



Lesedi Local Municipality
(Demarcation code GT423)
Annual financial statements
for the year ended 30 June 2014

Lesedi Local Municipality

(Demarcation code: GT423)

Annual Financial Statements for the year ended 30 June 2014

General Information

Nature of business and principal activities	Local municipal functions as set out in the Constitution of South Africa. (Act no 105 of 1996)
Municipal Manager	A Makhanya
Chief Finance Officer (CFO)	S Marota
Registered office	Civic Centre C/o HF Verwoerd and Louw Street Heidelberg 1441
Business address	Civic Centre C/o HF Verwoerd and Louw Street Heidelberg 1441
Postal address	PO Box 201 Heidelberg 1438
Bankers	ABSA Bank Bruma Gauteng
Auditors	Auditor General of South Africa

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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)

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Accounting Officer's Responsibilities and Approval

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

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

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

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

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

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2015 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 5.

The annual financial statements set out on pages 5 to 48, which have been prepared on the going concern basis, were approved by the council on 31 August 2014 and were signed on its behalf by:

A Makhanya
Municipal Manager

Heidelberg
31 August 2014

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Audit Committee Report

We are pleased to present our report for the financial year ended 30 June 2014.

Audit committee members and attendance

The audit committee consists of the members listed hereunder and should meet 4 times per annum as per its approved terms of reference. During the current year 5 number of meetings were held.

Name of member	Number of meetings attended
Adv MM Mochatsi	5
Mr MG Dhladhla	5
Mr S Mofokheng (Newly Appointed)- Appointed July 2014	1
Mr JL Makoro (Newly Appointed)- Appointed July 2014	1
Mr F Makaula (Newly Appointed)- Appointed July 2014	1
Mr HC Botha - (Term Ended July 2014)	5
Ms AC MacDonald - (Resigned September 2013)	5

Audit committee responsibility

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

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

The effectiveness of internal control

The quality of in year management and monthly/quarterly reports submitted in terms of the MFMA and the Division of Revenue Act.

Evaluation of annual financial statements

The audit committee has:

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

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

Internal audit

The audit committee is satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the municipality and its audits.

Auditor-General of South Africa

The audit committee has met with the Auditor-General of South Africa to ensure that there are no unresolved issues.

Chairperson of the Audit Committee

Date: _____

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Annual Financial Statements for the year ended 30 June 2014

Statement of Financial Position as at 30 June 2014

Figures in Rand	Note(s)	2014	2013 Restated*
Assets			
Current Assets			
Inventories	9	3 759 241	3 977 176
Receivables from exchange transactions	10	5 999 121	1 347 702
Receivables from non-exchange transactions	11	1 995 615	2 227 322
Consumer debtors	12	61 288 296	42 707 265
Cash and cash equivalents	13	8 247 932	14 431 901
		81 290 205	64 691 366
Non-Current Assets			
Investment property	3	232 513 237	243 890 614
Property, plant and equipment	4	558 094 418	557 381 560
Intangible assets	5	4 468 854	3 610 090
Heritage assets	6	157 701	159 151
		795 234 210	805 041 415
Total Assets		876 524 415	869 732 781
Liabilities			
Current Liabilities			
Other financial liabilities	14	2 823 298	2 596 150
Payables from exchange transactions	17	80 036 332	72 294 544
VAT payable	18	11 471 674	6 632 188
Consumer deposits	19	7 733 370	7 452 052
Unspent conditional grants and receipts	15	2 111 040	11 573 700
Provisions	16	8 451 847	9 443 189
		112 627 561	109 991 823
Non-Current Liabilities			
Other financial liabilities	14	65 057 297	67 880 561
Provisions	16	4 541 518	2 512 344
		69 598 815	70 392 905
Total Liabilities		182 226 376	180 384 728
Net Assets		694 298 039	689 348 053
Net Assets			
Accumulated surplus		694 298 039	689 348 053

* See Note 42

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Annual Financial Statements for the year ended 30 June 2014

Statement of Financial Performance

Figures in Rand	Note(s)	2014	2013 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	22	316 031 123	296 967 147
Rental of facilities and equipment	36	3 266 831	3 014 986
Licences and permits		57 936	44 039
Recoveries		1 609 023	975 765
Interest received - investment	30	8 945 908	5 720 299
Total revenue from exchange transactions		329 910 821	306 722 236
Revenue from non-exchange transactions			
Property rates	21	62 277 506	58 416 764
Government grants & subsidies	23	113 514 337	93 509 328
Fines	54	4 662 647	168 107
Total revenue from non-exchange transactions		180 454 490	152 094 199
Total revenue		510 365 311	458 816 435
Expenditure			
Personnel	27	(100 178 382)	(92 694 188)
Remuneration of councillors	28	(7 839 778)	(7 344 755)
Depreciation and amortisation	31	(36 435 895)	(35 982 009)
Impairment loss/ Reversal of impairments	32	(475 962)	18 837
Finance costs	33	(6 972 563)	(6 982 598)
Debt impairment	29	(58 741 130)	(81 963 434)
Audit Fees		(3 669 110)	(3 144 273)
Repairs and maintenance		(15 421 704)	(20 992 106)
Bulk purchases	38	(200 318 829)	(189 132 290)
Contracted services	37	(496 750)	(681 919)
General Expenses	25	(64 816 096)	(48 772 330)
Total expenditure		(495 366 199)	(487 671 065)
Operating surplus (deficit)	26	14 999 112	(28 854 630)
Loss on disposal of assets and liabilities		(10 644 617)	(299 648)
Surplus (deficit) for the year		4 354 495	(29 154 278)

* See Note 42

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Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	863 482 472	863 482 472
Adjustments		
Correction of errors	(1 241 696)	(1 241 696)
Balance at 01 July 2012 as restated*	862 240 776	862 240 776
Changes in net assets		
• Correction of Errors	(144 981 707)	(144 981 707)
Net changes in assets	(144 981 707)	(144 981 707)
Surplus for the year	(27 911 016)	(27 911 016)
Total changes	(172 892 723)	(172 892 723)
Restated* Balance at 01 July 2013	689 943 544	689 943 544
Changes in net assets		
Surplus for the year	4 354 495	4 354 495
Total changes	4 354 495	4 354 495
Balance at 30 June 2014	694 298 039	694 298 039

Note(s)

