R 7 786.20
MUNICIPAL SUPPORT	25/01/2011	MAKHONYA TECHNOLOGY	ADDITIONAL ACCESSORIES TO APPOINTED SERVICE PR	R 37 548.80

Lejweleputswa District Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (continued)

2011
R
2010
R

28 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL (continued)

28.7 Deviation from, and ratification of minor breaches of the Procurement Processes (continued)

Department	Date	tender	Reason	Amount
MUNICIPAL SUPPORT	10/01/2010	JOHNSON CRANE HIRE	ONLY TWO SERVICE PROVIDERS THAT PROVIDES THIS SERVICE	R 6 995.04
SOCIAL SERVICES	8/02/2011	MERC CHEMICALS	SOLE SUPPLIER	R 24 760.80
EXECUTIVE MAYOR	18/02/2011	NINI'S DÉCOR AND DESIGN	NO TIME FOR ADVERT	R 47 000.00
CORPORATE SERVICES	18/02/2011	LEXIS NEXIS	SOLE PROVIDER	R 3 646.53
CORPORATE SERVICES	21/02/2011	CITY ELECTRICAL	AVOID CALL OUT FEE	R 773.95
MUNICIPAL SUPPORT	09/03/2011	UNIQUE TRAINING SOLUTIONS	ONLY TWO SERVICE PROVIDERS THAT PROVIDES THIS SERVICE	R 27 782.50
CORPORATE SERVICES	10/03/2011	PEAK LANDSCAPE	ONLY TWO SERVICE PROVIDERS THAT PROVIDES THIS SERVICE	R 1 600.00
FINANCE	21/03/2011	CHICKEN KING	THE ONLY SERVICE PROVIDER THAT ACCEPTS GOVERNMENT ORDERS	R 2 249.00
MUNICIPAL SUPPORT	7/4/2011	ACTIVE EQUIPMENT	ONLY TWO SERVICE PROVIDERS THAT PROVIDES THIS SERVICE	R 3 000.00
CORPORATE SERVICES	18/05/2011	CITY ELECTRICAL	AVOID CALL OUT FEE	R 570.55
CORPORATE SERVICES	25/5/2011	CITY ELECTRICAL	AVOID CALL OUT FEE	R 565.00
MUNICIPAL MANAGER	04/05/2011	MAYOR SALES CORPORATION	TIME FRAMES (LEARNERSHIP-PREMIERS OFFICE)	R 68 000.00
MUNICIPAL SUPPORT	21/06/2011	ANGLO V-3 CRANE	ONLY AVAILABLE SERVICE PROVIDER	R 10 971.36
MUNICIPAL MANAGER	01/06/2011	LEBO RECORDS	TIME FRAMES(INAUGURATION)	R 35 500.00
MUNICIPAL MANAGER	01/06/2011	CLOSE TO HOME TRG	TIME FRAMES(INAUGURATION)	R 37 500.00
MUNICIPAL MANAGER	01/06/2011	M.J.MOLAWA	TIME FRAMES(INAUGURATION)	R 13 250.00
MUNICIPAL MANAGER	01/06/2011	M.Z.MAJOE	TIME FRAMES(INAUGURATION)	R 12 200.00
MUNICIPAL MANAGER	01/06/2011	M.Z.MAJOE	TIME FRAMES(INAUGURATION)	R 9 050.00
MUNICIPAL MANAGER	01/06/2011	M.Z.MAJOE	TIME FRAMES(INAUGURATION)	R 4 000.00
MUNICIPAL MANAGER	01/06/2011	PUPUTLA TRANSPORT	TIME FRAMES(INAUGURATION)	R 16 650.00
MUNICIPAL MANAGER	01/06/2011	LTK	TIME FRAMES(INAUGURATION)	R 4 230.00
MUNICIPAL MANAGER	01/06/2011	CLOSE TO HOME TRG	TIME FRAMES(INAUGURATION)	R 25 440.00
MUNICIPAL MANAGER	01/06/2011	T A MUSIC	TIME FRAMES(INAUGURATION)	R 32 000.00
MUNICIPAL MANAGER	01/06/2011	LEBO RECORDS	TIME FRAMES(INAUGURATION)	R 9 500.00
MUNICIPAL MANAGER	01/06/2011	MADISEBO CATERING	TIME FRAMES(INAUGURATION)	R 218 880.00
MUNICIPAL MANAGER	01/06/2011	SETATABELA TRDG	TIME FRAMES(INAUGURATION)	R 21 000.00
MUNICIPAL MANAGER	01/06/2011	LTK	TIME FRAMES(INAUGURATION)	R 15 210.00
MUNICIPAL MANAGER	01/06/2011	M.S.SEKAE TRANSPORT	TIME FRAMES(INAUGURATION)	R 90 000.00
MUNICIPAL MANAGER	01/06/2011	AION MANAGEMENT	TIME FRAMES(INAUGURATION)	R 25 000.00
MUNICIPAL MANAGER	01/06/2011	LEFIYELO TRDG	TIME FRAMES(INAUGURATION)	R 46 500.00
MUNICIPAL MANAGER	01/06/2011	PUPUTLA TRANSPORT	TIME FRAMES(INAUGURATION)	R 2 400.00
MUNICIPAL MANAGER	01/06/2011	SINELIZWI	TIME FRAMES(INAUGURATION)	R 7 920.00
EXECUTIVE MAYOR	11/05/2011	PLASTIC OMNIUM URBAN SYSTEMS	COUNCIL RESOLUTION DATED 28/4/2011	R 540 930.00
EXECUTIVE MAYOR	11/05/2011	BERTRADE SALES, MAINTENANCE & REPAIR	COUNCIL RESOLUTION DATED 28/4/2011	R 1 519 620.00
EXECUTIVE MAYOR	11/05/2011	MADISEBO CATERING	COUNCIL RESOLUTION DATED 28/4/2011	R 68 400.00
EXECUTIVE MAYOR	11/05/2011	S & S CARTAGE	COUNCIL RESOLUTION DATED	R 15 800.00
EXECUTIVE MAYOR	11/05/2011	M.S.SEKAE TRANSPORT	COUNCIL RESOLUTION DATED 28/4/2011	R 90 000.00
EXECUTIVE MAYOR	11/05/2011	MAYOR SALES CORPORATION	COUNCIL RESOLUTION DATED 28/4/2011	R 262 000.00
EXECUTIVE MAYOR	11/05/2011	LEBO RECORDS	COUNCIL RESOLUTION DATED	R 37 000.00

Lejweleputswa District Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (continued)

	2011 R	2010 R
29 FINANCIAL INSTRUMENTS		
29.1 Classification		
FINANCIAL ASSETS:		
In accordance with IAS 39.09 the Financial Assets of the municipality are classified as follows (FVTPL = Fair Value through Profit or Loss):		
<u>Financial Assets</u>	<u>Classification</u>	
Non-current Investments		
Investment in Subsidiary	Held to maturity	100 100
Current Investments		
Fixed deposits	Held to maturity	20 000 000 45 000 000
Other Debtors		
Payments made in Advance	Loans and receivables	1 008 (597)
Sundry Debtors	Loans and receivables	8 695 971 9 835 890
VAT Receivable		
VAT Control Accounts	Loans and receivables	3 023 682 2 820 600
Bank, Cash and Cash Equivalents		
Bank Balances	Available for sale	23 727 282 5 006 864
Cash Floats and Advances	Available for sale	200 200
Other Cash Equivalents	Available for sale	2 000 2 000
SUMMARY OF FINANCIAL ASSETS		
Other Debtors	Payments made in Advance	1 008 (597)
Bank Balances and Cash	Bank Balances	23 727 282 5 006 864
Bank Balances and Cash	Cash Floats and Advances	200 200
Bank Balances and Cash	Other Cash Equivalents	2 000 2 000
		23 729 482 5 009 064
Total Financial Assets		35 450 143 17 664 957

FINANCIAL LIABILITIES:

In accordance with IAS 39.09 the Financial Liabilities of the municipality are classified as follows (FVTPL = Fair Value through Profit or Loss):

