



Lejweleputswa District Municipality
Financial statements
for the year ended 30 June 2013
The Auditor - General: Free State

Lejweleputswa District Municipality

Financial Statements for the year ended 30 June 2013

General Information

Legal form of entity	An organ of state exercising legislative and executive authority
Nature of business and principal activities	District Municipality
Mayoral committee	
Executive Mayor	Cllr Selina Nokwanje Leeto
Councillors	Cllr N Speelman - Speaker 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 A Olifant - MMC Environmental Health and Disaster Management Cllr XJ Toki - MMC Youth, Sports and Culture Development Cllr MMT Matlabe - MMC Finance
Grading of local authority	4
Chief Financial Officer	Mr Pantalo Kaizer Pitso
Accounting Officer	Ms. Palesa Matshediso Elizabeth Kaota
Registered office	Office of the Municipal Manager
Business address	Corner Jan Hofmeyer and Tempest Road Jim Fouche Park WELKOM 9459
Postal address	P.O. Box 2163 WELKOM 9460
Bankers	ABSA Bank Limited
Auditors	The Auditor - General: Free State

Lejweleputswa District Municipality

Financial Statements for the year ended 30 June 2013

Index

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

Index	Page
Accounting Officer's Responsibilities and Approval	4
Report of the Auditor General	5
Statement of Financial Position	6
Statement of Changes in Net Assets	8
Statement of Financial Performance	7
Cash Flow Statement	9
Statement of Comparison of Budget and Actual Amounts	10 - 11
Accounting Policies	12 - 27
Notes to the Financial Statements	28 - 58
Appendixes:	
Appendix A: Schedule of External loans	59
Appendix B: Analysis of Property, Plant and Equipment	60
Appendix C: Segmental analysis of Property, Plant and Equipment	61
Appendix D: Segmental Statement of Financial Performance	62
Appendix E(1): Actual versus Budget (Revenue and Expenditure)	63
Appendix E(2): Actual versus Budget (Acquisition of Property, Plant and Equipment)	64
Appendix F: Disclosure of Grants and Subsidies in terms of the Municipal Finance Management Act	65

Lejweleputswa District Municipality

Financial Statements for the year ended 30 June 2013

Index

Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

Lejweleputswa District Municipality

Financial Statements for the year ended 30 June 2013

Accounting Officer's Responsibilities and Approval

I am responsible for the presentation of these financial statements which are set out on page 12 to 73 in terms of Section 126(1) of the Municipal Finance Management Act (Act 56 of 2003), and which I have signed on behalf of the Municipality.

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

The financial statements set out on pages 6 to 58, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2013 and were signed on its behalf by:

Ms. Palesa Matshediso Elizabeth Kaota
Accounting Officer



Report of the Auditor General

To the Council of Lejweleputswa District Municipality

Report on the financial statements

Other matters

The audit report will be included once issued by the Auditor General.

The Auditor - General: Free State

Partner's name
Additional description
Additional description

31 August 2013

Lejweleputswa District Municipality

Financial Statements for the year ended 30 June 2013

Statement of Financial Position as at 30 June 2013

Figures in Rand	Note(s)	2013	2012
Assets			
Current Assets			
Other financial assets	3	25,000,000	16,000,000
Other receivables	4	1,250,352	626,246
VAT receivable	5	4,750	1,129,353
Cash and cash equivalents	6	11,034,621	15,115,296
		37,289,723	32,870,895
Non-Current Assets			
Property, plant and equipment	7	70,923,294	78,733,167
Intangible assets	8	5,423,121	4,812,166
Investments in controlled entities	9	100	100
		76,346,515	83,545,433
Non-current assets held for sale		-	7,660,445
Total Assets		113,636,238	124,076,773
Liabilities			
Current Liabilities			
Other financial liabilities	11	1,585,085	1,793,047
Payables from exchange transactions	12	6,146,891	5,521,047
Retirement benefit obligation	13	20,376	18,600
Unspent conditional grants and receipts	14	896,176	663,688
Provisions	15	381,341	670,878
Finance Lease Obligation	16	748,217	-
		9,778,086	8,667,260
Non-Current Liabilities			
Other financial liabilities	11	14,960,102	16,545,187
Retirement benefit obligation	13	5,584,584	5,504,150
Provisions	15	1,822,212	1,857,466
		22,366,898	23,906,803
Total Liabilities		32,144,984	32,574,063
Net Assets		81,491,254	91,502,710
Net Assets			
Accumulated surplus		81,491,254	91,502,710

Lejweleputswa District Municipality

Financial Statements for the year ended 30 June 2013

Statement of Financial Performance

Figures in Rand	Note(s)	2013	2012
Revenue			
Government grants & subsidies	19	100,129,510	96,214,296
Other income		557,422	323,471
Interest received (trading)	18	769,874	1,034,111
Interest received - investment	25	2,425,189	2,877,092
Total revenue		103,881,995	100,448,970
Expenditure			
General Expenses	20	(29,146,944)	(36,427,180)
Employee Related costs	21	(48,001,077)	(43,239,352)
Remuneration of councillors	22	(8,121,452)	(6,489,670)
Debt impairment	24	-	(9,246,284)
Depreciation and amortisation	26	111,064	(7,956,294)
Finance costs	27	(3,112,081)	(3,106,722)
Loss on disposal of assets and liabilities	7	(7,687,967)	(521,081)
Repairs and maintenance	23	(438,257)	(1,575,052)
Transfer to local municipality	29	(1,950,000)	(5,965,522)
Transfer to the development agency	33	(2,500,000)	(2,000,000)
Impairment of assets		(4,185)	-
Total expenditure		(100,850,899)	(116,527,157)
Operating surplus (deficit)		3,031,096	(16,078,187)
Surplus (deficit) for the year		3,031,096	(16,078,187)

Lejweleputswa District Municipality

Financial Statements for the year ended 30 June 2013

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Balance at 01 July 2011	107,793,897	107,793,897
Changes in net assets		
Surplus for the year	(16,078,187)	(16,078,187)
2010 Unspent Grant already spent in 2011 deducted from current year Grant income by National Treasury	(213,000)	(213,000)
Total changes	(16,291,187)	(16,291,187)
Balance at 01 July 2012	91,502,710	91,502,710
Changes in net assets		
Surplus for the year	3,031,096	3,031,096
Additions to reserves	773,562	773,562
Change in nett assets	(13,834,530)	(13,834,530)
Trial balance does not balance	18,416	18,416
Total changes	(10,011,456)	(10,011,456)
Balance at 30 June 2013	81,491,254	81,491,254
Note(s)		

Lejweleputswa District Municipality

Financial Statements for the year ended 30 June 2013

Cash Flow Statement

Figures in Rand	Note(s)	2013	2012
Cash flows from operating activities			
Receipts			
Cash receipts from Ratepayers, Government and Other		100,361,998	96,211,000
Interest income		2,425,189	2,877,092
Other income		1,331,231	323,471
		<u>104,118,418</u>	<u>99,411,563</u>
Payments			
Cash paid to Suppliers and Employees		(55,092,549)	(50,989,242)
Suppliers		(33,233,272)	(47,185,295)
Finance costs		(3,112,081)	(3,106,722)
		<u>(91,437,902)</u>	<u>(101,281,259)</u>
Net cash flows from operating activities	30	<u>12,680,516</u>	<u>(1,869,696)</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	7	(2,704,997)	(4,643,710)
Proceeds from sale of property, plant and equipment	7	(2,680,177)	107,623
Purchase of other intangible assets	8	-	(4,507,577)
Proceeds from sale of other intangible assets	8	4,229	-
Proceeds from sale of financial assets		(9,000,000)	4,000,000
Impairment of assets		(4,185)	-
		<u>(15,716,361)</u>	<u>(5,043,664)</u>
Net cash flows from investing activities		<u>(15,716,361)</u>	<u>(5,043,664)</u>
Cash flows from financing activities			
Repayment of other financial liabilities		(1,793,047)	(1,552,815)
Movement in other financial liabilities		748,217	-
Finance lease payments		-	(152,888)
		<u>(1,044,830)</u>	<u>(1,705,703)</u>
Net cash flows from financing activities		<u>(1,044,830)</u>	<u>(1,705,703)</u>
Net increase/(decrease) in cash and cash equivalents		<u>(4,080,675)</u>	<u>(8,619,063)</u>
Cash and cash equivalents at the beginning of the year		15,115,296	23,734,359
Cash and cash equivalents at the end of the year	6	<u>11,034,621</u>	<u>15,115,296</u>

Lejweleputswa District Municipality

Financial Statements for the year ended 30 June 2013

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Interest received (trading)	645,260	-	645,260	769,874	124,614	
Other income - (rollup)	40,000	50,000	90,000	557,422	467,422	
Interest received - investment	1,680,000	-	1,680,000	2,425,189	745,189	
Total revenue from exchange transactions	2,365,260	50,000	2,415,260	3,752,485	1,337,225	
Revenue from non-exchange transactions						
Transfer Revenue						
Government grants & subsidies	100,387,000	-	100,387,000	100,129,510	(257,490)	
Total revenue	102,752,260	50,000	102,802,260	103,881,995	1,079,735	
Expenditure						
Employee remuneration	49,514,858	(782,615)	48,732,243	(48,001,077)	(96,733,320)	
Remuneration of councillors	7,908,779	100,000	8,008,779	(8,121,452)	(16,130,231)	
Depreciation and amortisation	7,845,439	-	7,845,439	111,064	(7,734,375)	
Impairment loss/ Reversal of impairments	-	-	-	(4,185)	(4,185)	
Finance costs	2,840,607	-	2,840,607	(3,112,081)	(5,952,688)	
Debt impairment	529,200	-	529,200	-	(529,200)	
Repairs and maintenance	912,970	(306,620)	606,350	(438,257)	(1,044,607)	
Grants and subsidies paid	4,450,000	-	4,450,000	(2,500,000)	(6,950,000)	
General Expenses	27,869,962	14,629,679	42,499,641	(31,096,944)	(73,596,585)	
Total expenditure	101,871,815	13,640,444	115,512,259	(93,162,932)	(208,675,191)	
Operating surplus	204,624,075	13,690,444	218,314,519	10,719,063	(207,595,456)	
Loss on disposal of assets and liabilities	-	-	-	(7,687,967)	(7,687,967)	
Surplus before taxation	204,624,075	13,690,444	218,314,519	3,031,096	(215,283,423)	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	204,624,075	13,690,444	218,314,519	3,031,096	(215,283,423)	
Reconciliation						