* See Note 42

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Cash Flow Statement

Figures in Rand	Note(s)	2014	2013 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		334 354 558	350 304 052
Grants		111 364 564	101 053 278
Interest income		8 945 908	5 720 299
		454 665 030	457 077 629
Payments			
Employee costs		(107 253 358)	(98 868 693)
Suppliers		(305 756 294)	(286 158 714)
Finance costs		(7 016 338)	(7 028 000)
Other payments		-	-
		(420 025 990)	(392 055 403)
Net cash flows from operating activities	39	34 639 040	65 022 226
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(35 524 113)	(50 530 851)
Proceeds from sale of property, plant and equipment	4	1 436 576	(757 900)
Proceeds from sale of investment property	3	(2 509 692)	467 042
Purchase of other intangible assets	5	(1 629 664)	(12 630)
Proceeds from sale of other intangible assets	5	-	164 508
Net cash flows from investing activities		(38 226 893)	(50 669 831)
Cash flows from financing activities			
Repayment of other financial liabilities		(2 596 116)	(6 512 097)
Net cash flows from financing activities		(2 596 116)	(6 512 097)
Net increase/(decrease) in cash and cash equivalents		(6 183 969)	7 840 298
Cash and cash equivalents at the beginning of the year		14 431 901	6 591 603
Cash and cash equivalents at the end of the year	13	8 247 932	14 431 901

* See Note 42

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Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	343 712 778	13 571 488	357 284 266	316 031 123	(41 253 143)	Note 52 (1)
Rental of facilities and equipment	9 641 721	(4 009 051)	5 632 670	3 266 831	(2 365 839)	Note 52 (2)
Licences and permits	62 699	27 960	90 659	57 936	(32 723)	Note 52 (3)
Recoveries	2 160 590	(2 001 472)	159 118	1 609 023	1 449 905	Note 52 (4)
Interest received - investment	4 637 522	(877 173)	3 760 349	8 945 908	5 185 559	Note 52 (5)
Total revenue from exchange transactions	360 215 310	6 711 752	366 927 062	329 910 821	(37 016 241)	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	64 800 685	(2 497 814)	62 302 871	62 277 506	(25 365)	Note 52 (7)
Government grants & subsidies	125 797 755	2 552 562	128 350 317	113 514 337	(14 835 980)	Note 52 (6)
Transfer revenue						
Fines	500 000	(398)	499 602	4 662 647	4 163 045	
Total revenue from non-exchange transactions	191 098 440	54 350	191 152 790	180 454 490	(10 698 300)	
Expenditure						
Employee Cost	(114 179 450)	5 034 171	(109 145 279)	(100 178 382)	8 966 897	Note 52(8)
Remuneration of councillors	(8 140 022)	107 962	(8 032 060)	(7 839 778)	192 282	Note 52(8)
Depreciation and amortisation	(35 498 763)	(483 246)	(35 982 009)	(36 435 895)	(453 886)	Note 52(10)
Impairment loss/ Reversal of impairments	-	-	-	(475 962)	(475 962)	
Finance costs	(6 373 148)	-	(6 373 148)	(6 972 563)	(599 415)	
Debt impairment	(52 786 694)	(8 705 168)	(61 491 862)	(58 741 130)	2 750 732	Note 52 (11)
Collection costs	(900 000)	150 000	(750 000)	(3 669 110)	(2 919 110)	
Repairs and maintenance	(37 034 554)	21 302 400	(15 732 154)	(15 421 704)	310 450	
Bulk purchases	(187 445 157)	(11 827 932)	(199 273 089)	(200 318 829)	(1 045 740)	Note 52 (12)
Contracted Services	(683 680)	105 000	(578 680)	(496 750)	81 930	
General Expenses	(45 993 628)	(10 720 097)	(56 713 725)	(64 816 096)	(8 102 371)	Note 52 (15)
Total expenditure	(489 035 096)	(5 036 910)	(494 072 006)	(495 366 199)	(1 294 193)	
Operating surplus	62 278 654	1 729 192	64 007 846	14 999 112	(49 008 734)	
Loss on disposal of assets and liabilities	-	-	-	(10 644 617)	(10 644 617)	
Surplus before taxation	62 278 654	1 729 192	64 007 846	4 354 495	(59 653 351)	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	62 278 654	1 729 192	64 007 846	4 354 495	(59 653 351)	

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Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Position						
Assets						
Current Assets						
Inventories	4 381 871	(404 695)	3 977 176	3 759 241	(217 935)	
Receivables from exchange transactions	10 832 646	(9 798 120)	1 034 526	5 999 121	4 964 595	Note 52 (16)
Receivables from non-exchange transactions	-	-	-	1 995 615	1 995 615	Note 52(17)
Consumer debtors	90 987 550	(59 447 742)	31 539 808	61 288 296	29 748 488	Note 52 (18)
Cash and cash equivalents	15 429 269	(12 168 206)	3 261 063	8 247 932	4 986 869	
	121 631 336	(81 818 763)	39 812 573	81 290 205	41 477 632	
Non-Current Assets						
Investment property	414 293 369	6 208 291	420 501 660	232 513 237	(187 988 423)	Note 52 (20)
Property, plant and equipment	552 971 915	(398 054)	552 573 861	558 094 418	5 520 557	Note 52 (21)
Intangible assets	-	2 173 106	2 173 106	4 468 854	2 295 748	
Heritage assets	-	-	-	157 702	157 702	
	967 265 284	7 983 343	975 248 627	795 234 211	(180 014 416)	
Total Assets	1 088 896 620	(73 835 420)	1 015 061 200	876 524 416	(138 536 784)	
Liabilities						
Current Liabilities						
Other financial liabilities	-	-	-	2 823 298	2 823 298	
Payables from exchange transactions	63 528 974	(24 752 969)	38 776 005	78 655 841	39 879 836	Note 52 (27)
VAT payable	-	-	-	11 471 674	11 471 674	Note 52 (28)
Consumer deposits	7 389 791	62 261	7 452 052	7 733 370	281 318	
Unspent conditional grants and receipts	-	-	-	2 111 040	2 111 040	
Provisions	9 501 424	(58 235)	9 443 189	8 451 847	(991 342)	
	80 420 189	(24 748 943)	55 671 246	111 247 070	55 575 824	
Non-Current Liabilities						
Other financial liabilities	67 877 824	2 737	67 880 561	65 057 297	(2 823 264)	
Provisions	2 234 396	(282 788)	1 951 608	4 541 518	2 589 910	Note 52 (26)
	70 112 220	(280 051)	69 832 169	69 598 815	(233 354)	
Total Liabilities	150 532 409	(25 028 994)	125 503 415	180 845 885	55 342 470	
Net Assets	938 364 211	(48 806 426)	889 557 785	701 606 068	(193 879 254)	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	-	-	-	694 298 038	694 298 038	