<u>Financial Liabilities</u>	<u>Classification</u>		
Long-term Liabilities			
Annuity Loans	Financial liabilities at amortised cost	18 337 504	19 891 009
Finance lease liability	Financial liabilities at amortised cost	152 888	-
Creditors			
Trade Creditors	Financial liabilities at amortised cost	2 765 567	4 436 065
Payments received in Advance	Financial liabilities at amortised cost	-	-
Retentions	Financial liabilities at amortised cost	310 208	280 279
Suspense - Other	Financial liabilities at amortised cost	2 293	3 662
Other Creditors	Financial liabilities at amortised cost	-	-
Annual bonus accrued	Financial liabilities at amortised cost	812 009	583 891
Accrued leave	Financial liabilities at amortised cost	2 958 163	2 978 996
Unspent Conditional Grants and Receipts			
National Government Grants	Financial liabilities at amortised cost	85 945	213 820
Provincial Government Grants	Financial liabilities at amortised cost	581 039	633 689
Local Government Grants	Financial liabilities at amortised cost	-	-
Other Spheres of Government	Financial liabilities at amortised cost	-	-
Bank Overdraft			
Bank Overdraft	Financial liabilities at amortised cost	-	-
Current Portion of Long-term Liabilities			
Annuity Loans	Financial liabilities at amortised cost	1 553 546	1 361 821
Finance lease liability	Financial liabilities at amortised cost	501 346	152 888

Lejweleputswa District Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (continued)

	2011 R	2010 R	
29 FINANCIAL INSTRUMENTS (continued)			
29.1 Classification (continued)			
SUMMARY OF FINANCIAL LIABILITIES			
Financial Liabilities at Amortised Cost:			
Long-term Liabilities	Annuity Loans	18 337 504	19 891 009
Long-term Liabilities	Finance lease liability	152 888	-
Creditors	Trade Creditors	2 765 567	4 436 065
Creditors	Payments received in Advance	-	-
Creditors	Retentions	310 208	280 279
Creditors	Suspense - Other	2 293	3 662
Creditors	Other Creditors	-	-
Creditors	Annual bonus accrued	812 009	583 891
Creditors	Accrued leave	2 958 163	2 978 996
Unspent Conditional Grants and Receipts	National Government Grants	85 945	213 820
Unspent Conditional Grants and Receipts	Provincial Government Grants	581 039	633 689
Unspent Conditional Grants and Receipts	Local Government Grants	-	-
Unspent Conditional Grants and Receipts	Other Spheres of Government	-	-
Bank Overdraft	Bank Overdraft	-	-
Current Portion of Long-term Liabilities	Annuity Loans	1 553 546	1 361 821
Current Portion of Long-term Liabilities	Finance lease liability	501 346	152 888
	<u>28 060 508</u>	<u>30 536 119</u>	
Total Financial Liabilities	<u>28 060 508</u>	<u>30 536 119</u>	

29.2 Fair Value

The Fair Values of Financial Assets and Financial Liabilities are determined as follows:

- the Fair Value of Financial Assets and Financial Liabilities with standard terms and conditions and traded on active liquid markets is determined with reference to quoted market prices;
- The Fair Value of other Financial Assets and Financial Liabilities is determined in accordance with generally accepted valuation techniques based on discounted cash flow analysis using interest rates currently charged or paid by other parties and the remaining term to repayment of the interest;
- the Fair Value of Other Financial Assets and Financial Liabilities (excluding Derivative Instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments;
- the Fair Value of Derivative Instruments is calculated using quoted prices. Where such prices are not available, use is made of discounted cash flow analysis using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives; and
- the Fair Value of Financial Guarantee Contracts is determined using option pricing models where the main assumptions are the probability of default by the specified counterparty extrapolated from market-based credit information and the amount of loss, given the default.

The fair value of Long-term Liabilities was determined after considering the standard terms and conditions of agreements entered into between the municipality and the relevant financing institutions.

In accordance with IAS 39.09 the Fair Values of Financial Assets and Financial Liabilities, together with the carrying amounts shown in the Statement of Financial Position, are as follows:

The management of the municipality is of the opinion that the carrying value of Financial Assets and Financial Liabilities recorded at amortised cost in the Annual Financial Statements approximate their fair values. The fair value of Financial Assets and Financial Liabilities were determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties as well as the current payment ratio's of the municipality's debtors.

	30 JUNE 2011		30 JUNE 2010	
	Carrying Amount R	Fair Value R	Carrying Amount R	Fair Value R
Loans and Receivables	11 720 661	11 720 661	12 655 892	12 655 892
Other Debtors	8 696 979	8 696 979	9 835 293	9 835 293
VAT Receivable	3 023 682	3 023 682	2 820 600	2 820 600
Available for Sale	23 729 482	23 729 482	5 009 064	5 009 064
Bank Balances and Cash	23 729 482	23 729 482	5 009 064	5 009 064
Total Financial Assets	<u>35 450 143</u>	<u>35 450 143</u>	<u>17 664 957</u>	<u>17 664 957</u>

Lejweleputswa District Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (continued)

			2011	2010
			R	R
29 FINANCIAL INSTRUMENTS (continued)	30 JUNE 2011		30 JUNE 2010	
29.2 Fair Value (continued)	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	R	R	R	R
FINANCIAL LIABILITIES				
Designated as FVTPL:	28 060 508	28 060 508	30 536 119	30 536 119
Unsecured Bank Facilities:	18 490 392	18 490 392	19 891 009	19 891 009
- Annuity Loans	18 337 504	18 337 504	19 891 009	19 891 009
- Finance lease liability	152 888	152 888	-	-
Trade and Other Payables:	9 570 116	9 570 116	10 645 110	10 645 110
- Creditors	6 848 240	6 848 240	8 282 892	8 282 892
- Unspent Conditional Grants	666 984	666 984	847 509	847 509
- Current Portion of Long-term Liabilities	2 054 892	2 054 892	1 514 709	1 514 709
Total Financial Liabilities	28 060 508	28 060 508	30 536 119	30 536 119

29.3 Capital Risk Management

The municipality manages its capital to ensure that the municipality will be able to continue as a going concern while delivering sustainable services to consumers through the optimisation of the debt and equity balance. The municipality's overall strategy remains unchanged from 2010.

The capital structure of the municipality consists of debt, which includes the Long-term Liabilities disclosed in Note 11, Bank, Cash and Cash Equivalents in note 3 and Equity, comprising of Accumulated Surplus as disclosed in Note 14 and the Statement of Changes in Net Assets.

Gearing Ratio

The gearing ratio at the year-end was as follows:

Debt	20 545 284	21 405 718
Bank, Cash and Cash Equivalents	23 729 282	5 008 864
Net Debt	44 274 566	26 414 582
Equity	102 729 158	106 641 688
Net debt to equity ratio	43.10%	24.77%

Debt is defined as Long- and Short-term Liabilities, as detailed in Note 11.

Equity includes all Funds and Reserves of the municipality, disclosed as Net Assets in the Statement of Financial Performance.

29.4 Financial Risk Management Objectives

Due to the largely non-trading nature of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities. Financial Instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IAS's mainly apply. Generally, Financial Assets and Liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the municipality in undertaking its activities.

The municipality's Corporate Treasury function provides services to the business, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the municipality through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk.

The Department: Financial Services monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Compliance with policies and procedures is reviewed by the internal auditors on a continuous basis, and annually by external auditors. The municipality does not enter into or trade financial instruments for speculative purposes.

The municipality seeks to minimise the effects of these risks by using derivative financial instruments to hedge these risk exposures. The use of financial derivatives is governed by the municipality's policies approved by the Council, which provide written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies and exposure limits is reviewed by the internal auditors on a continuous basis. The municipality does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports periodically to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function.

Lejweleputswa District Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (continued)

2011	2010
R	R

29 FINANCIAL INSTRUMENTS (continued)

29.4 Financial Risk Management Objectives (continued)

29.4.1 Significant Accounting Policies

Details of the significant Accounting Policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of Financial Asset, Financial Liability and Equity Instrument are disclosed in the Accounting Policies to the Annual Financial Statements.