Lejweleputswa District Municipality

Financial Statements for the year ended 30 June 2013

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Position						
Assets						
Current Assets						
Other financial assets	16,000,000	(16,000,000)	-	25,000,000	25,000,000	
Other receivables	8,954,104	(8,954,104)	-	1,250,352	1,250,352	
VAT receivable	-	-	-	4,750	4,750	
Cash and cash equivalents	5,604,525	(5,604,525)	-	11,034,621	11,034,621	
	30,558,629	(30,558,629)	-	37,289,723	37,289,723	
Non-Current Assets						
Property, plant and equipment	89,724,000	-	89,724,000	70,923,294	(18,800,706)	
Intangible assets	330,000	(70,000)	260,000	5,423,121	5,163,121	
Investments in controlled entities	-	-	-	100	100	
	90,054,000	(70,000)	89,984,000	76,346,515	(13,637,485)	
Total Assets	120,612,629	(30,628,629)	89,984,000	113,636,238	23,652,238	
Liabilities						
Current Liabilities						
Other financial liabilities	-	-	-	1,585,085	1,585,085	
Trade and other payables	6,848,240	-	6,848,240	6,146,891	(701,349)	
Retirement benefit obligation	-	-	-	20,376	20,376	
Unspent conditional grants and receipts	66,984	-	66,984	896,176	829,192	
Provisions	752,283	-	752,283	381,341	(370,942)	
Finance Lease Obligation	-	-	-	748,217	748,217	
Short-term portion of long-term liabilities	1,706,434	(1,706,434)	-	-	-	
	9,373,941	(1,706,434)	7,667,507	9,778,086	2,110,579	
Non-Current Liabilities						
Other financial liabilities	14,964,658	-	14,964,658	14,960,102	(4,556)	
Retirement benefit obligation	4,727,910	-	4,727,910	5,584,584	856,674	
Provisions	1,580,346	-	1,580,346	1,822,212	241,866	
	21,272,914	-	21,272,914	22,366,898	1,093,984	
Total Liabilities	30,646,855	(1,706,434)	28,940,421	32,144,984	3,204,563	
Net Assets	89,965,774	(28,922,195)	61,043,579	81,491,254	20,447,675	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	(26,216,801)	13,496,822	(12,719,979)	81,480,331	94,200,310	

Lejweleputswa District Municipality

Financial Statements for the year ended 30 June 2013

Accounting Policies

1. Presentation of Financial Statements

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

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

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

1.1 Significant judgements and sources of estimation uncertainty

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

Trade receivables / Held to maturity investments and/or loans and receivables

The municipality assesses its trade receivables, held to maturity investments and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables, held to maturity investments and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 15 - Provisions.

Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 13.

Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

Lejweleputswa District Municipality

Financial Statements for the year ended 30 June 2013

Accounting Policies

1.2 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

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

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

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

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

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

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

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

Item	Average useful life
Buildings	
• Normal Buildings	30 years
• Tiles	10 years
• Paving	30 years
• Fencing	30 years
• Parking	30 years
Motor vehicles	7 years
Emergency equipment	5 years
Office equipment	4 years
Furniture and fixtures	5 years
Plant and Equipment	5 years
Other assets	5 years
Finance lease assets	5 years

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

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

Lejweleputswa District Municipality

Financial Statements for the year ended 30 June 2013

Accounting Policies

1.2 Property, plant and equipment (continued)

Items of municipality are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

1.3 Intangible assets

An asset is identified as an intangible asset when it:

- is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, assets or liability; or
- arises from contractual rights or other legal rights, regardless whether those rights are transferable or separate from the municipality or from other rights and obligations.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

An intangible asset acquired through a non-exchange transaction, the cost shall be its fair value as at the date of acquisition.

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

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

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

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

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

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

Item	Useful life
Computer software, other	3 years

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

Lejweleputswa District Municipality

Financial Statements for the year ended 30 June 2013

Accounting Policies

1.3 Intangible assets (continued)

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.

1.4 Financial instruments

Classification

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

- Held-to-maturity investment
- Loans and receivables
- Available-for-sale financial assets
- Financial liabilities measured at amortised cost

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re-assessed on an annual basis, except for derivatives and financial assets designated as at fair value through surplus or deficit, which shall not be classified out of the fair value through surplus or deficit category.

Initial recognition and measurement

Financial instruments are recognised initially when the municipality becomes a party to the contractual provisions of the instruments.

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

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets.

For financial instruments which are not at fair value through surplus or deficit, transaction costs are included in the initial measurement of the instrument.

Subsequent measurement

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Held-to-maturity investments are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Available-for-sale financial assets are subsequently measured at fair value. This excludes equity investments for which a fair value is not determinable, which are measured at cost less accumulated impairment losses.

Gains and losses arising from changes in fair value are recognised in equity until the asset is disposed of or determined to be impaired. Interest on available-for-sale financial assets calculated using the effective interest method is recognised in surplus or deficit as part of other income. Dividends received on available-for-sale equity instruments are recognised in surplus or deficit as part of other income when the municipality's right to receive payment is established.

Changes in fair value of available-for-sale financial assets denominated in a foreign currency are analysed between translation differences resulting from changes in amortised cost and other changes in the carrying amount. Translation differences on monetary items are recognised in surplus or deficit, while translation differences on non-monetary items are recognised in equity.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

Lejweleputswa District Municipality

Financial Statements for the year ended 30 June 2013

Accounting Policies

1.4 Financial instruments (continued)

Impairment of financial assets

At each end of the reporting period the municipality assesses all financial assets, other than those at fair value through surplus or deficit, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

For amounts due to the municipality, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator of impairment. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in surplus or deficit - is removed from equity as a reclassification adjustment and recognised in surplus or deficit.

Impairment losses are recognised in surplus or deficit.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Reversals of impairment losses are recognised in surplus or deficit except for equity investments classified as available-for-sale.

Impairment losses are also not subsequently reversed for available-for-sale equity investments which are held at cost because fair value was not determinable.

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in surplus or deficit within operating expenses. When such assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

Receivables from exchange transactions

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

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

Trade and other receivables are classified as loans and receivables.

Payables from exchange transactions

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

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

Lejweleputswa District Municipality

Financial Statements for the year ended 30 June 2013

Accounting Policies

1.4 Financial instruments (continued)

Bank overdraft and borrowings

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

Held to maturity

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

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

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

Financial liabilities and equity instruments

Financial liabilities are classified according to the substance of contractual agreements entered into. Trade and other payables are stated at their nominal value. Equity instruments are recorded at the amount received, net of direct issue costs.

Gains and losses

A gain or loss arising from a change in a financial asset or financial liability is recognised as follows:

- A gain or loss on a financial asset or financial liability classified as at fair value through surplus or deficit is recognised in surplus or deficit;
- A gain or loss on an available-for-sale financial asset is recognised directly in net assets, through the statement of changes in net assets, until the financial asset is derecognised, at which time the cumulative gain or loss previously recognised in net assets is recognised in surplus or deficit; and
- For financial assets and financial liabilities carried at amortised cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, and through the amortisation process.

Lejweleputswa District Municipality

Financial Statements for the year ended 30 June 2013

Accounting Policies

1.4 Financial instruments (continued)

Derecognition

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the municipality retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the municipality has transferred its rights to receive cash flows from the asset and either
 - has transferred substantially all the risks and rewards of the asset, or
 - has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the municipality has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the municipality's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the municipality could be required to repay. Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the municipality's continuing involvement is the amount of the transferred asset that the municipality may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in surplus or deficit.

Impairment of financial assets

The municipality assesses at each statement of financial position date whether a financial asset or group of financial assets is impaired.

Assets are carried at amortised cost.

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognised in surplus or deficit. The municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

1.5 Leases

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

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Lejweleputswa District Municipality

Financial Statements for the year ended 30 June 2013

Accounting Policies

1.5 Leases (continued)

Finance leases - lessor

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

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

Operating leases - lessor

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

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

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

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

Income for leases is disclosed under revenue in statement of financial performance.

Operating leases - lessee

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

1.6 Impairment of cash-generating assets

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

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

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

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

Identification

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

Lejweleputswa District Municipality

Financial Statements for the year ended 30 June 2013

Accounting Policies

1.6 Impairment of cash-generating assets (continued)

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Cash-generating units

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

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

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

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

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

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

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

Lejweleputswa District Municipality

Financial Statements for the year ended 30 June 2013

Accounting Policies

1.6 Impairment of cash-generating assets (continued)

Reversal of impairment loss

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

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

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

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

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

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

1.7 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

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

Lejweleputswa District Municipality

Financial Statements for the year ended 30 June 2013

Accounting Policies

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

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

Useful life is either:

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Reversal of an impairment loss

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

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

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

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

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

1.8 Employee benefits

Short-term employee benefits

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

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

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

Lejweleputswa District Municipality

Financial Statements for the year ended 30 June 2013

Accounting Policies

1.8 Employee benefits (continued)

Defined contribution plans

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

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

Defined benefit plans

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

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

Consideration is given to any event that could impact the funds up to end of the reporting period where the interim valuation is performed at an earlier date.