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Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts	Difference between final budget and actual	Reference
Figures in Rand						
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Sale of goods and services	338 294 551	2 691 436	340 985 987	334 304 562	(6 681 425)	
Grants	115 797 755	-	115 797 755	111 364 564	(4 433 191)	
Interest income	4 023 840	(263 491)	3 760 349	8 909 656	5 149 307	
	458 116 146	2 427 945	460 544 091	454 578 782	(5 965 309)	
Payments						
Employee costs	(122 319 472)	-	(122 319 472)	(100 253 358)	22 066 114	
Suppliers	(252 089 932)	(22 463 833)	(274 553 765)	(206 433 024)	68 120 741	
Finance costs	(6 373 148)	-	(6 373 148)	(6 922 567)	(549 419)	
	(380 782 552)	(22 463 833)	(403 246 385)	(313 608 949)	89 637 436	
Net cash flows from operating activities	77 333 594	(20 035 888)	57 297 706	140 969 833	83 672 127	
Cash flows from investing activities						
Purchase of property, plant and equipment	(62 493 391)	8 099 809	(54 393 582)	(35 524 116)	18 869 466	
Proceeds from sale of property, plant and equipment	-	865 264	865 264	1 469 073	603 809	
Purchase of other intangible assets	-	(2 035 000)	(2 035 000)	(1 629 663)	405 337	
Net cash flows from investing activities	(62 493 391)	6 930 073	(55 563 318)	(35 684 706)	19 878 612	
Cash flows from financing activities						
Repayment of other financial liabilities	(2 698 274)	(2 698 274)	-	(2 646 112)	(2 646 112)	
Net increase/(decrease) in cash and cash equivalents	12 141 929	(13 105 815)	1 734 388	(6 183 970)	100 904 627	
Cash and cash equivalents at the beginning of the year	3 287 029	-	3 287 029	14 431 901	11 144 872	
Cash and cash equivalents at the end of the year	15 428 958	(13 105 815)	5 021 417	8 247 931	112 049 499	

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Accounting Policies

1. Basis of preparation

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

1.1 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual 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 annual financial statements. These judgements and sources of estimation uncertainty have been covered in the relative notes.

1.2 Investment property

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

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

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, and only when it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

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

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

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property.

Cost model

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value by equal installments over the useful life of the property, which is as follows:

Item	Useful life
Property - land	indefinite
Property - buildings	30 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.

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

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Accounting Policies

1.2 Investment property (continued)

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

Property interests held under operating leases are classified and accounted for as investment property in the following circumstances:

When classification is difficult, the criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of operations, are as follows:

1.3 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.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

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

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

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Accounting Policies

1.3 Property, plant and equipment (continued)

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

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited in revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

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

Item	Average useful life
Infrastructure	
• Roads and Paving	10-30 years
• Electricity	20-30 years
• Water	15-20 years
• Sewerage	15-20 years
• Landfill Site	4 years
Community	
• Buildings	30 years
• Recreational facilities	20-30 years
• Security	5 years
Other property, plant and equipment	
• Buildings	30 years
• Specialist Vehicles	20 years
• Other vehicles	5 years
• Furniture and Fittings	7 years
• Bins and Containers	5 years
• Office Equipment	3 -7 years
• Library books	5 - 25 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.

Items of property, plant and equipment 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.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. These assets are not accounted for as non-current assets held for sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

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1.4 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. 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, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

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.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

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

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

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.

Internally generated goodwill is not recognised as an intangible asset.

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
Servitudes	indefinite

Intangible assets are derecognised:

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

1.5 Heritage assets

Class of heritage assets means a grouping of heritage assets of a similar nature or function in an municipality's operations that is shown as a single item for the purpose of disclosure in the annual financial statements.

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

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Accounting Policies

1.5 Heritage assets (continued)

Recognition

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

Initial measurement

Heritage assets are measured at cost.

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

Subsequent measurement

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

Impairment

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

Derecognition

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

1.6 Financial instruments

1.7 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.

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.

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

1.8 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

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

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Accounting Policies

1.8 Inventories (continued)

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

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

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

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

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

1.9 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).

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.

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

Recoverable amount of an asset or a cash-generating unit is the higher its 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.

Criteria developed by the municipality to distinguish cash-generating assets from non-cash-generating assets are as follow:

Identification

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

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.

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

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.

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1.10 Impairment of non-cash-generating assets

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

Identification

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

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.

1.11 Employee benefits

1.12 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.

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.

A contingent asset is a possible asset that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

A contingent liability is:

- a possible obligation that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or
- a present obligation that arises from past events but is not recognised because:
 - it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or
 - the amount of the obligation cannot be measured with sufficient reliability.

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

1.13 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.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

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Accounting Policies

1.13 Revenue from exchange transactions (continued)

Measurement

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

Sale of goods

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

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

Rendering of services

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

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

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

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

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. Revenue from the sale of electricity prepaid meter cards are recognised at the point of sale.

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

Service charges from sewerage and sanitation are based on the number of sewerage connections on each developed property using the tariffs approved from Council and are levied monthly.

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment is brought into use. Where public contributions have been received but the municipality has not met the condition, a liability is recognised.

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Accounting Policies

1.13 Revenue from exchange transactions (continued)

Interest, royalties and dividends

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.

1.14 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

1.15 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.

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Accounting Policies

1.16 Comparative figures

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

1.17 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.

1.18 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.

1.19 Irregular expenditure

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 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.

1.20 Conditional grants and receipts

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

1.21 Budget information

The Statement of comparative and actual information has been included in the annual financial statements as the recommended disclosure when the annual financial statements and the budget are on the same basis of accounting as determined by National Treasury.