29.4.2 Market Risk

There has been no change to the municipality's exposure to market risks or the manner in which it manages and measures the risk.

29.5 Interest Rate Risk Management

Interest Rate Risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

Potential concentrations of interest rate risk consist mainly of variable rate deposit investments, long-term receivables, other debtors, bank and cash balances.

The municipality limits its counterparty exposures from its money market investment operations by only dealing with well-established financial institutions of high credit standing. No investment with a tenure exceeding twelve months shall be made without consultation with the councillor responsible for financial matters.

In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

Long-term Receivables and Other Debtors are individually evaluated annually at balance Sheet date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The municipality is exposed to interest rate risk as the municipality borrows funds at both fixed and floating interest rates. The risk is managed by the municipality by maintaining an appropriate mix between fixed and floating rate borrowings, by the use of interest rate swap contracts and forward interest rate contracts. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite; ensuring optimal hedging strategies are applied, by either positioning the balance sheet or protecting interest expense through different interest rate cycles.

The municipality's exposures to interest rates on Financial Assets and Financial Liabilities are detailed in the Credit Risk Management section of this note and the liquidity and interest risk tables.

Interest Rate Sensitivity Analysis

The municipality had no floating rate long-term financial instruments at year-end requiring an Interest Rate Sensitivity Analysis.

29.6 Credit Risk Management

Credit Risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality. The municipality has a sound credit control and debt collection policy and obtains sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The municipality uses other publicly available financial information and its own trading records to assess its major customers. The municipality's exposure of its counterparties are monitored regularly.

Credit Risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality. The municipality has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The municipality only transacts with entities that are rated the equivalent of investment grade and above. This information is supplied by independent rating agencies where available and, if not available, the municipality uses other publicly available financial information and its own trading records to rate its major customers. The municipality's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually.

Potential concentrations of credit rate risk consist mainly of variable rate deposit investments, long-term receivables, other debtors, bank and cash balances.

The municipality limits its counterparty exposures from its money market investment operations (financial assets that are neither past due nor impaired) by only dealing with well-established financial institutions of high credit standing. The credit exposure to any single counterparty is managed by setting transaction / exposure limits, which are included in the municipality's Investment Policy. These limits are reviewed annually by the Chief Financial Officer and authorised by the Council.

Lejweleputswa District Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (continued)

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Lejweleputswa District Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (continued)

2011
R

2010
R

29 FINANCIAL INSTRUMENTS (continued)

29.6 Credit Risk Management (continued)

Trade Receivables consist of a large number of customers, spread across different industries in the geographical area of the municipality. Periodic credit evaluation is performed on the financial condition of accounts receivable and, where appropriate, credit guarantee is increased accordingly.

Consumer Debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas within the jurisdiction of the municipality. Ongoing credit evaluations are performed on the financial condition of these debtors. Consumer debtors are presented net of a provision for impairment.

In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

Long-term Receivables and Other Debtors are individually evaluated annually at reporting date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The municipality does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The municipality defines counterparties as having similar characteristics if they are related entities. Concentration of credit risk did not exceed 5% of gross monetary assets at any time during the year. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

Except as detailed in the following table, the carrying amount of financial assets recorded in the Annual Financial Statements, which is net of impairment losses, represents the municipality's maximum exposure to credit risk without taking account of the value of any collateral obtained:

The maximum credit and interest risk exposure in respect of the relevant financial instruments is as follows:

Fixed Deposit Investments	20 000 000	45 000 000
Other Debtors	662 289	2 330 510
Bank, Cash and Cash Equivalents	23 729 282	5 008 864
Maximum Credit and Interest Risk Exposure	44 391 571	52 339 374

Lejweleputswa District Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (continued)

29 FINANCIAL INSTRUMENTS (Continued)

29.7. Effective Interest Rates and Repricing Analysis

In accordance with IFRS 7 .40 the following tables indicate the average effective interest rates of Income-earning Financial Assets and Interest-bearing Financial Liabilities at the reporting date and the periods in which they mature or, if earlier, reprice:

30 JUNE 2011

Description	Note ref in AFS	Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
		%	R	R	R	R		R
FIXED RATE INSTRUMENTS								
Held-to-maturity Investments	11		20 000 000	20 000 000	-	-	-	-
Fixed Deposits			20 000 000	20 000 000	-	-	-	-
Total Fixed Rate Instruments			20 000 000	20 000 000	-	-	-	-
VARIABLE RATE INSTRUMENTS								
Bank Balances and Cash	3		23 729 282	23 729 282	-	-	-	-
Total Fixed Rate Instruments			23 729 282	23 729 282	-	-	-	-

30 JUNE 2010

Description	Note ref in AFS	Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
	#	%	R	R	R	R		R
FIXED RATE INSTRUMENTS								
Held-to-maturity Investments	11		45 000 000	45 000 000	-	-	-	-
Fixed Deposits			45 000 000	45 000 000	-	-	-	-
Total Fixed Rate Instruments			45 000 000	45 000 000	-	-	-	-
VARIABLE RATE INSTRUMENTS								
Bank Balances and Cash	3		5 008 864	5 008 864	-	-	-	-
Total Fixed Rate Instruments			5 008 864	5 008 864	-	-	-	-

Lejweleputswa District Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (continued)

29 FINANCIAL INSTRUMENTS (Continued)
29.8 Other Price Risks

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

29.9 Liquidity Risk Management

Ultimate responsibility for liquidity risk management rests with the Council, 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. Included in Note 5 is a listing of additional undrawn facilities that the municipality has at its disposal to further reduce liquidity risk (cash).

Liquidity and Interest Risk Tables

The following tables detail the municipality's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the municipality can be required to pay. The table includes both interest and principal cash flows.

Description	Note ref in AFS	Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
	#	%	R	R	R	R	R	R
30 JUNE 2011								
Non-interest Bearing: accounts payable and other	9	0.00%	-	6 848 240	-	-	-	-
Finance Lease Liability	11	116.00%	176 517	176 517	-	-	-	-
Variable Interest Rate Instruments - DBSA Loan	11	10.00%	926 496	232 874	232 874	460 748	-	-
Variable Interest Rate Instruments - DBSA Loan	11	15.00%	4 387 813	313 419	313 419	626 838	1 880 496	1 253 640
Variable Interest Rate Instruments - DBSA Loan	11	15.00%	856 878	61 206	61 206	122 413	367 234	244 819
Variable Interest Rate Instruments - DBSA Loan	11	15.00%	682 174	45 478	45 478	90 957	272 870	227 391
Variable Interest Rate Instruments - DBSA Loan	11	15.00%	166 430	11 888	11 888	23 776	71 327	47 551
Variable Interest Rate Instruments - DBSA Loan	11	15.00%	1 747 373	116 492	116 492	232 983	698 949	582 458
Variable Interest Rate Instruments - DBSA Loan	11	16.50%	18 875 277	1 048 627	1 048 627	2 097 253	6 291 760	8 389 011
Variable Interest Rate Instruments - DBSA Loan	11	15.75%	5 235 891	275 573	275 573	551 147	1 653 439	2 480 158
Variable Interest Rate Instruments - DBSA Loan	11	15.75%	4 012 318	211 175	211 175	422 349	1 267 048	1 900 571
			37 067 167	9 341 489	2 316 732	4 628 464	12 503 124	15 125 598
30 JUNE 2010								
Non-interest Bearing: accounts payable and other	9	0.00%	-	8 282 892	-	-	-	-
Finance Lease Liability	11	87.88%	1 215 141	508 869	529 754	176 517	-	-
Variable Interest Rate Instruments - DBSA Loan	11	10.00%	1 392 243	232 874	232 874	465 748	460 748	-
Variable Interest Rate Instruments - DBSA Loan	11	15.00%	5 014 651	313 419	313 419	626 838	1 880 515	1 880 460
Variable Interest Rate Instruments - DBSA Loan	11	15.00%	979 291	61 206	61 206	122 413	367 238	367 227
Variable Interest Rate Instruments - DBSA Loan	11	15.00%	773 131	45 478	45 478	90 957	272 870	318 348
Variable Interest Rate Instruments - DBSA Loan	11	15.00%	190 206	11 888	11 888	23 776	71 328	71 326
Variable Interest Rate Instruments - DBSA Loan	11	15.00%	1 980 356	116 492	116 492	232 983	698 949	815 441
Variable Interest Rate Instruments - DBSA Loan	11	16.50%	20 972 531	1 048 627	1 048 627	2 097 253	6 291 760	10 486 264
Variable Interest Rate Instruments - DBSA Loan	11	15.75%	5 787 037	275 573	275 573	551 147	1 653 440	3 031 304
Variable Interest Rate Instruments - DBSA Loan	11	15.75%	4 434 667	211 175	211 175	422 349	1 267 048	2 322 920
			42 739 255	11 108 494	2 846 486	4 809 981	12 963 895	19 293 291

The comparative figures for Liquidity and interest rate risk relating to DBSA loans and Accounts payable have been restated to correct an error contained in the 2009/2010 Annual Financial Statements. Refer to note 37.9 and 37.10 on Correction of Errors for details of the restatement.