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

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

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

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduces by the fair value of plan assets.

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

1.9 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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

Lejweleputswa District Municipality

Financial Statements for the year ended 30 June 2013

Accounting Policies

1.9 Provisions and contingencies (continued)

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

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
 - the activity/operating unit or part of a activity/operating unit concerned;
 - the principal locations affected;
 - the location, function, and approximate number of employees who will be compensated for services being terminated;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 32.

1.10 Revenue from exchange transactions

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

Interest

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

1.11 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

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

Lejweleputswa District Municipality

Financial Statements for the year ended 30 June 2013

Accounting Policies

1.11 Revenue from non-exchange transactions (continued)

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

Measurement

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

Government grants

Government grants are recognised as revenue when:

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

The municipality assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available.

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt or when the Act becomes effective, whichever is earlier.

When government remit grants on a re-imbursement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

Other grants and donations

Other grants and donations are recognised as revenue when:

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

If goods in-kind are received without conditions attached, revenue is recognised immediately. If conditions are attached, a liability is recognised, which is reduced and revenue recognised as the conditions are satisfied.

1.12 Borrowing costs

It is inappropriate to capitalise borrowing costs when, and only when, there is clear evidence that it is difficult to link the borrowing requirements of an entity directly to the nature of the expenditure to be funded i.e. capital or current.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.13 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.14 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

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

Lejweleputswa District Municipality

Financial Statements for the year ended 30 June 2013

Accounting Policies

1.15 Fruitless and wasteful expenditure

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

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

1.16 Irregular expenditure

Irregular expenditure as defined in section 1 of the MFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

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

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

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

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.17 Use of estimates

The preparation of financial statements in conformity with Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in the relevant sections of the financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

1.18 Presentation of currency

These financial statements are presented in South African Rand.

Lejweleputswa District Municipality

Financial Statements for the year ended 30 June 2013

Accounting Policies

1.19 Offsetting

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

1.20 Budget information

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

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

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

Comparative information is not required.

1.21 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

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

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

Lejweleputswa District Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

Figures in Rand

2013

2012

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
<ul style="list-style-type: none">GRAP 23: Revenue from Non-exchange Transactions	01 April 2012	The standard will not have a material impact on the annual financial statements.
<ul style="list-style-type: none">GRAP 24: Presentation of Budget Information in the Financial Statements	01 April 2012	Additional disclosure is to be included in the financial statements. Please refer to the Statement of Comparison of Budget and Actual Amounts for disclosure.
<ul style="list-style-type: none">GRAP 103: Heritage Assets	01 April 2012	The standard will not have a material impact on the annual financial statements.
<ul style="list-style-type: none">GRAP 21: Impairment of non-cash-generating assets	01 April 2012	Significant impact due to valuation of assets.
<ul style="list-style-type: none">GRAP 26: Impairment of cash-generating assets	01 April 2012	Significant impact due to valuation of assets.
<ul style="list-style-type: none">GRAP 104: Financial Instruments	01 April 2012	There will be significant changes. This main changes relates to the classification of the different categories of financial instruments and the changes in provision for impairment. Refer to note 4,5,6 and 7.

2.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2013 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
<ul style="list-style-type: none">GRAP 18: Segment Reporting	01 April 2013	It is unlikely that the standard will have a material impact on the annual financial statements. This is due to the fact that if consolidated financial statements is prepared, segment reporting only needs to be applied to the consolidated set of financial statements.

Lejweleputswa District Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

2. New standards and interpretations (continued)

• GRAP 25: Employee benefits	01 April 2013	The most significant impact of the standard relates to actuarial gains and losses that may now only be recognised in full in the year that it arises (no more options).
• GRAP 105: Transfers of functions between entities under common control	01 April 2014	It is unlikely that the standard will have a material impact on the annual financial statements. A transfer of functions between entities under common control is not expected in the near future.
• GRAP 106: Transfers of functions between entities not under common control	01 April 2014	It is unlikely that the standard will have a material impact on the annual financial statements. A transfer of functions between entities under common control is not expected in the near future.
• GRAP 107: Mergers	01 April 2014	It is unlikely that the standard will have a material impact on the annual financial statements. A Merger is not expected in the near future.
• GRAP 20: Related parties	01 April 2013	The main impact is expected to affect the disclosure of a more disaggregated councillor remuneration.
• IGRAP 11: Consolidation – Special purpose entities	01 April 2014	It is unlikely that the standard will have a material impact on the annual financial statements. Management is not aware of any Special purpose entities that will be effected by the Standard.
• IGRAP 12: Jointly controlled entities – Non-monetary contributions by ventures	01 April 2014	It is unlikely that the standard will have a material impact on the annual financial statements. Management is not aware of any Jointly controlled entities that will be effected by the Standard.
• GRAP 6 (as revised 2010): Consolidated and Separate Financial Statements	01 April 2014	It is unlikely that the standard will have a material impact on the annual financial statements.

Lejweleputswa District Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

2. New standards and interpretations (continued)

- | | | |
|--|---------------|--|
| • GRAP 7 (as revised 2010): Investments in Associates | 01 April 2014 | It is unlikely that the standard will have a material impact on the annual financial statements. Management is not aware of any Investments in Associates that will be effected by the Standard. |
| • GRAP 8 (as revised 2010): Interests in Joint Ventures | 01 April 2014 | It is unlikely that the standard will have a material impact on the annual financial statements. Management is not aware of any Interests in Joint Ventures that will be effected by the Standard. |
| • GRAP 1 (as revised 2012): Presentation of Financial Statements | 01 April 2013 | It is unlikely that the standard will have a material impact on the annual financial statements. |
| • GRAP 3 (as revised 2012): Accounting Policies, Change in Accounting Estimates and Errors | 01 April 2013 | It is unlikely that the standard will have a material impact on the annual financial statements. |
| • GRAP 7 (as revised 2012): Investments in Associates | 01 April 2013 | It is unlikely that the standard will have a material impact on the annual financial statements. Management is not aware of any Investments in Associates that will be effected by the Standard. |
| • GRAP 9 (as revised 2012): Revenue from Exchange Transactions | 01 April 2013 | It is unlikely that the standard will have a material impact on the annual financial statements. |
| • GRAP 12 (as revised 2012): Inventories | 01 April 2013 | It is unlikely that the standard will have a material impact on the annual financial statements. The municipality does not own any biological assets. |
| • GRAP 13 (as revised 2012): Leases | 01 April 2013 | It is unlikely that the standard will have a material impact on the annual financial statements. |
| • GRAP 16 (as revised 2012): Investment Property | 01 April 2013 | It is unlikely that the standard will have a material impact on the annual financial statements. |

Lejweleputswa District Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

2. New standards and interpretations (continued)

- | | | |
|--|---------------|--|
| • GRAP 17 (as revised 2012): Property, Plant and Equipment | 01 April 2013 | It is unlikely that the standard will have a material impact on the annual financial statements. |
| • GRAP 27 (as revised 2012): Agriculture (Replaces GRAP 101) | 01 April 2013 | It is unlikely that the standard will have a material impact on the annual financial statements. The municipality is not involved in agricultural activities and therefore this standard is not considered applicable. |
| • GRAP 31 (as revised 2012): Intangible Assets (Replaces GRAP 102) | 01 April 2013 | It is unlikely that the standard will have a material impact on the annual financial statements. |
| • IGRAP16: Intangible assets website costs | 01 April 2013 | It is unlikely that the standard will have a material impact on the annual financial statements. |
| • IGRAP1 (as revised 2012):Applying the probability test on initial recognition of revenue | 01 April 2013 | It is unlikely that the standard will have a material impact on the annual financial statements. |

The aggregate impact of the initial application of the statements and interpretations on the municipality's financial statements is expected to be as follows:

Lejweleputswa District Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

Figures in Rand	2013	2012
3. Other financial assets		
At amortised cost		
African Bank Call Account The maturity date of the investment is 2013/07/02 and interest is earned at a rate of 5.25% per annum.	5,000,000	4,000,000
Absa Bank Bank Call Account The maturity date of the investment is 2013/07/01 and interest is earned at a rate of 5.22% per annum.	5,000,000	4,000,000
Standard Bank Call Account Investment matured during financial year.	-	4,000,000
First National Bank Call Account The maturity date of the investment is 2013/07/02 and interest is earned at a rate of 5.22% per annum.	5,000,000	4,000,000
Nedbank Call Account The maturity date of the investment is 2013/07/02 and interest is earned at a rate of 5.25% per annum.	10,000,000	-
	25,000,000	16,000,000
Current assets		
Held to maturity	25,000,000	16,000,000

Fair value information

Fair values are determined annually at statement of financial position date.

Fair values hierarchy of financial assets at fair value through surplus or deficit

For financial assets recognised at fair value, disclosure is required of a fair value hierarchy which reflects the significance of the inputs used to make the measurements. The fair value hierarchy have the following levels:

Level 1 represents those assets which are measured using unadjusted quoted prices in active markets for identical assets.

Level 2 applies inputs other than quoted prices that are observable for the assets either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 applies inputs which are not based on observable market data.