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2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

Standard/ Interpretation:	Effective date: Years beginning on or after
• GRAP 25: Employee benefits	01 April 2013
• GRAP 1 (as revised 2012): Presentation of Financial Statements	01 April 2013
• GRAP 3 (as revised 2012): Accounting Policies, Change in Accounting Estimates and Errors	01 April 2013
• GRAP 7 (as revised 2012): Investments in Associates	01 April 2013
• GRAP 9 (as revised 2012): Revenue from Exchange Transactions	01 April 2013
• GRAP 12 (as revised 2012): Inventories	01 April 2013
• GRAP 13 (as revised 2012): Leases	01 April 2013
• GRAP 16 (as revised 2012): Investment Property	01 April 2013
• GRAP 17 (as revised 2012): Property, Plant and Equipment	01 April 2013
• GRAP 27 (as revised 2012): Agriculture (Replaces GRAP 101)	01 April 2013
• GRAP 31 (as revised 2012): Intangible Assets (Replaces GRAP 102)	01 April 2013
• IGRAP16: Intangible assets website costs	01 April 2013
• IGRAP1 (as revised 2012): Applying the probability test on initial recognition of revenue	01 April 2013

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 2014 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after
• GRAP 105: Transfers of functions between entities under common control	01 April 2014
• GRAP 106: Transfers of functions between entities not under common control	01 April 2014
• GRAP 107: Mergers	01 April 2014
• IGRAP 11: Consolidation – Special purpose entities	01 April 2014
• IGRAP 12: Jointly controlled entities – Non-monetary contributions by ventures	01 April 2014
• GRAP 6 (as revised 2010): Consolidated and Separate Financial Statements	01 April 2014
• GRAP 7 (as revised 2010): Investments in Associates	01 April 2014
• GRAP 8 (as revised 2010): Interests in Joint Ventures	01 April 2014
• GRAP108: Statutory Receivables	01 April 2015
• IGRAP17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset	01 April 2015

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

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3. Investment property

	2014			2013		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	265 791 911	(33 278 674)	232 513 237	265 791 911	(21 901 297)	243 890 614

Reconciliation of investment property - 2014

	Opening balance	Depreciation	Total
Investment property	243 890 614	(11 377 377)	232 513 237

Reconciliation of investment property - 2013

	Opening balance	Transfers	Depreciation	Total
Investment property	425 115 439	(178 920 248)	(2 304 577)	243 890 614

4. Property, plant and equipment

	2014			2013		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	175 098 237	-	175 098 237	175 098 236	-	175 098 236
Infrastructure	532 935 341	(283 371 393)	249 563 948	496 935 923	(268 769 132)	228 166 791
Community	131 700 087	(55 028 182)	76 671 905	135 289 657	(52 775 791)	82 513 866
Other property, plant and equipment	32 282 779	(18 117 596)	14 165 183	50 306 894	(25 742 278)	24 564 616
Capital work in progress	33 229 149	-	33 229 149	36 803 191	-	36 803 191
Library books	13 358 333	(5 476 895)	7 881 438	12 762 958	(4 223 473)	8 539 485
Work in progress - Library books	1 484 558	-	1 484 558	1 695 375	-	1 695 375
Total	920 088 484	(361 994 066)	558 094 418	908 892 234	(351 510 674)	557 381 560

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4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2014

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Impairment reversal	Total
Land	175 098 236	-	-	-	-	-	-	175 098 237
Infrastructure	228 166 791	24 887 109	(125 995)	11 379 320	(14 138 915)	(604 362)	-	249 563 948
Community	82 513 866	1 512 300	(2 483 560)	(210)	(5 594 409)	-	723 918	76 671 905
Other property, plant and equipment	24 564 616	897 992	(6 960 496)	1 001	(4 337 930)	-	-	14 165 183
Capital work in progress	36 803 191	7 805 276	-	(11 379 320)	-	-	-	33 229 147
Library books	8 539 485	-	-	595 375	(1 253 422)	-	-	7 881 438
Work in progress - Library books	1 695 375	421 436	-	(595 375)	(36 878)	-	-	1 484 558
	557 381 560	35 524 113	(9 570 051)	791	(25 361 554)	(604 362)	723 918	558 094 416

Reconciliation of property, plant and equipment - 2013

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Land	170 741 399	-	-	4 356 837	-	175 098 236
Infrastructure	231 239 692	4 604 790	-	17 529 186	(25 206 877)	228 166 791
Community	33 879 647	15 316 346	-	34 944 947	(1 627 074)	82 513 866
Other property, plant and equipment	31 412 604	195 484	(8 790)	(3 089 159)	(3 945 523)	24 564 616
Capital work in progress	22 756 766	30 091 828	-	(16 045 403)	-	36 803 191
Library books	9 167 431	-	-	562 834	(1 190 780)	8 539 485
Work in progress - Library books	1 972 685	322 403	-	(562 834)	(36 879)	1 695 375
	501 170 224	50 530 851	(8 790)	37 696 408	(32 007 133)	557 381 560

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.

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5. Intangible assets

	2014			2013		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, and Servitudes	6 361 716	(1 892 862)	4 468 854	4 732 052	(1 121 962)	3 610 090

Reconciliation of intangible assets - 2014

	Opening balance	Additions	Amortisation	Total
Computer software, and Servitudes	3 610 090	1 629 664	(770 900)	4 468 854

Reconciliation of intangible assets - 2013

	Opening balance	Additions	Disposals	Transfers	Amortisation	Total
Computer software, other	1 114 558	12 630	(164 508)	3 002 360	(354 950)	3 610 090

6. Heritage assets

	2014			2013		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Historical buildings	157 702	-	157 702	159 151	-	159 151

Reconciliation of heritage assets 2014

	Opening balance	Disposals	Transfers	Total
Historical buildings	159 151	(1 450)	1 959	157 702

Reconciliation of heritage assets 2013

	Opening balance	Transfers	Total
Historical buildings	-	159 151	159 151

7. Other financial assets

The municipality has not reclassified any financial assets from cost or amortised cost to fair value, or from fair value to cost or amortised cost during the current or prior year.

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8. Financial assets by category

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

2014

	Financial assets at amortised cost	Held at Fair Value	Total
Trade and other receivables	81 948 872	-	81 948 872
Other receivables from non-exchange transactions	1 285 102	-	1 285 102
Cash and cash equivalents	-	8 247 932	8 247 932
	83 233 974	8 247 932	91 481 906

2013

	Financial assets at amortised cost	Held at Fair Value	Total
Trade and other receivables	58 078 945	-	58 078 945
Other receivables from non-exchange transactions	2 227 322	-	2 227 322
Cash and cash equivalents	-	14 431 901	14 431 901
	60 306 267	14 431 901	74 738 168

9. Inventories

Consumable stores	3 582 895	3 817 787
Water	176 346	159 389
	3 759 241	3 977 176

10. Receivables from exchange transactions

Deposits	234 685	234 685
Sundry debtors	5 602 436	1 113 017
Insurance debtor	162 000	-
	5 999 121	1 347 702

11. Receivables from non-exchange transactions

Government grants and subsidies	1 995 615	2 227 322
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12. Consumer debtors

Gross balances

Rates	34 888 452	33 803 041
Electricity	86 163 653	63 160 930
Water	87 247 028	68 123 605
Sewerage	26 797 937	21 352 850
Refuse	46 835 379	38 505 294
VAT	32 512 893	25 237 508
Other	33 190 616	31 770 293
	347 635 958	281 953 521