Lejweleputswa District Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (continued)

29 FINANCIAL INSTRUMENTS (Continued)

Except as detailed in the following table, the carrying amount of financial assets recorded in the Annual Financial Statements, which is net of impairment losses, represents the municipality's maximum exposure to credit risk without taking account of the value of any collateral obtained:

	2011	2010
	R	R
The maximum credit and interest risk exposure in respect of the relevant financial instruments is as follows:		
Fixed Deposit Investments	20 000 000	45 000 000
Other Debtors	3 685 971	5 151 110
Bank, Cash and Cash Equivalents	23 729 282	5 008 864
Maximum Credit and Interest Risk Exposure	<u>47 415 253</u>	<u>55 159 974</u>
Bank Balances		
ABSA Bank	4 998 107	294 668
Total Bank Balances	<u>4 998 107</u>	<u>294 668</u>

30 EMPLOYER RETIREMENT BENEFIT INFORMATION

All councillors belong to the Pension Fund for Municipal Councillors.

Employees belong to a variety of approved Pension and Provident Funds as described below.

These schemes are subject to either a tri-annual, bi-annual or annual actuarial valuation, details which are provided below.

The Municipal Councillors Fund is a defined contribution plans, whereas the other funds are defined benefit plans. All of these aforementioned funds are multi-employer plans. Sufficient information is not available to use defined benefit accounting for the pension and retirement funds, due to the following reasons:-

- (i) The assets of each fund are held in one portfolio and are not notionally allocated to each of the participating employers.
- (ii) One set of financial statements are compiled for each fund and financial statements are not drafted for each participating employer.
- (iii) The same rate of contribution applies to all participating employers and no regard is paid to differences in the membership distribution of the participating employers.

It is therefore seen that each fund operates as a single entity and is not divided into sub-funds for each participating employer.

The total expense recognised in the Statement of Financial Performance of R1 780 978.62 (2010: R4 930 944.00) represents contributions payable to these plans by the municipality at rates specified in the rules of the plans. These contributions have been expensed.

Defined benefit plan accounting as required by IAS 19 / AC 116 have been exempted in terms of General Notice 522 of 2007 and had not been applied for the previous or current financial year.

Municipal Councillors Pension Fund:

The Municipal Councillors Pension Fund operates as a defined contribution scheme. The contribution rate paid by the members (13,75%) and Council (15,00%) is sufficient to fund the benefits accruing from the fund in the future.

Municipal Employees Pension Fund:

The Municipal Employees Pension Fund operates as a defined contribution scheme. The contribution rate paid by the members (7.5%) and Council (18,07%) is sufficient to fund the benefits accruing from the fund in the future.

SAMWU Provident Fund:

The SAMWU Provident Fund operates as a defined contribution scheme. The contribution rate paid by the members (8%) and Council (18,07%) is sufficient to fund the benefits accruing from the fund in the future.

Free State Municipal Pension Fund:

The Free State Municipal Pension Fund operates as a defined contribution scheme. The contribution rate paid by the members (8%) and Council (18,07%) is sufficient to fund the benefits accruing from the fund in the future.

Free State Municipal Provident Fund:

The Free state Municipal Provident Fund operates as a defined contribution scheme. The contribution rate paid by the members (4.5-8.5%) and Council (18,07%) is sufficient to fund the benefits accruing from the fund in the future.

Lejweleputswa District Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (continued)

31 RELATED PARTY TRANSACTIONS

31.1. Related party relationships:

	2011 R	2010 R
Relationships		
Shareholder / 100% Owned Entity Lejweleputswa Development Agency		
Related party transaction		
Subsidies given to related party Lejweleputswa Development Agency	2 000 000	1 434 226

32 CONTINGENT LIABILITIES

32.1 Employees

CCMA cases involving one current and one former employees	-	708 128
Reinstatement of three former employees dismissed	-	281 942
CCMA cases involving three former employees	1 169 736	

32.2 Creditors

Dispute between Fixtrade and Council relating to Monyaneng Roads	-	228 899
Business Zone 36 CC relating to Matjhabeng Indoor sports centre	-	460 908
Big Bravo-Relating to Retention from MIG projects	-	161 810

33 CONTINGENT ASSETS

33.1 Court Proceedings:

	3 760 810	-
<u>Lejweleputswa vs. Dikgabolokwe cc</u>	3 760 810	-

The service provider was contracted to build VIP toilets for the District Municipality and was overpaid upon submission of an invoice. After a long legal battle the high court ruled that the service provider must repay the access money. It is however unsure if the money will be recovered.

The amount is R3 760 810.07

34 IN-KIND DONATIONS AND ASSISTANCE

The municipality did not receive any In-kind Donations and Assistance during the year under review.

35 COMMITMENTS FOR EXPENDITURE

35.1 Capital Commitments

Commitments in respect of Capital Expenditure:

- Approved and Contracted for:-	6 805 203	7 153 367
Other- Buildings	6 805 203	7 153 367
Total Capital Commitments	6 805 203	7 153 367

This expenditure will be financed from:

Own Resources	6 805 203	7 153 367
	6 805 203	7 153 367

36 COMPARISON WITH THE BUDGET

The comparison of the municipality's actual financial performance with that budgeted, is set out in Annexures "E (1) and E (2)".

38 EVENTS AFTER THE REPORTING DATE

No events after reporting date

Lejweleputswa District Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (continued)

39 RECONCILIATION OF BUDGET TO SURPLUS

Operating Budget vs. Operating Surplus:

DETAILS	2011	2010
<i>Variance per Category:</i>		
Budgeted surplus before appropriations	(12 377 301)	5 796 026
Revenue variances	(407 699)	(2 594 232)
Expenditure variances:		
Employee Related Costs	4 005 235	(479 490)
Remuneration of Councillors	1 760 546	927 406
Depreciation and Amortisation	(2 633 082)	(3 458 237)
Impairment Losses	(1 248 975)	115 220
Repairs and Maintenance	477 430	504 188
Interest Paid	366 637	279 679
Donations of PPE	(848 012)	-
Loss on the disposal of PPE	(347 530)	(106 717)
Grants and Subsidies Paid	573 784	(2 466 435)
Transfer to local municipalities	6 998 071	(173 409)
Transfer to the development agency	(2 000 000)	(1 434 226)
General Expenses	2 055 806	3 309 875
Actual surplus before appropriations	(2 809 691)	5 408 111

40 COMPARATIVE FIGURES

The comparative figures were restated as a result of the effect of Prior Period Errors (Note 37).

Lejweleputswa District Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (continued)

37 CORRECTION OF ERROR

Corrections were made and appropriated to the Accumulated Surplus Account during the financial years ended 30 June.