Level 2

African Bank Fixed Deposit	5,000,000	4,000,000
Absa Bank Fixed Deposit	5,000,000	4,000,000
Standard Bank Fixed deposit	-	4,000,000
First National Bank Fixed deposit	5,000,000	4,000,000
Nedbank fixed deposit	10,000,000	-
	25,000,000	16,000,000

Renegotiated terms

None of the financial assets that are fully performing have been renegotiated in the last year.

Lejweleputswa District Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

Figures in Rand	2013	2012
4. Other receivables		
Deposits	4,700	4,700
Payments made in Advance	1,008	1,008
Sundry Debtors	13,614,691	12,990,585
Provision for impairment	(12,370,047)	(12,370,047)
	1,250,352	626,246

Included in Other receivables are irregular expenditure incurred during the year which will be recovered. Refer to note 41.

Fair value of other receivables

Other receivables from non-exchange transactions	10,643,539	2,398,239
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The average credit period for Sundry 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 Sundry Debtors.

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

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

Other receivables past due but not impaired

Other receivables from non-exchange transactions which are less than 3 months past due are not considered to be impaired. At 30 June 2013, R 10,643,539 (2012: R 2,398,239) were past due but not impaired.

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

0 - 30 Days	12,105	-
+ 120 Days	10,631,434	2,398,239
	10,643,539	2,398,239

Other receivables impaired

As of 30 June 2013, other receivables from non-exchange transactions of R 12,320,047 (: R 10,592,346) were impaired and provided for.

The amount of the provision was R 12,320,047 as of 30 June 2013 (2012: R 10,592,346).

The ageing of these loans is as follows:

3 to 6 months	-	251,600
Over 6 months	-	10,340,746

Reconciliation of provision for impairment of other receivables

Opening balance	10,592,346	10,047,791
Provision for impairment	1,441,700	7,468,582
Amounts written off as uncollectible	-	(6,924,027)
	12,034,046	10,592,346

Lejweleputswa District Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

Figures in Rand 2013 2012

4. Other receivables (continued)

The Provision for impairment 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 the Sundry 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 changes in the credit quality of the Debtor from the date credit was initially granted up to the reporting date. Management believe that there is no further credit provision required in excess of the Provision for Impairment.

The creation and release of provision for impaired receivables have been included in operating expenses in surplus or deficit (note). Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

5. VAT receivable

VAT 4,750 1,129,353

VAT is payable to the South African Revenue Service on the receipt basis. Only when payment is made to creditors, Input VAT is claimed from the South African Revenue Service.

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

6. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	2,200	2,200
Bank balances	11,032,421	15,113,096
	11,034,621	15,115,296

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.

The management of the municipality is of the opinion that the carrying value of Bank balances, Cash and Cash equivalents recorded at amortised costs 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.

The municipality had the following bank accounts

Account number / description	Bank statement balances	
	30 June 2013	30 June 2012
ABSA Bank - Cheque Account - 1340000117	4,041,011	5,579,247
Nedbank - Call Account- 000001	-	5,000,000
Nedbank- Call Account- 000002	-	5,000,000
Standard Bank - Call Account - 248538810006	5,000,000	-
ABSA Bank - Call Account - 9275618908	5,938,716	-
Total	14,979,727	15,579,247

Lejweleputswa District Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

Figures in Rand

2013

2012

7. Property, plant and equipment

	2013			2012		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	2,870,000	-	2,870,000	2,870,000	-	2,870,000
Buildings	73,190,659	(5,515,436)	67,675,223	73,328,600	(8,022,317)	65,306,283
Furniture and fixtures	6,493,388	(1,222,109)	5,271,279	6,230,796	(1,607,708)	4,623,088
Motor vehicles	5,724,916	(1,081,466)	4,643,450	1,424,480	(304,635)	1,119,845
Office equipment	5,363,516	(427,194)	4,936,322	5,341,935	(1,216,126)	4,125,809
Infrastructure	1,275	(72,240)	(70,965)	-	-	-
Community	9,287,896	(287,173)	9,000,723	-	-	-
Other property, plant and equipment	(24,957,458)	(7,277,482)	(32,234,940)	(79,448)	82,997	3,549
Finance Lease assets	63,514	(5,716)	57,798	-	-	-
Plant and Equipment	14,637,576	(5,899,264)	8,738,312	704,690	(265,824)	438,866
Emergency Equipment	39,740	(3,648)	36,092	352,777	(107,050)	245,727
Total	92,715,022	(21,791,728)	70,923,294	90,173,830	(11,440,663)	78,733,167

Reconciliation of property, plant and equipment - 2013

	Opening balance	Additions	Disposals	Depreciation	Total
Land	2,870,000	-	-	-	2,870,000
Buildings	65,306,283	-	(137,941)	2,506,881	67,675,223
Furniture and fixtures	4,623,088	262,592	-	385,599	5,271,279
Motor vehicles	1,119,845	4,300,436	-	(776,831)	4,643,450
Office equipment	4,125,809	21,581	-	788,932	4,936,322
Infrastructure	-	1,275	-	(72,240)	(70,965)
Community	-	9,000,723	-	-	9,000,723
Other property, plant and equipment	3,549	(24,878,010)	-	(7,360,479)	(32,234,940)
Finance Lease assets	-	63,514	-	(5,716)	57,798
Plant and Equipment	438,866	13,932,886	-	(5,633,440)	8,738,312
Emergency Equipment	245,727	-	(313,037)	103,402	36,092
	78,733,167	2,704,997	(450,978)	(10,063,892)	70,923,294

Reconciliation of property, plant and equipment - 2012

	Opening balance	Additions	Disposals	Classified as held for sale	Transfers	Depreciation	Total
Land	2,870,000	-	-	-	-	-	2,870,000
Buildings	67,412,336	262,887	-	-	111,148	(2,480,088)	65,306,283
Furniture and fixtures	3,867,994	1,396,908	(6,585)	(759,084)	1,261,415	(1,137,560)	4,623,088
Motor vehicles	4,443,450	200,000	(240,069)	(1,112,894)	(1,961,834)	(208,808)	1,119,845
Office equipment	2,158,237	2,778,085	(130,583)	-	179,798	(859,728)	4,125,809
Other property, plant and equipment	142,008	3,549	-	-	(142,008)	-	3,549
Finance lease assets	57,798	-	-	-	(57,798)	-	-
Plant and Equipment	8,736,031	2,281	(3,245)	(5,749,485)	35,277	(2,581,993)	438,866
Emergency Equipment	36,092	-	(248,221)	(38,982)	570,150	(73,312)	245,727
	89,723,946	4,643,710	(628,703)	(7,660,445)	(3,852)	(7,341,489)	78,733,167

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

Lejweleputswa District Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

Figures in Rand 2013 2012

7. Property, plant and equipment (continued)

Pledged as security

No assets have been pledged as security.

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

Finance lease assets	57,798	-
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A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

8. Intangible assets

	2013			2012		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	6,510,365	(1,087,244)	5,423,121	6,514,594	(1,702,428)	4,812,166

Reconciliation of intangible assets - 2013

	Opening balance	Disposals	Amortisation	Total
Computer software	4,812,166	(4,229)	615,184	5,423,121

Reconciliation of intangible assets - 2012

	Opening balance	Additions	Transfers	Amortisation	Total
Computer software	915,545	4,507,577	3,848	(614,804)	4,812,166

Pledged as security

No Intangible assets had been pledged as security for any liabilities of the municipality.

Restricted title

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

Other information

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

Refer to Appendix B for more detail on Intangible Assets.

Lejweleputswa District Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

Figures in Rand

2013

2012

9. Investments in controlled entities

Name of company	Held by	% holding 2013	% holding 2012	Carrying amount 2013	Carrying amount 2012
Lejweleputswa Development Agency (Pty) Limited		100.00 %	100.00 %	100	100

The investment in the subsidiary is measured at cost

10. Financial assets by category

The accounting policies for financial instruments have been applied to the line items below:

2013

	Loans and receivables	Held to maturity investments	Fair value through surplus or deficit - designated	Total
Trade and other receivables	1,250,352	-	-	1,250,352
Cash and cash equivalents	-	-	11,034,621	11,034,621
Other financial assets	-	25,000,000	-	25,000,000
Investment in subsidiary	-	-	100	100
VAT Receivable	4,750	-	-	4,750
	1,255,102	25,000,000	11,034,721	37,289,823

2012

	Loans and receivables	Held to maturity investments	Fair value through surplus or deficit - designated	Total
Trade and other receivables	2,403,947	-	-	2,403,947
Cash and cash equivalents	-	-	15,115,296	15,115,296
Other financial assets	-	16,000,000	-	16,000,000
Investment in subsidiary	-	-	100	100
VAT Receivable	1,129,353	-	-	1,129,353
	3,533,300	16,000,000	15,115,396	34,648,696

Lejweleputswa District Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

Figures in Rand	2013	2012
11. Other financial liabilities		
At amortised cost		
DBSA Loan (61003236) Refer to appendix A for detail.	2,375,098	2,532,903
DBSA Loan (61003237) Refer to appendix A for detail.	1,820,062	1,940,990
DBSA Loan (61004020) Refer to appendix A for detail.	(20)	432,793
DBSA Loan (61001256) Refer to appendix A for detail.	332,468	369,301
DBSA Loan (61001257) Refer to appendix A for detail.	81,549	91,898
DBSA Loan (61001258) Refer to appendix A for detail.	419,859	473,142
DBSA Loan (61001259) Refer to appendix A for detail.	851,609	945,955
DBSA Loan (61001299) Refer to appendix A for detail.	2,149,970	2,422,817
Concessionary loans received Refer to appendix A for detail.	8,514,592	9,128,435
	16,545,187	18,338,234
Total other financial liabilities	16,545,187	18,338,234
Non-current liabilities		
At amortised cost	14,960,102	16,545,187
Current liabilities		
At amortised cost	1,585,085	1,793,047
Financial liabilities at amortised cost		
Fair values of financial liabilities measured or disclosed at amortised cost		
Long term loans DBSA	16,545,187	18,338,234
12. Payables from exchange transactions		
Trade payables	937,664	1,341,800
Annual Bonus accrued	1,064,010	660,280
Accrued leave pay	4,057,924	3,431,674
Retention Creditors	87,293	87,293
	6,146,891	5,521,047

Lejweleputswa District Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

Figures in Rand

2013

2012

12. Payables from exchange transactions (continued)

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 payables under exchange transactions approximate their fair values.