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Figures in Rand	2014	2013
12. Consumer debtors (continued)		
Less: Allowance for impairment		
Rates	(29 332 652)	(22 604 839)
Electricity	(60 326 627)	(45 811 665)
Water	(77 746 014)	(63 246 388)
Sewerage	(23 686 991)	(19 277 040)
Refuse	(41 499 392)	(36 221 531)
VAT	(26 519 513)	(22 153 655)
Other	(27 236 473)	(29 931 138)
	(286 347 662)	(239 246 256)
Net balance		
Rates	5 555 800	11 198 202
Electricity	25 837 026	17 349 265
Water	9 501 014	4 877 217
Sewerage	3 110 946	2 075 810
Refuse	5 335 987	2 283 763
VAT	5 993 380	3 083 853
Other	5 954 143	1 839 155
	61 288 296	42 707 265
Rates		
Current (0 -30 days)	2 570 038	4 017 540
31 - 60 days	1 384 091	157 650
61 - 90 days	906 808	55 205
91 - 120 days	694 863	36 077
121 - 365 days	-	6 931 730
	5 555 800	11 198 202
Electricity		
Current (0 -30 days)	16 601 489	6 911 939
31 - 60 days	3 191 461	333 377
61 - 90 days	2 620 065	116 740
91 - 120 days	2 138 905	76 290
121 - 365 days	1 285 106	9 910 919
	25 837 026	17 349 265
Water		
Current (0 -30 days)	2 992 968	1 884 809
31 - 60 days	2 121 119	79 856
61 - 90 days	2 465 530	27 964
91 - 120 days	1 921 397	18 274
121 - 365 days	-	2 866 314
	9 501 014	4 877 217
Sewerage		
Current (0 -30 days)	137 048	608 915
31 - 60 days	840 772	24 222
61 - 90 days	763 137	8 482
91 - 120 days	654 961	5 543
121 - 365 days	715 028	1 428 648
	3 110 946	2 075 810

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Figures in Rand	2014	2013
12. Consumer debtors (continued)		
Refuse		
Current (0 -30 days)	1 757 535	704 972
31 - 60 days	1 273 923	27 133
61 - 90 days	1 174 873	9 501
91 - 120 days	1 015 718	6 209
121 - 365 days	113 938	1 535 948
	5 335 987	2 283 763
VAT		
Current (0 -30 days)	2 735 245	1 930 300
31 - 60 days	1 119 919	92 927
61 - 90 days	915 382	24 327
91 - 120 days	807 427	15 645
121 - 365 days	415 407	1 020 654
	5 993 380	3 083 853
Other		
Current (0 -30 days)	1 783 147	1 457 038
31 - 60 days	458 917	194 556
61 - 90 days	384 828	68 129
91 - 120 days	374 651	44 522
121 - 365 days	2 952 600	74 910
	5 954 143	1 839 155
Reconciliation of allowance for impairment		
Balance at beginning of the year	(239 246 256)	(170 545 202)
Contributions to allowance	(58 741 130)	(78 181 088)
Debt impairment written off against allowance	11 639 724	9 480 034
	(286 347 662)	(239 246 256)

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Figures in Rand	2014	2013
13. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	2 335	2 335
Bank balances	2 940 114	1 999 519
Short-term deposits	5 108 339	12 430 047
Other cash and cash equivalents	197 144	-
	8 247 932	14 431 901

The municipality had the following bank accounts

Account number / description	Bank statement balances					
	30 June 2014	30 June 2013	30 June 2012			
ABSA Bank - Main Cheque Account	2 940 114	1 999 519	6 589 268	-	-	-
ABSA BANK - Cheque	197 144	-	-	-	-	-
Investec BANK - Call Account	3 395 405	-	-	-	-	-
ABSA BANK - Call Account	1 712 934	-	-	-	-	-
Total	8 245 597	1 999 519	6 589 268	-	-	-

14. Other financial liabilities

At amortised cost

Development Bank of South Africa	67 880 595	70 476 711
The loan interest rates vary between 5.00% and 14.24%, and the half-yearly fixed instalment repayments vary between R5,491 and R1,377,105. The terms of the loans range between 10 and 20 years.		

Non-current liabilities

At amortised cost	65 057 297	67 880 561
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Current liabilities

At amortised cost	2 823 298	2 596 150
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15. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

Government grant (operating) 1 - Finance Management Grant	78 165	-
Government grant (operating) 3 - Expanded Public Works Program Integrated Grant	65	324 065
Government grant (operating) 6 - Libraries plan grant	454 042	(79 237)
Government grant (operating) 8 - Provincial clinics	(981 817)	(1 601 377)
Government grant (operating) 9 - Provincial social development grant	-	250 000
Government grant (operating) 10 - Provincial alien plant eradication grant	-	442 122
Government grant (operating) 11 - District taxi ranks	(310 000)	-
Government grant (operating) 12 - District health	(703 798)	(546 707)
Government grant (operating) 15 - Tannery	462 464	-
Government grant (operating) 17 - BKB grant	306 332	210 472
Government grant (capital) 1 - Municipal Infrastructure Grant	-	9 875 371
Government grant (capital) 2 - INEG	3 140	-
Government grant (capital) 6 - Recapitalization of community libraries grant	715 503	196 669
Government grant (capital) 11 - NLDTF/Lotto	91 329	275 000
Government grant (operating) - Moneys receivable (Grant 8,11 and 12 above)	1 995 615	2 227 322
	2 111 040	11 573 700

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Notes to the Annual Financial Statements

Figures in Rand	2014	2013
15. Unspent conditional grants and receipts (continued)		
Movement during the year		
Balance at the beginning of the year	11 573 700	2 302 136
Additions during the year	101 901 701	102 458 572
Income recognition during the year	(113 359 976)	(95 414 330)
Reversal of debtor for reconciliaion	1 995 615	2 227 322
	2 111 040	11 573 700
Net grants for movement reconciliation		
Receivables from non-exchange transactions	(1 995 615)	(2 227 322)
Unspent conditional grant rollovers	2 111 040	11 573 700
	115 425	9 346 378

The nature and extent of government grants recognised in the annual 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 23 for reconciliation of grants from National/Provincial Government.

These amounts are invested in a ring-fenced investment until utilised.