2010
R

Details of the appropriations are as follows:

Unappropriated Surplus Account:

Correction of finance lease	115 652
Recognition of the Post retirement medical liability	(3 420 457)
Recognition of the Long service awards liability	(1 510 487)
Debtor in suspense account not recovered	(29 170)
Incorrect Uif allocation	(81 194)
Correction of Intangible asset incorrectly expensed	170 995
Correction of depreciation and amortization	267 630
Correction of incorrect creditor allocation	2 901
Understatement of debtors in prior year	29 285
Increase / (Decrease) in Unappropriated Surplus Account	<u><u>(4 454 845)</u></u>

37.1 Correction of error of the PAYE, UIF, SDL, PENSION and MEDICAL AID disclosure:

The prior year figures of the PAYE, UIF, SDL, PENSION and MEDICAL AID disclosure have been restated to correctly classify the nature of these items of the municipality.

The effect of the Correction of Error is as follows:

	2009/2010 disclosure	Adjustment	Restated disclosure Amount
Balances as per AFS previously published for 2009-2010			
Note 28.3 PAYE, SDL and UIF			
Current year Payroll Deductions	6 747 842	587 182	7 335 024
Note 28.4 Pension and Medical Aid Deductions			
Current year Payroll Deductions and Council Contributions	796 992	8 328 503	9 125 495
Balances as at 30 June 2011 per AFS published for comparative figures (2009-2010)			
	<u>7 544 834</u>	<u>8 915 685</u>	<u>16 460 519</u>

Nature

The above restatement was done to ensure that the PAYE, UIF, SDL, PENSION, MEDICAL AID disclosure is complete and correct as the wrong amounts have been disclosed in the prior year financial statement disclosure.

37.2 Reclassification of the Current portion of long-term liabilities and the current portion of the finance lease liability:

The prior year figures of the Current portion of long-term liabilities and the Current portion of the finance lease liability have been restated to correctly classify the nature of the Current portion of long-term liabilities of the municipality in order to include the current portion of the finance lease liability as part of Current portion of

The effect of the Correction of Error is as follows:

	Current portion of long-term	Current portion of finance lease
Balances as per AFS previously published for 2009-2010		
Reclassification to reflect the nature of the Current portion of long-term liabilities	1 361 821	608 783
	608 783	(608 783)
Balances as at 30 June 2011 per AFS published for comparative figures (2009-2010)		
	<u>1 970 604</u>	<u>-</u>

Nature

The above restatement was done to ensure that the Finance lease liability forms part of the current portion of Long-term liabilities on the face of the statement of financial position

37.3 Reclassification of Long-term liabilities and Non current finance lease liability:

The prior year figures of Long-term liabilities and the Non current finance lease liability have been restated to correctly classify the nature of the Long-term liabilities of the municipality in order to include the Non current finance lease liability as part of Long-term liabilities on the face of the statement of financial position.

The effect of the Correction of Error is as follows:

	Long-term liabilities	Non current finance lease liability
Balances as per AFS previously published for 2009-2010		
Reclassification to reflect the nature of the Current portion of long-term liabilities	19 891 009	161 103
	161 103	(161 103)
Balances as at 30 June 2011 per AFS published for comparative figures (2009-2010)		
	<u>20 052 112</u>	<u>-</u>

Nature

The above restatement was done to ensure that the Finance lease liability forms part of Long-term liabilities on the face of the statement of financial position

Lejweleputswa District Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (continued)

37 CORRECTION OF ERROR (continued)

37.4 Reclassification of Depreciation and amortization and Amortization:

The prior year figures of **Depreciation and Amortization** and Amortization have been restated to correctly classify the nature of the Depreciation and Amortization of the municipality in order to include Amortization as part of Depreciation and Amortization on the face of the statement of financial performance.

The effect of the Correction of Error is as follows:

	Depreciation and	Amortization
Balances as per AFS previously published for 2009-2010	3 458 237	267 631
Reclassification to reflect the nature of the Depreciation and Amortization	267 631	(267 631)
Balances as at 30 June 2011 per AFS published for comparative figures (2009-2010)	3 725 868	-

Nature

The above restatement was done to ensure that the amortization forms part of Depreciation and amortization on the face of the statement of financial performance

37.5 Reclassification of General Expenditure, Grants and Subsidies paid and Audit Fees:

The prior year figures of **General Expenditure, Grants and subsidies paid** and Audit fees have been restated to correctly classify the nature of General Expenditure, Grants and subsidies of the municipality in order to include Audit fees as part of General Expenditure and to exclude Grants and subsidies as part of General Expenditure on the face of the statement of financial performance.

The effect of the Correction of Error is as follows:

	General Expenditure	Audit fees	Grants and subsidies
Balances as per AFS previously published for 2009-2010	21 785 870	2 107 118	2 466 435
Reclassification to reflect the nature of the General Expenditure, Grants and subsidies and audit fees.	(359 317)	(2 107 118)	(2 466 435)
Balances as at 30 June 2011 per AFS published for comparative figures (2009-2010)	21 426 553	-	-

Nature

The above restatement was done to ensure that audit fees forms part of General expenditure on the face of the statement of financial performance. Also to reflect Grants and Subsidies paid as a separate line item on the face of the statement of financial performance.

37.6 Correction of Finance lease Calculation error

The prior year figures and disclosure of Finance lease liability and Interest expense have been restated to correctly classify the nature thereof.

	Minimum Lease Payments			Present Value of Minimum Lease Payments		
	2009-2010 AFS	Adjustment	Restated amount	2009-2010 AFS	Adjustment	Restated amount
Amounts payable under finance leases:	R		R	R		R
Within one year	1 041 379	(2 755)	1 038 624	608 783	(107 437)	501 346
In the second to fifth years, inclusive	177 420	(903)	176 517	161 103	(8 215)	152 888
Over five years	-	-	-	-	-	-
	1 218 799	(3 658)	1 215 141	769 886	(115 652)	654 234
Less: Amounts due for settlement within 12 months (Current Portion)				608 783	(107 437)	501 346
Finance Lease Obligations due for settlement after 12 months (Non-current Portion)				161 103	(8 215)	152 888

The effect of the Correction of Error is as follows:

	Per AFS for 2009-2010	Adjustment	Accumulated surplus	Liability Restated Amount
Balances as per AFS previously published for 2009-2010	769 886	-115 652	115 652	654 234

Nature

The finance lease liability and the portion of interest expense relating to the finance lease liability was incorrectly calculated in the prior year. It was corrected with journal.

Lejweleputswa District Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (continued)

37 CORRECTION OF ERROR (continued)

37.7 Correction of error : Property Plant and equipment and Intangible assets (incl Depreciation and amortization)

The prior year figures of Property plant and equipment as well as depreciation have been restated to correctly classify the nature of PPE for the municipality.

The effect of the Correction of Error is as follows:

Asset Category	2009/2010		Adjustment		Restated Amount	
	Cost	Accumulated depreciation	Cost	Accumulated depreciation	Cost	Accumulated depreciation
Land and Buildings	20 911 875	(1 502 554)	47 048 906	(2 617 110)	67 960 781	(4 119 664)
Emergency Equipment	88 340	(35 100)	28 770	3 472	117 110	(31 628)
Furniture and Fittings	2 628 137	(1 447 418)	1 583 341	1 323 803	4 211 478	(123 615)
Motor Vehicles	4 685 639	(739 700)	639 277	250 868	5 324 916	(488 833)
Office Equipment	3 694 921	(2 115 374)	(1 048 520)	1 737 496	2 646 401	(377 878)
Property and Plant	14 395 228	(2 576 254)	(63 558)	(819 113)	14 331 670	(3 395 367)
Other	56 384	(8 259)	98 988	(843)	155 372	(9 102)
Finance lease assets	1 038 256	(634 490)	(974 742)	634 490	63 514	-
Intangible assets	See 37.17	-1 262 157	See 37.17	545 660	See 37.17	(716 496)

	2009/2010	Adjustment	Capital Reserve	Accumulated surplus	Restated Amount
Property, Plant and Equipment	38 439 631	47 825 523	47 557 893	267 630	86 265 155
Intangible assets	468 213	716 655	545 660	170 995	1 184 868
	38 907 845	48 542 178	48 103 554	438 625	87 450 023

Depreciation

The effect of the Correction of Error is as follows:

	2009/2010 Expenditure	Accumulated surplus	Restated Amount
Depreciation and amortization	3 725 867	(267 630)	3 458 237
	3 725 867	(267 630)	3 458 237

Nature

The reason for the adjustment of Property, Plant and equipment and the effect on depreciation is due to the fact that the useful life as well as the current replacement costs of the assets were reassessed resulting in adjustments with regards to the cost, accumulated depreciation and depreciation.