The fair value of payables under exchange transactions was determined after consideration the standard terms and conditions of agreements entered into between the municipality and other parties.

The leave accrual accrues 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.

13. Employee benefit obligations

Defined benefit plan

The plan is a post employment medical benefit plan.

Post retirement medical aid plan

The municipality provides certain post-retirement health care benefits by finding 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 as 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 2013 by Arch Actuaries. Fellow of the Faculty of Actuaries in the United Kingdom. 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 municipality makes monthly contributions for health care arrangements to the following Medical Aid Schemes:

- Bonitas
- Hosmed
- Keyhealth
- LA Health
- Samwumed

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

In - service Members (Employees): 97 (2012: 79)

In - service Members (Employees) - Non - Members : 13 (2012: 7)

Continuation Members (Retirees, widowers and orphans) : 1 (2012:1)

The Current-service Cost for the year ending 30 June 2012 is estimated to be R438, 517 whereas the cost for the ensuing year is estimated to be 637084.

Lejweleputswa District Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

Figures in Rand 2013 2012

13. Employee benefit obligations (continued)

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

Carrying value

Present value of the defined benefit obligation-wholly unfunded	(5,522,750)	(4,744,518)
Contribution to provision	(82,210)	(778,232)
	(5,604,960)	(5,522,750)
Non-current liabilities	(5,584,584)	(5,504,150)
Transfer to current provisions	(20,376)	(18,600)
	(5,604,960)	(5,522,750)

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

In - service (Employees) Members	5,178,211	5,230,721
In - service (Employees) Non Members	131,652	-
Continuation Members	195,097	292,029
	5,504,960	5,522,750

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

Balance at the beginning of the year	5,522,750	4,744,518
Benefits paid	(18,600)	(16,608)
Net expense recognised in the statement of financial performance	100,810	794,840
	5,604,960	5,522,750

Net expense recognised in the statement of financial performance

Current service cost	438,517	385,687
Interest cost	485,730	386,005
Actuarial (gains) losses	(823,437)	23,148
	100,810	794,840

Calculation of actuarial gains and losses

Actuarial (gains) losses – Obligation	(823,437)	23,148
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Key assumptions used

Assumptions used at the reporting date:

Discount rates used	9.78 %	8.81 %
Health Care Cost Inflation Rate	8.09 %	7.59 %
Net Effective Discount Rate	1.56 %	1.14 %

Other assumptions

Expected Retirement Age - Females	65	65
Expected Retirement Age - Males	65	65

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

	2013	2012	2011
	R	R	R
Defined benefit obligation	5,604,960	5,522,750	4,744,518

Lejweleputswa District Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

Figures in Rand 2013 2012

14. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

Municipal Service Improvement Grant	239,582	24,968
District Aid Council Grant	7,255	7,255
Department Sport and Recreation Grant	573,784	573,784
Financial Management Grant	75,555	57,681
	896,176	663,688

Movement during the year

Balance at the beginning of the year	663,688	666,984
Additions during the year	100,361,998	96,211,000
Income recognition during the year	(100,129,510)	(96,214,296)
	896,176	663,688

The nature and extent of government grants recognised in the financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note 19 for reconciliation of grants from National/Provincial Government.

Lejweleputswa District Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

Figures in Rand 2013 2012

15. Provisions

Reconciliation of provisions - 2013

	Opening Balance	Additions	Total
Performance bonuses	381,341	-	381,341
Long-Term Service Awards	2,147,003	(324,791)	1,822,212

Reconciliation of provisions - 2012

	Opening Balance	Additions	Total
Performance bonuses	434,588	(53,247)	381,341
Long -Term Service awards	1,881,585	265,418	2,147,003
	2,316,173	212,171	2,528,344

Non-current liabilities	1,822,212	1,857,466
Current liabilities	381,341	670,878
	2,203,553	2,528,344

Performance Bonusses:

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. The balance of R815 929 includes the performance bonuses for 2012 and 2013 not paid to senior managers.

Long-Term Service Awards:

The municipality operates as unfunded deficit 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, from 10 years of service to 45 years of service.

This is the present value of the total Long-Term Service Awards expected to become payable under the employer's current arrangements and based on the assumptions made. This may be regarded as the amount of money that should be set aside in present-day terms to cover all expected Long-Term Service Awards for current employees.

The most recent actuarial valuations on the Long-Term Service Awards were carried out at 30 June 2013 by Mr C Weiss, Fellow of the Actuarial Society of South Africa.

Lejweleputswa District Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

Figures in Rand 2013 2012

15. Provisions (continued)

Total long service award liability: This is the present value of the total LSA expected to become payable under the employer's current arrangements and based on the assumptions made. This may be regarded as the amount of money that should be set aside in present-day terms to cover all expected LSA for current employees.

In estimating the unfunded liability for LSA of the Municipality a number of actuarial assumptions are required. The IAS19/GRAP25 Statement places the responsibility on management to set these assumptions, as guided by the principles set out in the Statement and in discussion with the actuary.

The following key assumptions were used:

Key financial assumptions:

Discount Rate - 7.13%
 General Salary Inflation (long-term) - 6.51%
 Net effective discount rate - 0.58%

Key demographic assumptions:

Average retirement age - 65 years
 Mortality during employment - SA85-90
 Withdrawal from service (sample annual rates):
 Age 20 : 24% Female; 16% Male
 Age 30: 15% Female; 10% Male
 Age 40: 6% Female; 6% Male
 Age 50: 2% Female; 2% Male
 Age 55: 0% Female; 0% Male

16. Other financial liabilities

Leases	(688,794)	-
Leases	(59,423)	-
	(748,217)	-

17. Financial liabilities by category

The accounting policies for financial instruments have been applied to the line items below:

2013

	Financial liabilities at amortised cost	Total
Other financial liabilities	17,323,451	17,323,451
Trade and other payables	4,723,962	4,723,962
	22,047,413	22,047,413

2012

	Financial liabilities at amortised cost	Total
Other financial liabilities	18,338,234	18,338,234
Trade and other payables	5,221,047	5,221,047
	23,859,281	23,859,281

Lejweleputswa District Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

Figures in Rand	2013	2012
18. Revenue		
Interest received (trading)	769,874	1,034,111
Government grants & subsidies	100,129,510	96,214,296
	100,899,384	97,248,407
The amount included in revenue arising from exchanges of goods or services are as follows:		
Interest received (trading)	769,874	1,034,111
The amount included in revenue arising from non-exchange transactions is as follows:		
Transfer revenue		
Government grants & subsidies	100,129,510	96,214,296

Lejweleputswa District Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

Figures in Rand	2013	2012
19. Government grants and subsidies		
Grants		
Financial Management Grant	1,232,125	1,253,296
EPWP Incentive Grant	1,000,000	436,000
Municipal Service Improvement Programme Grant	785,385	790,000
Levy Replacement (Transitional) Grant	73,961,934	71,828,000
Equitable share	23,150,066	21,907,000
	<u>100,129,510</u>	<u>96,214,296</u>
Equitable Share		
Current-year receipts	23,150,066	21,907,000
Conditions met - transferred to revenue	(23,150,066)	(21,907,000)
	<u>-</u>	<u>-</u>
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.		
Levy Replacement (Transitional) Grant		
Current-year receipts	73,961,934	71,828,000
Conditions met - transferred to revenue	(73,961,934)	(71,828,000)
	<u>-</u>	<u>-</u>
Levy Replacement (Transitional) Grant is a operational grant which is used by the municipality on its own discretion, which is mainly to fund its operational activities.		
District Aid Council Grant		
Balance unspent at beginning of year	-	7,255
Conditions met - transferred to revenue	-	(7,255)
	<u>-</u>	<u>-</u>
Conditions still to be met - remain liabilities (see note 14).		
These funds were used for the purposes of district aid council.		
EPWP Incentive Grant		
Current-year receipts	1,000,000	436,000
Conditions met - transferred to revenue	(1,000,000)	(436,000)
	<u>-</u>	<u>-</u>
EPWP is a operational grant which is used by the municipality on its own discretion.		
Municipal Service Improvement Programme Grant		
Balance unspent at beginning of year	24,968	24,968
Current-year receipts	1,000,000	790,000
Conditions met - transferred to revenue	(785,385)	(790,000)
	<u>239,583</u>	<u>24,968</u>
Conditions still to be met - remain liabilities (see note 14).		

Lejweleputswa District Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

Figures in Rand	2013	2012
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19. Government grants and subsidies (continued)

Financial Management Grant

Balance unspent at beginning of year	57,681	60,977
Current-year receipts	1,250,000	1,250,000
Conditions met - transferred to revenue	(1,232,125)	(1,253,296)
	<u>75,556</u>	<u>57,681</u>

Conditions still to be met - remain liabilities (see note 14).