16. Provisions

Reconciliation of provisions - 2014

	Opening Balance	Additions	Utilised during the year	Change in discount factor	Total
Environmental rehabilitation	2 512 344	-	-	2 029 174	4 541 518
Provision for 13th cheque	3 387 684	2 600 469	(3 387 684)	-	2 600 469
Provision for leave pay	6 055 505	307 056	(511 183)	-	5 851 378
	11 955 533	2 907 525	(3 898 867)	2 029 174	12 993 365

Reconciliation of provisions - 2013

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Change in discount factor	Total
Environmental rehabilitation	1 951 608	-	-	-	560 736	2 512 344
Provision for 13th cheque	3 393 776	-	-	(6 092)	-	3 387 684
Provision for leave pay	5 691 078	720 405	(355 978)	-	-	6 055 505
	11 036 462	720 405	(355 978)	(6 092)	560 736	11 955 533
Non-current liabilities					4 541 518	2 512 344
Current liabilities					8 451 847	9 443 189
					12 993 365	11 955 533

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Notes to the Annual Financial Statements

Figures in Rand	2014	2013
17. Payables from exchange transactions		
Trade payables	54 460 388	52 446 516
Payments received in advanced	13 744 185	10 569 436
Retentions	6 445 374	6 277 075
Accrued bonus	2 006 936	672 994
Other payables	1 542 945	190 735
Unclaimed and confiscated deposits	1 469 072	2 137 788
Grants to be repaid	367 432	-
	80 036 332	72 294 544

18. VAT payable

Tax refunds payables	11 471 674	6 632 188
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19. Consumer deposits

All services	7 733 370	7 452 052
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20. Financial liabilities by category

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

2014

	Financial liabilities at amortised cost	Total
Other financial liabilities	67 590 599	67 590 599
Trade and other payables	78 063 604	78 063 604
Unspent conditional grants and receipts	2 945 845	2 945 845
Consumer deposits	7 733 370	7 733 370
VAT payable	12 151 193	12 151 193
	168 484 611	168 484 611

2013

	Financial liabilities at amortised cost	Total
Other financial liabilities	70 476 711	70 476 711
Trade and other payables	69 366 306	69 366 306
Unspent conditional grants and receipts	11 573 700	11 573 700
Consumer deposits	7 452 052	7 452 052
VAT payable	6 632 188	6 632 188
	165 500 957	165 500 957

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Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

Figures in Rand	2014	2013
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21. Property rates

Rates received

Municipal rates levied	82 306 218	76 943 311
Less: Income forgone	(20 028 712)	(18 526 547)
	62 277 506	58 416 764

Valuations

Residential	4 855 546 001	4 889 436 000
Commercial	1 045 891 000	1 096 844 000
State	598 408 003	627 968 000
Municipal	404 902 000	552 213 000
Small holdings and farms	1 514 904 000	1 523 164 000
	8 419 651 004	8 689 625 000

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2010. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

The new general valuation will be implemented on 01 July 2014.

22. Service charges

Sale of electricity	205 643 651	196 589 587
Sale of water	64 377 754	59 001 262
Sewerage and sanitation charges	18 627 891	16 487 127
Refuse removal	23 069 549	22 116 608
Other service charges	4 312 278	2 772 563
	316 031 123	296 967 147

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Notes to the Annual Financial Statements

Figures in Rand	2014	2013
23. Government grants and subsidies		
Operating grants		
Equitable share	64 253 000	59 701 000
Government grant (operating) 1 - Finance Management Grant	1 221 835	1 250 000
Government grant (operating) 2 - Municipal Systems Improvement Grant	890 000	999 999
Government grant (operating) 3 - Expanded Public Works Program Integrated Grant	1 324 000	675 933
Government grant (operating) 4 - Water grant	-	148 651
Government grant (operating) 6 - Libraries plan	1 895 959	2 684 119
Government grant (operating) 8 - Provincial clinics	1 644 717	1 936 825
Government grant (operating) 10 - Provincial alien plant eradication grant	1 742 122	1 172 399
Government grant (operating) 11 - District taxi ranks	310 000	314 944
Government grant (operating) 12 - District Health	2 836 269	3 264 345
Government grant (operating) 13 - District HIV/Aids grant	250 000	500 000
Government grant (operating) 15 - Tannery	37 536	-
Government grant (operating) 16 - Cogta	2 800 000	-
Government grant (operating) 17 - BKB grant	75 540	199 528
Government grant (operating) 18 - Seta	154 359	345 023
	79 435 337	73 192 766
Capital grants		
Government grant (capital) 1 - Municipal Infrastructure Grant	25 875 372	19 045 068
Government grant (capital) 2 - Integrated National Electrification Grant	5 996 860	-
Government grant (capital) 6 - Recapitalization of Community Library Grant	984 497	1 271 494
Government grant (capital) 11 - NLDTF/Lotto	183 671	-
Government grant (capital) 16 - Cogta	1 000 000	-
Government grant (capital) 18 - BKB	38 600	-
	34 079 000	20 316 562
	113 514 337	93 509 328
Conditional and Unconditional		
Included in above are the following grants and subsidies received:		
Conditional grants received	113 514 337	93 509 328
Unconditional grants received	-	-
	113 514 337	93 509 328
Equitable Share		
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.		
All registered indigents receive a monthly subsidy of R 350 (2013: R 296-), which is funded from the grant.		
Government grant (operating) 1 - Finance Management Grant		
Balance unspent at beginning of year	-	-
Current-year receipts	1 300 000	1 250 000
Conditions met - transferred to revenue	(1 221 835)	(1 250 000)
	78 165	-
Government grant (operating) 2 - Municipal Systems Improvement Grant		
Balance unspent at beginning of year	-	-
Current-year receipts	890 000	1 000 000
Conditions met - transferred to revenue	(890 000)	(1 000 000)
	-	-