37.8 Reclassification of General Expenditure classes:

The prior year figures of General Expenditure Classes have been restated to correctly classify the nature of Expenditure of the municipality.

The effect of the Correction of Error is as follows:

	2009/2010 Expenditure	Adjustment	Restated Amount
Branding of the municipality	1 624 809	(25 696)	1 599 113
Other General Expenses	3 859 889	25 696	3 885 585
	5 484 698	0	5 484 698

Nature

The correction between the two general expenditure classes is to ensure that the disclosure are accurate with regards to general expenditure

37.9 Correction of disclosure error of accounts payable exposure with regards to liquidity and interest rate risk disclosure:

The prior year figures of the accounts payable exposure with regards to liquidity risk disclosure have been restated to correctly classify the nature of the accounts payable exposure with regards to the liquidity risk disclosure of the municipality.

The effect of the Correction of Error is as follows:

	2009/2010	Disclosure Adjustment	Restated Disclosure Amount
Trade and other payables	8 975 106	(692 214)	8 282 892
	8 975 106	(692 214)	8 282 892

Nature

The accounts payable exposure was incorrectly calculated in the prior year as part of the liquidity and interest rate risk disclosure.

Lejweleputswa District Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (continued)

37 CORRECTION OF ERROR (continued)

37.10 Correction of disclosure error of DBSA Loans with regards to liquidity and interest rate risk disclosure:

The prior year figures of the DBSA loans with regards to liquidity and interest rate risk disclosure have been restated to correctly classify the nature of the DBSA Loans with regards to the liquidity and interest rate risk disclosure of the municipality.

The effect of the Correction of Error is as follows:

	2009/2010	Disclosure Adjustment	Restated Disclosure Amount
Total DBSA loans	21 252 830	20 271 284	41 524 114
	21 252 830	20 271 284	41 524 114

Nature

The disclosed amount of the total DBSA loans were incorrectly disclosed in the prior year due to the fact that only the principle amount was disclosed. This has been corrected in the current year by including the interest and principle future amounts as part of the liquidity and interest rate risk tables.

37.11 Correction of disclosure error of Remuneration of Councillors:

The prior year figures of the Remuneration of councillors have been restated to correctly classify the nature of this item ensuring that the remuneration of councillors are disclosed as per the different types of allowances as well as normal remuneration.

The effect of the Correction of Error is as follows:

	2009/2010	Disclosure Adjustment	Restated Disclosure Amount
Executive Mayor	751 794	(264 591)	487 203
Speaker	388 885	(128 546)	260 339
Executive Members	3 753 182	(1 269 655)	2 483 527
Other councillors	2 366 345	(1 027 427)	1 338 918
Councillors Transport Allowance	-	1 522 449	1 522 449
Company Contributions to UIF, Medical and Pension Funds	-	871 122	871 122
Councillors: Telephone allowance	-	95 867	95 867
Councillors Sitting allowances	-	281 975	281 975
	7 260 206	81 194	7 341 400

Nature

The prior year figures of the Remuneration of councillors have been restated to correctly classify the nature of this item ensuring that the remuneration of councillors are disclosed as per the different types of allowances as well as normal remuneration.

37.12 Correction of Error: The recognition of the retirement liability

The prior year figures of the Retirement Liability have been recognized in order to correctly classify the nature of the retirement liability of the municipality.

The effect of the Correction of Error is as follows:

	2009/2010	Adjustment	Accumulated surplus	Liability Restated Amount
Post-retirement Health Care Benefits Liability: Long term portion	-	3 407 353	(3 407 353)	3 407 353
Post-retirement Health Care Benefits Liability: Current portion	-	13 104	(13 104)	13 104
	-	3 420 457	(3 420 457)	3 420 457

Nature

The correction results from the recognition of the retirement liability for 2009-2010.

37.13 Correction of Error: The recognition of the Long service award liability

The prior year figures of the Long service award Liability have been recognized in order to correctly classify the nature of the Long service award liability of the municipality.

The effect of the Correction of Error is as follows:

	2009/2010	Adjustment	Accumulated surplus	Liability Restated Amount
Long service award Liability: Long term portion	-	1 405 232	(1 405 232)	1 405 232
Long service awards Liability: Current portion	-	105 255	(105 255)	105 255
	-	1 510 487	(1 510 487)	1 510 487

Nature

The correction results from the recognition of the Long service award liability providing for the 2011 financial year.

Lejweleputswa District Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (continued)

37 CORRECTION OF ERROR (continued)

37.14 Correction of Error: Staff expenses in Debtor suspense accounts not recovered and therefore expensed

The prior year figures of the Debtors have been corrected in order to correctly classify and account for debtors and expenses of the municipality.

The effect of the Correction of Error is as follows:

	2009/2010	Adjustment	Accumulated surplus	Restated Amount
Trade Receivables from Non-Exchange Transactions	2 330 395	(29 170)	(29 170)	2 301 225
	2 330 395	(29 170)	(29 170)	2 301 225

Nature

Various staff expenses could not be recovered from the relevant employees relating to the prior year and therefore these amounts are recognized as expenditure

37.15 Correction of Error: Incorrect Debtors amounts accounted for in prior year

The prior year figures of the Debtors have been corrected in order to correctly classify and account for debtors and expenses of the municipality.

The effect of the Correction of Error is as follows:

	2009/2010	Adjustment	Accumulated surplus	Restated Amount
Trade Receivables from Non-Exchange Transactions	2 301 225	29 285	29 285	2 330 510
	2 301 225	29 285	29 285	2 330 510

Nature

Incorrect debtors amounts have been accounted for in the prior year which resulted in debtors being understated

37.16 Correction of Error: Incorrect treatment of UIF correction with regards to councillors

The prior year figures of the creditors have been corrected in order to correctly classify and account for debtors and expenses of the municipality.

The effect of the Correction of Error is as follows:

	2009/2010	Adjustment	Accumulated surplus	Restated Amount
Trade and other payables	8 204 597	81 194	(81 194)	8 285 791
	8 204 597	81 194	(81 194)	8 285 791

Nature

Incorrectly the UIF outstanding with regards to councillors were accounted for under councillors remuneration in the income statement instead of providing the amount as a creditor

37.17 Correction of Error: amortization of Intangible asset

The prior year figures of Intangible assets have been corrected in order to correctly classify the nature of the Intangible assets of the municipality.

The effect of the Correction of Error is as follows:

	2009/2010	Adjustment	Accumulated surplus	Restated Amount
Intangible assets: Cost	1 730 370	170 995	170 995	1 901 365
	1 730 370	170 995	170 995	1 901 365

Nature

The correction results from correcting the cost of intangible assets that was incorrectly classified as expenses in the prior year by capitalising the cost of these assets depreciating these assets over its useful life.

37.18 Correction of Error: Incorrect classification of amount as creditor

The prior year figures of the creditors have been corrected in order to correctly classify and account for creditors of the municipality.

The effect of the Correction of Error is as follows:

	2009/2010	Adjustment	Accumulated surplus	Restated Amount
Creditors	8 204 599	(2 901)	2 901	8 201 698
	8 204 599	(2 901)	2 901	8 201 698

Nature

An incorrect amount was accounted for as part of creditors in the prior year.