Provide explanations of conditions still to be met and other relevant information.

Sport and Recreation Grant

Balance unspent at beginning of year	<u>573,783</u>	<u>573,783</u>
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Conditions still to be met - remain liabilities (see note 14).

Lejweleputswa District Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

Figures in Rand	2013	2012
20. General expenses		
Advertising	216,309	328,318
Auditors remuneration	1,720,781	2,055,570
Bank charges	63,098	71,741
Branding of the municipality	71,650	588,030
Bursaries	595,593	785,348
Campaigns	568,950	2,101,771
Capacity development programmes	973,785	790,000
Children`s Programme	285,026	362,005
Cleaning	114,929	62,424
Coffin making project	-	1,000,000
Consulting and professional fees	1,849,521	3,541,924
Electricity	320,693	247,078
Entertainment	575,755	430,191
Environmental development	316,486	362,928
Festivals	1,754,386	1,688,011
Financial Management Reforms	1,232,125	1,253,296
Gender Disability	43,850	491,701
Grant in aid	1,302,611	1,377,910
Insurance	134,203	296,639
Internet expenses	228,206	237,790
LED Development	500,000	199,525
Magazines, books and periodicals	70,410	76,096
Moral Regeneration	196,820	1,698,580
OR Tambo Games	500,000	647,502
Other expenses	3,436,509	3,612,036
PPP (Call Centre)	959,991	771,930
Poverty alleviation	678,200	1,734,943
Printing and stationary	442,720	377,899
Projects	4,653,030	-
Property Rates	50,092	49,053
Refuse	9,412	9,026
Security (Guarding of municipal property)	58,133	187,571
Sewerage and waste disposal	664	629
Skills development Levy	372,230	320,865
Telephone and fax	472,332	712,426
Tourism development	728,174	2,580,302
Training	2,620,412	2,510,053
Youth development	1,029,858	2,866,069
	29,146,944	36,427,180

Lejweleputswa District Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

Figures in Rand	2013	2012
21. Employee related costs		
Basic	29,901,800	26,066,111
Bonus	2,684,658	1,380,840
Medical aid - company contributions	2,401,277	2,143,114
UIF	188,267	156,926
WCA	80,388	271,514
Post-employment benefits	(112,687)	1,371,295
Overtime payments	407,238	482,947
Travel allowances	4,695,541	5,085,950
Housing benefits and allowances	340,315	243,733
Acting Allowances	126,000	76,893
Group Life Insurance	442,560	350,865
Leave	2,028,816	1,632,790
Contribution to Pension and Provident funds	4,816,904	3,976,374
	48,001,077	43,239,352
Remuneration of Municipal Manager		
Annual Remuneration	255,690	611,322
Car Allowance	56,413	137,422
Annual Bonus	51,138	51,138
Performance Bonuses	-	107,025
Contributions to UIF, Medical and Pension Funds	67,740	158,005
Telephone allowance	4,000	2,400
Housing allowance	25,000	59,000
	459,981	1,126,312
Remuneration of Acting Municipal Manager		
Annual Remuneration	34,780	31,846
Remuneration of the Acting Municipal Support Executive		
Annual Remuneration	-	432,648
Car Allowance	-	36,054
Contributions to UIF, Medical and Pension Funds	-	116,237
Housing allowance	-	5,973
Car & travel allowance	-	209,357
Telephone allowance	-	2,400
	-	802,669
Remuneration of Acting Chief Financial Officer		
Performance Bonuses	-	96,880
Acting Allowance	45,642	120,000
	45,642	216,880
Remuneration of Acting Manager Corporate Services		
Annual Remuneration	-	339,545
Car Allowance	-	141,394
Performance Bonuses	-	74,331
Contributions to UIF, Medical and Pension Funds	-	103,761
Annual bonus	-	28,147
Acting allowance	5,815	87,595

Lejweleputswa District Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

Figures in Rand	2013	2012
21. Employee related costs (continued)		
Housing allowance	-	5,973
Telephone allowance	-	1,500
	5,815	782,246
Remuneration of Acting Manager Social and Health Services		
Annual Remuneration	-	209,424
Car Allowance	-	91,022
Contributions to UIF, Medical and Pension Funds	-	70,124
Acting Allowance	7,825	48,829
Housing Allowance	-	3,885
	7,825	423,284
Remuneration of Manager Social Health Services		
Annual Remuneration	520,000	133,973
Car Allowance	142,907	129,685
Performance Bonuses	-	71,957
Contributions to UIF, Medical and Pension Funds	135,426	103,985
Annual Bonus	37,695	15,374
Housing Allowance	25,000	-
Telephone Allowance	13,971	-
	874,999	454,974
The Manager of Social Health Services was appointed on 1 February 2012.		
Remuneration of Acting Manager Strategic Economic Development		
Annual Remuneration	-	188,602
Car Allowance	-	81,761
Performance Bonuses	-	18,369
Contributions to UIF, Medical and Pension Funds	-	47,025
Housing Allowance	-	1,800
Acting Allowance	-	30,715
	-	368,272
There was no Remuneration for the Acting Local Economic Development Manager for the year.		
Remuneration of Manager Strategic Economic Development		
Annual Remuneration	440,352	174,596
Car Allowance	221,884	110,135
Performance Bonuses	-	12,776
Contributions to UIF, Medical and Pension Funds	51,684	7,302
Housing Allowance	10,892	-
	724,812	304,809
Remuneration of Acting Social Services Strategic Executive Manager		
Acting Allowance	55,917	-
Remuneration of Chief Financial Officer		
Annual Remuneration	393,107	-

Lejweleputswa District Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

Figures in Rand	2013	2012
21. Employee related costs (continued)		
Car and Travel Allowance	113,078	-
Contributions to UIF, Medical and Pension Funds	92,379	-
Housing Allowance	33,500	-
Telephone Allowance	15,700	-
	647,764	-
22. Remuneration of councillors		
Executive Mayor	831,328	683,445
Speaker	440,498	535,445
Mayoral Committee Members	3,607,105	2,913,301
Other Councillors	2,933,440	2,357,479
	7,812,371	6,489,670
Executive Mayor		
Annual Remuneration	490,616	362,841
Car and Travel Allowance	196,283	186,050
Contributions to UIF, Medical and Pension Funds	39,828	96,802
Telephone Allowance	104,601	37,752
	831,328	683,445
Speaker		
Annual Remuneration	277,154	302,295
Car and travel allowance	104,737	148,840
Contributions to UIF, Medical and Pension Funds	48,501	65,470
Telephone Allowance	10,106	18,840
	440,498	535,445
Executive Members		
Annual Remuneration	2,168,525	1,534,892
Car and travel allowance	868,373	834,478
Contributions to UIF, Medical and Pension Funds	464,995	446,738
Telephone Allowance	105,212	97,193
	3,607,105	2,913,301
Other Councillors		
Annual Remuneration	1,770,769	1,082,505
Car and Travel allowance	693,492	635,579
Contributions to UIF, Medical and Pension Funds	342,219	318,606
Telephone Allowance	126,960	116,697
Sitting Allowance	-	204,092
	2,933,440	2,357,479

The Salaries, allowances and benefits paid to all Councillors are not within the Remuneration of Public Office 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. Overpayment of Councillors on upper limits are included in the Irregular expenses and has been transferred to Sundry Debtors.

Lejweleputswa District Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

Figures in Rand	2013	2012
22. Remuneration of councillors (continued)		
In-kind benefits		
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.		
23. Repairs and Maintenance		
Repairs and Maintenance	438,257	1,575,052
24. Debt impairment		
Impairment Losses Recognised on Sundry Debtors	-	9,246,284
25. Investment revenue		
Interest revenue		
Interest Received on Bank and Investment accounts	2,425,189	2,877,092
26. Depreciation and amortisation		
Property, plant and equipment	(111,064)	7,956,294
27. Finance costs		
Non-current borrowings	2,840,657	3,081,555
Interest on convertible instruments	59,424	-
Other interest paid	212,000	25,167
	3,112,081	3,106,722
28. Auditors' remuneration		
Fees	1,720,781	2,055,570
29. Transfer to local municipalities		
Expenditure during the year	1,950,000	5,965,522

The municipality paid loan re-payments on behalf of the Local municipality during the year.

Lejweleputswa District Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

Figures in Rand	2013	2012
30. Cash generated from (used in) operations		
Surplus (deficit)	3,031,096	(16,078,187)
Adjustments for:		
Depreciation and amortisation	(111,064)	7,956,294
Gain on sale of assets and liabilities	7,687,967	521,081
Impairment deficit	4,185	-
Movements in retirement benefit assets and liabilities	82,210	778,232
Movements in provisions	(324,791)	212,171
Other non-cash items	-	(213,000)
Changes in working capital:		
Other receivables from non-exchange transactions	(624,106)	5,682,260
Trade and other payables	625,842	(611,179)
VAT	1,124,603	(114,073)
Unspent conditional grants and receipts	232,488	(3,296)
	11,728,430	(1,869,697)
31. Commitments		
Capital and other expenditure		
Approved and contracted for		
• Professional Fees	677,975	1,790,942
32. Contingencies		
Contingent liabilities		
5 (2011: 5) Current employees claiming long service bonus and leave	1,403,528	1,050,437
Lejwe-le-Putswa Development Agency (Pty) Ltd	-	310,240
Wage curve dispute	2,674,906	-
	4,078,434	1,360,677

Current employees claiming long service bonus and leave

The case involves a former employees who are claiming long term benefits owed.