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Figures in Rand	2014	2013
23. Government grants and subsidies (continued)		
Government grant (operating) 3 - Expanded Public Works Program Integrated Grant		
Balance unspent at beginning of year	324 065	-
Current-year receipts	1 000 000	1 000 000
Conditions met - transferred to revenue	(1 324 065)	(675 935)
	-	324 065
Government grant (operating) 4 - Water grant		
Current-year receipts	-	148 651
Conditions met - transferred to revenue	-	(148 651)
	-	-
Government grant (operating) 6 - Libraries Plan grant		
Balance unspent at beginning of year	(79 237)	294 882
Current-year receipts	2 100 000	2 310 000
Conditions met - transferred to revenue	(1 645 958)	(2 684 119)
Transferred to Payables	79 237	-
	454 042	(79 237)
Government grant (operating) 8 - Provincial clinics		
Balance unspent at beginning of year	(1 601 377)	(1 255 880)
Current-year receipts	2 264 277	1 591 329
Conditions met - transferred to revenue	(1 644 717)	(1 936 826)
	(981 817)	(1 601 377)
Government grant (operating) 9 - Provincial social development grant		
Balance unspent at beginning of year	250 000	-
Current-year receipts	(250 000)	250 000
Conditions met - transferred to revenue	-	-
	-	250 000
Government grant (operating) 10 - Provincial alien plant eradication grant		
Balance unspent at beginning of year	442 122	31 479
Current-year receipts	1 300 000	1 646 000
Conditions met - transferred to revenue	(1 742 122)	(1 172 399)
	-	442 122
Government grant (operating) 11 - District taxi ranks		
Balance unspent at beginning of year	-	(403 003)
Current-year receipts	-	717 947
Conditions met - transferred to revenue	(310 000)	(314 944)
	(310 000)	-
Government grant (operating) 12 - District Health		

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Notes to the Annual Financial Statements

Figures in Rand	2014	2013
23. Government grants and subsidies (continued)		
Balance unspent at beginning of year	(546 707)	(559 659)
Current-year receipts	2 873 860	3 277 297
Conditions met - transferred to revenue	(3 030 951)	(3 264 345)
	(703 798)	(546 707)
Government grant (operating) 13 - District HIV/Aids grant		
Balance unspent at beginning of year	-	-
Current-year receipts	250 000	500 000
Conditions met - transferred to revenue	(250 000)	(500 000)
	-	-
Government grant (operating) 17 - BKB grant		
Balance unspent at beginning of year	210 472	-
Current-year receipts	210 000	410 000
Conditions met - transferred to revenue	(75 540)	(199 528)
Conditions met transferred to Revenue	(38 600)	-
	306 332	210 472
Government grant (operating) 18 - Seta		
Balance unspent at beginning of year	-	-
Current-year receipts	154 359	345 023
Conditions met - transferred to revenue	(154 359)	(345 023)
	-	-
Government grant (operating) 16 - COGTA		
Balance unspent at beginning of year	-	-
Current-year receipts	2 800 000	-
Conditions met - transferred to revenue	(2 800 000)	-
	-	-
Government grant (capital) 1 - Municipal Infrastructure Grant		
Balance unspent at beginning of year	9 875 371	850 440
Current-year receipts	16 000 000	28 070 000
Conditions met - transferred to revenue	(25 875 371)	(19 045 069)
	-	9 875 371
Government grant (capital) 2 - Integrated National Electrification Grant		
Balance unspent at beginning of year	-	-
Current-year receipts	6 000 000	-
Conditions met - transferred to revenue	(5 996 860)	-
	3 140	-
Government grant (capital) 6 - Recapitalization of community libraries grant		
Balance unspent at beginning of year	196 669	1 008 163
Current-year receipts	1 950 000	460 000
Conditions met - transferred to revenue	(1 234 497)	(1 271 494)

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Notes to the Annual Financial Statements

Figures in Rand	2014	2013
23. Government grants and subsidies (continued)		
Transfer to payables	(196 669)	-
	715 503	196 669
Government grant (capital) 16 - COGTA		
Current-year receipts	1 000 000	-
Conditions met - transferred to revenue	(1 000 000)	-
	-	-
Government grant (capital) 11 - NLDTF/Lotto		
Balance unspent at beginning of year	275 000	-
Current-year receipts	-	275 000
Conditions met - transferred to revenue	(183 671)	-
	91 329	275 000
Conditions still to be met - remain liabilities (see note 15).		
Changes in level of government grants		
Based on the allocations set out in the Division of Revenue Act, (Act No.2 of 2013), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.		
24. Other revenue		
Insurance recoveries	1 609 023	975 765

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Notes to the Annual Financial Statements

Figures in Rand	2014	2013
25. General expenses		
Advertising	323 385	463 528
Collection cost	360 731	721 309
Bank charges	556 943	253 674
Cleaning	-	860
Consulting and professional fees	11 504 800	6 359 916
Consumables	818 834	609 393
Debt collection	5 076 639	1 042 737
Donations	595	-
Entertainment	228 059	244 621
Fines and penalties	83 843	2 050
Hire	535 457	464 601
Insurance	1 557 186	1 064 414
Community development and training	122 048	45 667
IT expenses	1 216 983	677 069
Fleet	8 030 142	8 616 261
Promotions and sponsorships	30 285	30 856
Magazines, books and periodicals	146 818	62 813
Medical expenses	-	1 993
Pest control	46 625	62 472
Postage and courier	532 952	448 755
Printing and stationery	722 902	892 170
Promotions	-	1 050
Protective clothing	385 204	611 214
Security (Guarding of municipal property)	6 017 024	4 888 287
Software expenses	31 418	35 183
Staff welfare	356 924	1 400
Subscriptions and membership fees	1 035 382	850 398
Telephone and fax	1 371 713	952 552
Training	4 431 921	2 226 214
Travel - local	512 945	528 823
Refuse	3 990 650	4 154 493
Assets expensed	732 711	229 495
Billing and meter reading charges	1 295 975	1 199 617
Laboratory charges	2 700	-
Grant related expenditure	2 844 117	3 052 836
Connection fees	-	658 102
Indigents	3 917 915	3 777 675
Valuation costs	2 065 642	662 718
Pensioners	1 254 217	1 175 826
Other expenses	2 674 411	1 701 288
	64 816 096	48 772 330

26. Operating surplus (deficit)

Operating surplus (deficit) for the year is stated after accounting for the following:

Loss on sale of property, plant and equipment	(8 133 475)	(766 690)
(Loss) gain on sale of investment property	(2 509 692)	467 042
Compensation from third parties - Heritage assets	(1 450)	-
Impairment on property, plant and equipment	475 962	(18 837)
Amortisation on intangible assets	770 900	354 950
Depreciation on property, plant and equipment	24 287 618	32 079 221
Depreciation on investment property	11 377 377	2 304 576
Employee costs	108 018 160	100 038 943