APPENDIX A

Lejweleputswa District Municipality

SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2011

Details	Original Loan Amount	Interest Rate	Loan Number	Redeemable	Balance at 30 JUNE 2010	Received during the Period	Redeemed/ Written Off during Period	Balance at 30 JUNE 2011
	R				R	R	R	R
ANNUITY LOANS								
DBSA-61004020:Bothaville	3 337 749.00	10.00%	1	2013	1 181 343.00	0.00	356 206.00	825 157.40
DBSA-61001299:Henneman	4 000 000.00	15.00%	2(a)	2019	2 862 566.00	0.00	204 666.00	2 657 919.80
DBSA-61001258:Ventersburg	730 000.00	15.00%	2(b)	2019	559 019.00	0.00	39 968.00	519 054.49
DBSA-61001256: Boshoff	550 000.00	15.00%	2(c)	2019	428 652.00	0.00	27 630.00	401 022.12
DBSA-61001257: Dealesville	143 000.00	15.00%	2(d)	2019	108 578.00	0.00	7 763.00	100 815.10
DBSA-61001259:Wesselsbron	1 400 000.00	15.00%	2(e)	2019	1 097 983.00	0.00	70 775.00	1 027 208.48
DBSA-61003159:Bothaville2	12 500 000.00	16.50%	3(a)	2020	10 096 696.00	0.00	448 383.00	9 648 312.86
DBSA-61003236:Henneman2	3 300 000.00	15.75%	3(b)	2020	2 784 330.00	0.00	116 872.00	2 667 458.64
DBSA-61003237:Brandfort	3 000 000.00	15.75%	3(c)	2020	2 133 663.00	0.00	89 560.00	2 044 101.30
Total Annuity Loans	28 960 749				21 252 830	-	1 361 823	19 891 050
TOTAL EXTERNAL LOANS	28 960 749				21 252 830	-	1 361 823	19 891 050

APPENDIX B
Lejweleputswa MUNICIPALITY
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2011

Description	Historical Cost					WIP Cost				Accumulated Depreciation					Carrying Value
	Opening Balance	Correction of Prior Year Errors	Additions	Disposals	Closing Balance	Under Construction			Closing Balance	Opening Balance	Correction of Prior Year Errors	Additions	Disposals	Closing Balance	
						Balance b/f	Added	Completed							
	R	R	R	R	R	R	R	R	R	R	R	R	R	R	
OTHER ASSETS															
Emergency Equipment	88 340	28 770	398 249	(477 819)	37 540	-	-	-	37 540	(35 100)	3 472	(16 800)	44 977	(3 451)	34 089
Furniture and Fittings	2 628 137	1 583 341	203 726	(96 007)	4 319 198	-	-	-	4 319 198	(1 447 418)	1 323 803	(429 372)	68 679	(484 307)	3 834 890
Motor Vehicles	4 685 639	639 277	452 052	(452 052)	5 324 916	-	-	-	5 324 916	(739 700)	250 868	(727 894)	2 290	(1 214 437)	4 110 479
Office Equipment	3 694 921	(1 048 520)	488 979	(585 683)	2 549 697	-	-	-	2 549 697	(2 115 374)	1 737 496	(412 487)	366 899	(423 466)	2 126 231
Property and Plant	14 395 228	(63 558)	110 089	(133 422)	14 308 337	-	-	-	14 308 337	(2 576 254)	(819 113)	(2 552 860)	71 704	(5 876 523)	8 431 814
Other	56 384	98 988	20 747	(11 351)	164 767	-	-	-	164 767	(8 259)	(843)	(21 445)	6 244	(24 304)	140 464
Finance lease assets	1 038 256	(974 742)	-	-	63 514	-	-	-	63 514	(634 490)	634 490	(5 716)	-	(5 716)	57 798
	26 586 906	263 555	1 673 843	(1 756 334)	26 767 970	-	-	-	26 767 970	(7 556 595)	3 130 172	(4 166 574)	560 792	(8 032 204)	18 735 765
LAND & BUILDINGS															
Land and buildings	20 911 875	35 838 371	241 665	-	56 991 910	11 210 536	7 595 327	(18 805 862)	75 797 772	(1 502 554)	(2 617 110)	(1 395 762)	-	(5 515 426)	70 282 346
	20 911 875	35 838 371	241 665	-	56 991 910	11 210 536	7 595 327	(18 805 862)	75 797 772	(1 502 554)	(2 617 110)	(1 395 762)	-	(5 515 426)	70 282 346
Total	47 498 780	36 101 926	1 915 507	(1 756 334)	83 759 880	11 210 536	7 595 327	(18 805 862)	102 565 742	(9 059 149)	513 062	(5 562 335)	560 792	(13 547 630)	89 018 112

ANALYSIS OF INTANGIBLE ASSETS AS AT 30 JUNE 2011

Description	Historical Cost					WIP Cost				Accumulated Depreciation					Carrying Value
	Opening Balance	Correction of Prior Year Errors	Additions	Disposals	Closing Balance	Under Construction			Closing Balance	Opening Balance	Correction of Prior Year Errors	Additions	Disposals	Closing Balance	
						Balance b/f	Added	Completed							
	R	R	R	R	R	R	R	R	R	R	R	R	R	R	
Intangible Assets															
Computer Software	1 730 370	170 995	101 424	-	2 002 789	-	-	-	-	(1 262 157)	545 660	(370 747)	-	(1 087 244)	915 545
	1 730 370	170 995	101 424	-	2 002 789	-	-	-	-	(1 262 157)	545 660	(370 747)	-	(1 087 244)	915 545
Total	1 730 370	170 995	101 424	-	2 002 789	-	-	-	-	(1 262 157)	545 660	(370 747)	-	(1 087 244)	915 545

APPENDIX C
Lejweleputswa District Municipality
SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT 30 JUNE 2011

	Cost				Cost: Under construction (WIP)			Total Cost	Accumulated Depreciation				Carrying Value	Budget Additions 2010/2011
	Opening Balance	Additions	Disposals / Transfers	Closing Balance	Balance b/f	Added	Completed	Closing Balance	Opening Balance	Additions	Disposals / Transfers	Closing Balance		
Information Technology	110 641	207 502	-	318 143	-	-	-	318 143	(11 985)	(40 796)	-	-52 781	265 362	250 000
Corporate Services	2 045 035	-	-69 715	1 975 320	-	-	-	1 975 320	(76 623)	(211 465)	50 616	-237 473	1 737 847	-
Council general	59 281 927	173 249	-483 092	58 972 084	4 836 401	4 830 147	9 666 548	68 638 633	(4 411 773)	(1 705 514)	17 335	-6 099 952	62 538 680	5 050 680
Disaster management	901 896	1 309 344	-497 522	1 713 718	6 374 134	2 765 180	9 139 314	10 853 032	(135 488)	(188 699)	59 167	-265 021	10 588 011	14 293 780
Environmental health	244 474	96 640	-45 797	295 317	-	-	-	295 317	(31 234)	(39 409)	26 148	-44 495	250 821	250 000
Executive mayor	875 470	33 189	-66 043	842 616	-	-	-	842 616	(59 240)	(90 341)	57 288	-92 294	750 322	30 000
Financial department	1 373 693	48 580	-369 341	1 052 932	-	-	-	1 052 932	(186 834)	(178 317)	220 449	-144 702	908 230	60 000
LED	304 082	-	-20 608	283 474	-	-	-	283 474	(18 140)	(33 051)	11 921	-39 270	244 204	-
Municipal manager	7 883 326	21 248	-136 347	7 768 226	-	-	-	7 768 226	(1 258 180)	(1 267 100)	78 012	-2 447 268	5 320 958	30 000
Property	407 489	-	-639	406 850	-	-	-	406 850	(49 738)	(60 204)	127	-109 814	297 036	-
Rural roads	9 170 430	13 449	-3 868	9 180 011	-	-	-	9 180 011	(2 266 687)	(1 646 527)	651	-3 912 563	5 267 448	61 500
Social services	160 964	-	-14 282	146 682	-	-	-	146 682	(11 910)	(17 242)	12 353	-16 798	129 883	220 000
Speaker/Mayor committee	713 364	12 308	-49 079	676 593	-	-	-	676 593	(28 254)	(72 159)	26 726	-73 686	602 906	60 000
TOTAL	83 472 791	1 915 507	(1 756 334)	83 631 965	11 210 536	7 595 327	18 805 862	102 437 827	-8 546 087	-5 550 823	560 792	-13 536 118	88 901 709	20 305 960