Lejwe-le-Putswa Development Agency (Pty) Ltd

Council accepted the liability for debts of Lejwe-le-Putswa Development Agency (Pty) Ltd.

Wage Curve Dispute

The Trade Union, IMATU, contested the implementation of a wage curve agreement in the Labour Court and the court ruled in favour of IMATU. The Employers Organisation, SALGA, resolved to take the ruling of the Labour Court on review. The effect of the ruling is a general 2% increase in remuneration as from October 2009.

The municipality has formulated that the maximum effect if the remuneration is to be paid would be R2 674 906.

Lejweleputswa District Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

Figures in Rand 2013 2012

33. Related parties

Relationships

Subsidiary	Lejweleputswa Development Agency (Proprietary) Limited
Me N.S. Leeto holds 50% shareholder	Sechadi Trading
Close family member of Ramasetlaoka Ou- Vier Segampu	Emlanjeni Catering and trading CC

Related party balances

Investment in subsidiary

Lejweleputswa Development Agency	100	100
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Related party transactions

Transfers to related Parties

Lejweleputswa Development Agency (Pty) Ltd	2,500,000	2,000,000
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Purchases from related parties

Emlanjeni catering and trading CC	-	5,075
Sechadi Trading	-	189,405

34. Risk management

Capital risk management

The municipality's objectives when managing capital are to safeguard the municipality's ability to continue as a going concern in order to provide returns for and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the municipality consists of debt, which includes the borrowings disclosed in notes and 11, cash and cash equivalents disclosed in note 6 and accumulated surplus as disclosed in the statement of financial position.

There are no externally imposed capital requirements.

There have been no changes to what the municipality manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings' as shown in the statement of financial position) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the statement of financial position plus net debt.

There are no externally imposed capital requirements.

The gearing ratio at 2013 and 2012 respectively were as follows:

Total borrowings

Other financial liabilities at amortised cost	11	16,545,187	18,338,234
Less: Cash and cash equivalents	6	11,034,621	15,115,296
Net debt		5,510,566	3,222,938
Total equity		81,491,254	91,502,710
Total capital		87,001,820	94,725,648

Lejweleputswa District Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

Figures in Rand

2013

2012

34. Risk management (continued)

Financial risk management

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

The municipality's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance. Risk management is carried out by management and internal audit under policies approved by the accounting officer. The accounting officer provides written principles for overall risk management,

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, municipality treasury maintains flexibility in funding by maintaining availability under committed credit lines.

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

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

The table below analyses the municipality's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant

As at 30 June 2013	Less than one year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Other Financial Liabilities	1,585,085	1,847,014	7,670,959	5,442,148
Trade and other payables	6,142,151	-	-	-
As at 30 June 2012	Less than one year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Other Financial Liabilities	1,793,047	1,585,085	6,494,759	8,465,362
Trade and other payables	5,521,046	-	-	-

Interest rate risk

The Municipality is mainly exposed to interest rate risk due to the movements in long-term and short term interest rates.

The risk is managed on an on-going basis.

Lejweleputswa District Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

Figures in Rand 2013 2012

34. Risk management (continued)

Credit risk

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

Cash and Cash equivalents

The municipality's limits its credit risk by only banking with registered financial institutions in terms of the Banks Act, 94 of 1990 operating in South Africa.

Investments

It is the practice of the municipality to limit its credit risk by only investing in registered banks in terms of the Bank Act, 94 of 1990. Given the high credit ratings of these financial institutions of the municipality does not expect any counterparty to fail to meet its obligation.

Sundry Debtors

Management evaluated credit risk relating to customers on an ongoing basis. If there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors.

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

Financial instrument	2013	2012
Cash and Cash Equivalents	11,034,621	15,115,296
Financial assets held to maturity	25,000,000	16,000,000
Receivables from non-exchange transactions	1,250,352	2,403,947

35. Going concern

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

36. Events after the reporting date

Claim by previous Municipal Manager

- A claim was instituted against the municipality by the previous Municipal Manager after the financial year end for termination of contract prior to the expiry of the contract. The amount claimed is for remuneration for the 2012 financial year with legal costs amounting to R702988.

37. Unauthorised expenditure

Opening Balance	1,367,850	1,140,100
Unauthorised Expenditure during the year	-	227,750
	1,367,850	1,367,850

38. Fruitless and wasteful expenditure

Opening balance	288,680	287,143
Fruitless and wasteful expenditure during the year	-	1,537
	288,680	288,680

The expenditure include interest paid for late payment to suppliers.

Lejweleputswa District Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

Figures in Rand	2013	2012
39. Irregular expenditure		
Opening balance	25,549,016	14,612,378
Add: Irregular Expenditure - current year	1,504,455	1,260,220
Add: Irregular Expenditure - Supply Chain	19,736	12,256,022
Less: Amounts recoverable (transfer to receivables)	(1,504,455)	(1,260,220)
Less: Amounts condoned by Council	-	(1,319,384)
	25,568,752	25,549,016
Details of irregular expenditure – current year		
	Details	
Councillors Remuneration	Councillors qualify as Grade 4, but were paid as Grade 5 Councillors	1,504,455
Supply Chain	Non- Compliance to the Municipal Supply Chain Regulations	19,736
		1,524,191
Details of irregular expenditure recoverable (not condoned)		
Councillors Remuneration Councillors qualify as Grade 4, but were paid as Grade 5 Councillors	1,504,455	
40. Reconciliation between budget and statement of financial performance		
Reconciliation of budget surplus/deficit with the surplus/deficit in the statement of financial performance:		
Net surplus (deficit) per the statement of financial performance	3,031,096	(16,078,187)
41. Additional disclosure in terms of Municipal Finance Management Act		
Contributions to organised local government		
Current year subscription / fee	479,063	330,047
Amount paid - current year	(479,063)	(330,047)
	-	-
Audit fees		
Current year subscription / fee	1,720,781	2,055,569
Amount paid - current year	(1,720,781)	(2,055,569)
	-	-
PAYE , SDL and UIF		
Current year subscription / fee	9,666,961	8,707,995
Amount paid - current year	(9,666,961)	(8,707,995)
	-	-
VAT		
VAT receivable	4,750	1,129,353

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

Lejweleputswa District Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

Figures in Rand

2013

2012

42. Actual operating expenditure versus budgeted operating expenditure

Refer to Appendix E for the comparison of actual operating expenditure versus budgeted expenditure.

43. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process. Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the financial statements.

Deviations from supply chain management regulations did occur. A detailed deviation register is available at the municipality for inspection.

Supplier	Details of Deviation	Amount - R
Network computing consulting	Timeframe and impractical to obtain quotes	9,223
Global Africa Network	Exclusive supplier for Municipal profile advert	45,543
Wap	Avoid call out "strip and quote" fee	9,931
TP Plumbing & Glassfitting	Timeframe and impractical to obtain quotes	3,080
Hymax	Supplier is the host of telephone system and impractical to obtain quotes	5,421
Governance Specialist	Specialist service provider	96,340
Hymax	Supplier is the host of telephone system and impractical to obtain quotes	10,539
Hymax	Supplier is the host of telephone system and impractical to obtain quotes	26,923
Xpectation Moon	Avoid call out "strip and quote" fee	19,900
Fire Equipment	Avoid call out fee	2,240
Amaceniso	Timeframe	250,000
Kingley Creations	Timeframe	188,400

Lejweleputswa District Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

Figures in Rand

2013

2012

Lejweleputswa District Municipality
Appendix A
Schedule of external loans
June 2013

Loan Number	Redeemable	Balance at 30 June 2012	Received during the period	Redeemed written off during the period	Balance at 30 June 2013	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
		Rand	Rand	Rand	Rand		
Annuity loans							
DBSA-61004020:Bothaville	1	2013	432,793	-	432,813	(20)	-
DBSA-61001299:Henneman	2(a)	2019	2,422,817	-	272,847	2,149,970	-
DBSA-61001258:Ventersburg	2(b)	2019	473,142	-	53,283	419,859	-
DBSA-61001256: Boshoff	2(c)	2019	369,300	-	36,832	332,468	-
DBSA-61001257: Dealesville	2(d)	2019	91,898	-	10,349	81,549	-
DBSA-61001259:Wesselsbron	2(e)	2019	945,954	-	94,345	851,609	-
DBSA-61003159:Bothaville2	3(a)	2020	9,128,435	-	613,843	8,514,592	-
DBSA-61003236:Henneman2	3(b)	2020	2,532,904	-	157,806	2,375,098	-
DBSA-61003237:Brandfort	3(c)	2020	1,940,991	-	120,929	1,820,062	-
			18,338,234	-	1,793,047	16,545,187	-
Total external loans							
Annuity loans			18,338,234	-	1,793,047	16,545,187	-
			18,338,234	-	1,793,047	16,545,187	-

Lejweleputswa District Municipality
Appendix B
Analysis of property, plant and equipment
June 2013

COST

ACCUMULATED DEPRECIATION

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Land and buildings												
Land	2,870,000	-	-	-	2,870,000	-	-	-	-	-	-	2,870,000
Buildings	73,328,601	17,175	-	-	73,345,776	(8,022,318)	-	-	(2,478,461)	-	(10,500,779)	62,844,997
	76,198,601	17,175	-	-	76,215,776	(8,022,318)	-	-	(2,478,461)	-	(10,500,779)	65,714,997
Other assets												
Motor vehicles	1,424,480	200,000	(1,404,299)	-	220,181	(304,635)	291,405	-	(186,609)	-	(200,040)	20,140
Other Property, plant and equipment	704,690	21,011	(13,969,930)	-	(13,244,229)	(265,824)	8,220,445	-	(129,135)	-	7,825,486	(5,418,743)
Finance Lease assets	3,549	693,818	-	-	697,367	-	-	-	(159,342)	-	(159,342)	538,025
Furniture & Fittings	6,230,797	145,590	(944,697)	-	5,431,690	(1,607,709)	183,626	-	(1,122,823)	-	(2,546,906)	2,884,784
Office Equipment	5,341,935	601,358	(42,903)	-	5,900,390	(1,216,126)	20,617	-	(1,222,953)	-	(2,418,462)	3,481,928
Emergency Equipment	352,777	-	(52,632)	-	300,145	(107,050)	13,649	-	(37,734)	-	(131,135)	169,010
	14,058,228	1,661,777	(16,414,461)	-	(694,456)	3,501,345	8,729,743	-	(2,858,796)	-	2,369,602	1,675,146
Total property plant and equipment												
Land and buildings	76,198,601	17,175	-	-	76,215,776	(8,022,318)	-	-	(2,478,461)	-	(10,500,779)	65,715,022
Other assets	14,058,228	1,661,777	(16,414,461)	-	(694,456)	(3,501,345)	8,729,743	-	(2,858,796)	-	(6,342,488)	(7,036,944)
	90,256,829	1,678,952	(16,414,461)	-	75,521,320	(11,523,663)	8,729,743	-	(5,337,257)	-	(16,843,243)	58,678,078
Intangible assets												
Computers - software & programming	6,514,594	159,485	(259,553)	-	6,414,526	(1,702,428)	255,589	-	(1,947,505)	-	(3,394,344)	3,020,182
	6,514,594	159,485	(259,553)	-	6,414,526	(1,702,428)	255,589	-	(1,947,505)	-	(3,394,344)	3,020,182
Total												
Land and buildings	76,198,601	17,175	-	-	76,215,776	(8,022,318)	-	-	(2,478,461)	-	(10,500,754)	65,715,022
Other assets	14,058,228	1,661,777	(16,414,461)	-	(694,456)	(3,501,345)	8,729,743	-	(2,858,796)	-	(6,342,488)	(7,036,944)
Intangible assets	6,514,594	159,485	(259,553)	-	6,414,526	(1,702,428)	255,589	-	(1,947,505)	-	(3,394,344)	3,020,182
	96,771,423	1,838,437	(16,674,014)	-	81,935,846	(13,226,091)	8,985,332	-	(7,284,762)	-	(20,237,586)	61,698,260

Lejweleputswa District Municipality
Appendix C
Segmental Analysis of PPE
June 2013

Segmental analysis of property, plant and equipment as at 30 June 2013

	Opening Balance	Additions	Disposals	Transfers	Other changes, movements	Carrying value
	Rand	Rand	Rand	Rand	Rand	Rand
Municipality						
Corporate Services	605,312	499,550	74,184	-	-	1,179,046
Human Resources	8,759	-	(8,759)	-	-	-
Information Technology	3,099,945	74,734	(3,102,680)	-	-	71,999
Council General	2,612,403	300,717	178,915	-	-	3,092,035
Social Services	152,149	-	(152,149)	-	-	-
Economic Development	245,024	29,242	14,008	-	-	288,274
Technical Services	167,398	-	(167,398)	-	-	-
Environmental Health	393,885	180,004	195,762	-	-	769,651
Disaster Management	17,202,209	8,116	(7,315)	-	-	17,203,010
Property	69,958,208	1,999	(10,531)	-	-	69,949,676
Executive Mayor	432,501	129,159	(66,490)	-	-	495,170
Financial Services	721,819	537,122	2,793,483	-	-	4,052,424
Municipal Support	1,124,046	-	(1,123,639)	-	-	407
Rural Roads	15,552,857	-	(15,552,857)	-	-	-
Municipal Manager	309,216	29,555	265,347	-	-	604,118
Speaker	215,730	19,621	(12,482)	-	-	222,869
Mayoral Committee	336,850	28,618	8,586	-	-	374,054
	113,138,311	1,838,437	(16,674,015)	-	-	98,302,733

Lejweleputswa District Municipality
Appendix D
Segmental Statement of Financial Performance for the year ended 30 June 2013
June 2013

Prior Year			Current Year		
Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand	Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand
Municipality					
94,343,486	5,944,279	88,399,207	97,571,541	5,274,641	92,296,900
-	2,123,483	(2,123,483)	-	1,884,267	(1,884,267)
-	1,887,419	(1,887,419)	-	1,674,797	(1,674,797)
-	25,849,883	(25,849,883)	-	22,937,829	(22,937,829)
-	2,187,493	(2,187,493)	-	1,941,066	(1,941,066)
790,000	5,348,092	(4,558,092)	817,031	4,745,616	(3,928,585)
-	-	-	-	-	-
-	9,228,605	(9,228,605)	-	8,188,980	(8,188,980)
-	2,542,159	(2,542,159)	-	2,255,778	(2,255,778)
-	4,157,344	(4,157,344)	-	3,689,009	(3,689,009)
-	19,771,887	(19,771,887)	-	17,544,535	(17,544,535)
5,315,484	10,401,323	(5,085,839)	5,497,351	9,229,588	(3,732,237)
-	1,348,790	(1,348,790)	-	1,196,845	(1,196,845)
-	4,951,819	(4,951,819)	-	4,393,984	(4,393,984)
-	8,219,364	(8,219,364)	-	7,293,432	(7,293,432)
-	2,550,012	(2,550,012)	-	2,262,747	(2,262,747)
-	4,352,402	(4,352,402)	-	3,862,093	(3,862,093)
-	1,394,490	(1,394,490)	-	1,237,397	(1,237,397)
-	4,268,313	(4,268,313)	-	3,787,477	(3,787,477)
100,448,970	116,527,157	(16,078,187)	103,885,923	103,400,081	485,842

Lejweleputswa District Municipality
Appendix E(1)
Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2013
June 2013

	Act. Bal.	Adjusted budget	Variance	
	Rand	Rand	Rand	Var
Revenue				
	-	-	-	-
Government Grants	100,387,000	-	100,387,000	-
Other income - (rollup)	40,000	50,000	90,000	180.0
Interest Received - Investment	1,680,000	-	1,680,000	-
Interest received - other	645,260	-	645,260	-
	<u>102,752,260</u>	<u>50,000</u>	<u>102,802,260</u>	<u>,604.5</u>
Expenses				
Employee remuneration	(49,514,858)	782,615	(48,732,243)	,226.8
Remuneration of councillors	(7,908,779)	(100,000)	(8,008,779)	,008.8
Depreciation	(7,845,439)	-	(7,845,439)	-
Finance costs	(2,840,607)	-	(2,840,607)	-
Debt impairment	(529,200)	-	(529,200)	-
Repairs and maintenance - General	(912,970)	306,620	(1,219,590)	(397.8)
Grants & subsidies paid	(4,450,000)	-	(4,450,000)	-
General Expenses	(27,869,962)	(14,629,679)	(42,499,641)	290.5
Other (taken out of General expenses)	-	-	-	-
Transfer to local municipality	(1,950,000)	-	(1,950,000)	-
Transfer to the development agency	(2,500,000)	-	(2,500,000)	-
	<u>(106,321,815)</u>	<u>(13,640,444)</u>	<u>(120,575,499)</u>	<u>884.0</u>
Other revenue and costs				
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net surplus/ (deficit) for the year	<u>(3,569,555)</u>	<u>(13,590,444)</u>	<u>(17,773,239)</u>	<u>130.8</u>

Lejweleputswa District Municipality
Appendix E(2)
Budget Analysis of Capital Expenditure as at 30 June 2012
June 2013

	Additions Rand	Revised Budget Rand	Variance Rand	Variance %
Municipality				
Council General	16,680	852,251	835,571	98
Speaker	4,926	486,158	481,232	99
Executive Mayor	13,604	502,922	489,318	97
Mayoral Committee	12,716	592,224	579,508	98
Municipal Manager	19,424	1,676,406	1,656,982	99
Corporate Services	117	-	(117)	-
Human Resources	1,606	83,820	82,214	98
Information Technology	99,844	7,082,814	6,982,970	99
Property	144,327	9,639,333	9,495,006	99
Social Services	1,700	167,641	165,941	99
Disaster Management	1,330,290	66,377,289	65,046,999	98
Environmental Health	9,117	419,101	409,984	98
Economic Development	4,318	251,461	247,143	98
Technical Support	-	83,820	83,820	100
Financial Services	15,851	1,173,484	1,157,633	99
Municipal Support	3,257	167,641	164,384	98
Rural Roads	1,174	167,641	166,467	99
	1,678,951	89,724,006	88,045,055	98

Appendix F
Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003
June 2013

Name of Grants	Quarterly Receipts					Quarterly Expenditure					Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act
	Oct	Jan	Apr	Jul	Sep	Oct	Jan	Apr	Jul	Sep	Yes/ No
Municipal Service Improvement Grant	-	(1,000,000)	-	-	-	-	48,750	-	96,340	640,295	Yes
Financial Management Grant	(1,250,000)	-	-	-	-	101,322	327,232	275,529	235,932	292,110	Yes
LGSETA	(31,981)	-	(132,562)	(132,562)	-	31,981	-	-	265,124	-	
	-	-	-	-	-	-	-	-	-	-	
	(1,281,981)	(1,000,000)	(132,562)	(132,562)	-	133,303	375,982	275,529	597,396	932,405	