APPENDIX D
Lejweleputswa District Municipality

SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2011

2010 Actual Income	2010 Actual Expenditure	2010 Surplus/ (Deficit)	Description	2011 Actual Income	2011 Actual Expenditure	2011 Surplus/ (Deficit)
20 306 124	22 149 164	(1 843 040)	Executive & Council General	17 880 985	26 534 631	(8 653 646)
10 636 313	10 192 849	443 464	Executive & Council Executive Mayor	11 511 128	11 742 154	(231 026)
2 765 684	2 604 977	160 707	Executive & Council Speaker	3 270 473	2 859 803	410 670
5 404 598	5 106 143	298 455	Executive & Council Mayoral Committee	5 842 846	5 422 780	420 066
5 266 472	4 792 712	473 760	Executive & Municipal Manager	6 730 510	7 846 256	(1 115 746)
5 184 083	3 745 405	1 438 678	Finance & Admin Corporate Services	6 654 450	5 722 688	931 762
1 187 800	1 266 781	(78 981)	Finance & Admin Human Resources	2 504 330	1 360 640	1 143 690
1 845 113	1 281 160	563 953	Finance & Admin Information Technology	1 881 659	1 496 820	384 839
2 607 065	1 695 587	911 478	Finance & Admin Property	1 653 805	1 254 764	399 041
8 576 794	8 152 729	424 066	Finance & Admin Finance	10 523 358	10 116 419	406 939
1 316 049	1 000 265	315 784	Finance & Admin Municipal Support	1 099 325	1 210 989	(111 664)
764 038	746 270	17 768	Finance & Admin Skills Development			-
1 218 515	954 954	263 561	Finance & Admin Finance Technical Support	1 047 989	776 463	271 526
-	-	-	- Finance & Admin Levies			-
3 499 183	1 977 569	1 521 614	Community & Social Services Social Services	3 252 056	1 905 365	1 346 691
2 286 893	2 060 527	226 366	Community & Social Services Disaster Management	2 186 022	1 848 152	337 870
-	-	-	- Community & Social Services Community Services			-
9 609 468	8 581 675	1 027 793	Health Environment	11 162 743	9 526 592	1 636 151
-	-	-	- Public Safety: Fire Services			-
1 200 000	1 181 511	18 489	Other Tourism	1 985 000	1 777 379	207 621
-	29	(29)	Intergovernmental relations			-
1 611 321	1 211 727	399 594	Planning and Development: Technical Services	1 382 937	1 394 758	(11 821)
4 030 407	1 375 178	2 655 229	Planning and Development: Rural Roads	1 859 147	3 191 239	(1 332 092)
4 841 745	4 046 501	795 244	Planning and Development: Led & Planning	4 668 505	4 167 205	501 300
94 157 665	84 123 713	10 033 952	Sub-Total	97 097 268	100 155 097	(3 057 829)
-			Less: Inter-departmental Charges	-		
94 157 665	84 123 713	10 033 952	Total	97 097 268	100 155 097	(3 057 829)

APPENDIX E(1)

Lejweleputswa District Municipality

ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2011

Description	2010/2011 Actual	2010/2011 Budget	2010/2011 Variance	2010/2011 Variance	Explanation of Significant Variances greater than 10% versus Budget
	R	R	R	%	
REVENUE					
Interest Earned - External investments	3 551 324	3 740 000	(188 676)	-5%	n/a
Interest Earned - Outstanding debtors	532 830	240 000	292 830	55%	Greater amounts than expected were levied on debtor accounts
Government Grants and Subsidies	92 886 204	92 722 000	164 204	0%	n/a
Other Income	154 341	15 000	139 341	90%	Additional miscellaneous income.
Total Revenue	97 124 699	96 717 000	407 699	0%	
EXPENDITURE					
Employee Related Costs	43 609 973	47 615 208	(4 005 235)	-9%	n/a
Remuneration of Councillors	7 898 653	9 659 199	(1 760 546)	-22%	Some over budgeting occurred in the financial year.
Depreciation and Amortization	5 933 082	3 300 000	2 633 082	44%	Current replacement values were allocated to assets in the current year
Impairment Losses	1 248 975	-	1 248 975	100%	Provision for impairment of debt not provided in the estimates.
Repairs and Maintenance	802 732	1 280 162	(477 430)	-59%	Savings realised.
Interest Paid	3 835 880	4 202 517	(366 637)	-10%	Variance within acceptable limit.
Donations of PPE	848 012	-	848 012	100%	Treatment of assets donated to farmers unions in terms of GRAP.
Loss on the disposal of PPE	347 530	-	347 530	100%	Treatment of assets written off in terms of GRAP at carrying values.
Grants and Subsidies Paid	-	573 784	(573 784)	100%	Savings realised.
Transfer to local municipalities	9 384 039	14 382 110	(4 998 071)	-53%	Revised budget was approved in January 2010 and projects started later than expected however remaining projects were carried forward to 2011/2012
Transfer to the development agency	2 000 000	2 000 000	-	0%	Forms part of explanation above
General Expenses	24 025 515	26 081 321	(2 055 806)	-9%	n/a
Total Expenditure	99 934 390	109 094 301	(9 159 911)	-8%	
NET SURPLUS / (DEFICIT) FOR THE YEAR	(2 809 691)	(12 377 301)	9 567 610	-77%	

APPENDIX E(2)

Lejweleputswa District Municipality

ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2011

Description	2010/2011	2010/2011	2010/2011	2010/2011	2010/2011	Explanation of Significant Variances greater than 5% versus Budget
	Actual	Total Additions	Budget	Variance	Variance	
	R	R	R	R	%	
Information Technology	207 502	207 502	250 000	(42 498)	-17%	Saving realised
Corporate Services	-	-	-	-	0%	
Council general	5 003 396	5 003 396	5 050 680	(47 284)	-1%	
Disaster management	4 074 523	4 074 523	14 293 780	(10 219 257)	-71%	Project carried forward to 2011/2012
Environmental health	96 640	96 640	250 000	(153 360)	-61%	Saving realised
Executive mayor	33 189	33 189	30 000	3 189	11%	Saving realised
Financial department	48 580	48 580	60 000	(11 420)	-19%	Saving realised
LED	-	-	-	-	0%	
Municipal manager	21 248	21 248	30 000	(8 752)	-29%	Saving realised
Property	-	-	-	-	0%	
Rural roads	13 449	13 449	61 500	(48 051)	-78%	Saving realised
Social services	-	-	220 000	(220 000)	-100%	Project did not realised
Speaker/Mayor committee	12 308	12 308	60 000	(47 692)	-79%	Saving realised
						Project did not realised
Total	9 510 834	9 510 834	20 305 960	(10 795 126)	(53.16)	

APPENDIX F

Lejweleputswa District Municipality Disclosers of grants and Subsidies in terms of section 123 of MFMA of 2003

Name of Grants	Name of organ of state or Municipal entity	Quantity Receipts				Total Receipts	Grants Balances			Did your Municipality comply with the grants conditions in terms of grants framework	Reason for non-compliance
		Sept	Dec	March	Grants Balance unspent beginning of the year		Grants for which conditions were met and transferred	Grants balance unspent the end of the financial year			
Equitable share	National	8 830 811	7 064 562	5 286 627	21 182 000	-	21 182 000	-	Yes	None	
FMG	National	1 000 000			1 000 000	212 484	1 124 076	88 408	Yes	None	
Transitional	National	29 053 405	23 242 438	17 443 902	69 739 745	-	69 739 745	-	Yes	None	
DSR	Provincial				-	573 784	-	573 784	Yes	None	
MSIG	National	750 000			750 000	1 336	726 368	24 968	Yes	None	
LGSETA	Provincial			86 583	86 583	-	86 583	-	Yes	None	
DWAF	National				-	-	-	-	Yes	None	
NPF Treasury	National				-	-	-	-	Yes	None	
MIG	National				-	-	-	-	Yes	None	
DAC Reserve	National				-	59 905	52 650	7 255	Yes	None	
		39 634 216	30 307 000	22 817 112	92 758 328	847 509	92 911 422	694 415			