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Figures in Rand	2014	2013
27. Employee related costs		
Basic	63 628 531	55 640 307
Medical aid - company contributions	5 182 422	4 832 169
UIF	606 567	578 294
WCA	1 259 862	532 693
SDL	745 147	693 612
Other payroll levies	35 160	33 535
Leave pay provision charge	307 056	720 406
Pension costs	11 721 819	10 965 293
Leave pay	1 862 170	981 928
Group insurance	828 080	798 323
Overtime payments	4 786 497	4 217 565
13th Cheques	4 912 816	4 257 661
Acting allowances	249 661	653 290
Car allowance	2 636 539	1 794 794
Housing benefits and allowances	292 578	360 748
Cellphone allowance	63 428	68 906
Entertainment allowance	840	840
Standby	1 057 889	990 024
Cleaning allowance	240	240
Tool allowance	1 080	1 080
	100 178 382	88 121 708
Remuneration of municipal manager		
Annual Remuneration	1 130 122	925 488
Car Allowance	254 619	214 776
Contributions to UIF, Medical and Pension Funds	1 785	1 636
	1 386 526	1 141 900
Remuneration of chief finance officer		
Annual Remuneration	829 790	528 990
Car Allowance	89 333	120 362
Performance Bonuses	-	43 909
Contributions to UIF, Medical and Pension Funds	1 636	1 267
	920 759	694 528
Remuneration for Corporate Services		
Annual Remuneration	925 041	-
Car Allowance	1 785	-
	926 826	-
Remuneration for Community Services		
Annual Remuneration	674 976	517 150
Car Allowance	230 718	154 470
Performance Bonuses	-	44 032
Contributions to UIF, Medical and Pension Funds	21 135	134 155
Other	-	61 717
	926 829	911 524
Procurements and infrastructure (planning, transport and environmental affairs)		

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Figures in Rand	2014	2013
27. Employee related costs (continued)		
Annual Remuneration	486 458	478 909
Car Allowance	223 424	230 652
Performance Bonuses	-	46 211
Contributions to UIF, Medical and Pension Funds	119 215	157 931
	829 097	913 703
Development and planning		
Annual Remuneration	280 629	548 898
Car Allowance	75 636	120 047
Performance Bonuses	3 549	43 333
Contributions to UIF, Medical and Pension Funds	-	154 946
Other	85 003	43 601
	444 817	910 825
28. Remuneration of councillors		
Executive Major	709 754	685 377
Speaker	563 129	537 349
Councillors	6 566 895	6 122 029
	7 839 778	7 344 755
In-kind benefits		
The Executive Mayor, Speaker and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.		
The Executive Mayor has the use of a Council owned vehicle with two drivers and bodyguards for official duties. The Executive Mayor is assisted by a manager, Gender Officer and an administrative assistant. The speaker is assisted by a manager and a secretary.		
29. Debt impairment		
Contributions to debt impairment provision	58 741 130	78 181 089
Debts impaired	-	3 782 345
	58 741 130	81 963 434
30. Investment revenue		
Interest revenue		
Interest charged on trade and other receivables	7 474 335	4 656 665
Interest earned - external investments	1 471 573	1 063 634
	8 945 908	5 720 299
31. Depreciation and amortisation		
Property, plant and equipment	24 287 618	33 284 478
Investment property	11 377 377	2 304 576
Intangible assets	770 900	354 950
	36 435 895	35 944 004

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Figures in Rand	2014	2013
32. Impairment of assets		
Impairments		
Property, plant and equipment	475 962	(18 837)
The main classes of assets affected by impairment losses are:		
	2013/14	2012/13
Infrastructure	833,792	
Library books		109,607
33. Finance costs		
Non-current borrowings	6 972 563	6 783 667
Other interest paid	-	198 931
	6 972 563	6 982 598
34. Taxation		
The municipality is exempt from income tax in terms of the Income Tax Act (Act No. 58 of 1962) Section 10(1)(a)		
35. Auditors' remuneration		
Fees	3 669 110	3 144 273
36. Rental of facilities and equipment		
Premises	1 077 850	1 155 440
Facilities and equipment		
Rental of facilities	2 160 905	1 859 546
Rental of equipment	28 076	-
	2 188 981	1 859 546
	3 266 831	3 014 986
37. Contracted services		
Other Contractors	496 750	681 919
38. Bulk purchases		
Electricity	156 436 265	151 032 071
Water	35 840 929	31 741 824
Sewer purification	8 041 635	6 358 395
	200 318 829	189 132 290

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39. Cash generated from operations		
Surplus (deficit)	4 354 495	(29 184 683)
Adjustments for:		
Depreciation and amortisation	36 435 895	35 982 009
Gain on sale of assets and liabilities	10 644 617	201 609
Impairment loss (reversal)	475 962	(18 837)
Debt impairment	58 741 130	81 963 434
Movements in provisions	1 037 832	919 071
Changes in working capital:		
Inventories	217 935	72 916
Receivables from exchange transactions	(4 651 419)	22 439 517
Consumer debtors	(77 322 161)	(78 419 815)
Other receivables from non-exchange transactions	231 707	(22 699)
Non cash movement in assets	1 073 114	95 208
Payables from exchange transactions	7 741 789	18 814 586
VAT	4 839 486	2 527 659
Unspent conditional grants and receipts	(9 462 660)	9 271 564
Consumer deposits	281 318	380 687
	34 639 040	65 022 226

40. Commitments

Authorised capital expenditure

Tenders Awarded and Contracted

• Construction of roads and stormwater in Heidelberg Ext. 23 & 26.	10 649 000	10 247 577
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Expenditure Financed From

• Municipal Infrastructure Grant	10 649 000	-
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This committed expenditure relates to plant and equipment and will be financed by available bank facilities, retained surpluses, issue of debentures, mortgage facilities, existing cash resources, funds internally generated, etc.

Operating leases - as lessee (expense)

Minimum lease payments due

- within one year	1 259 541	425 568
- in second to fifth year inclusive	2 433 586	417 177
	3 693 127	842 745

Operating lease payments represent rentals payable by the municipality for certain of its office equipment. Leases are negotiated for an average term of five years and rentals are fixed for an average of three years. No contingent rent is payable.

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41. Related parties

Relationships

Organs of State

Ekurhuleni Metropolitan Municipality

Sedibeng District Municipality

East Rand Water Care Company

Close family member of key management

None

Joint venture of key management

None

Associate of close family member of key management

None

Members of key management

A Makhanya (Municipal Manager)

S Marota (Chief Financial Officer)

K Molohlanye (Coperate Services)

I Rampedi (Infrastructure Services)

J Marwa (Development and Planning)

C Mokoena (Community Services)

Contigent Liabilities

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42. Prior period errors

During the 2013/14 financial year, the following adjustments were made where amounts were erroneously stated the previous financial periods:

Property, plant and equipment had to be restated due to line items incorrectly classified in the previous year and certain infrastructure assets not included in the previous financial statements, and Community Assets newly identified as well.

Receivable from exchange transactions had to increase due to sundry debtors which were restated as a result of an insurance claim which was raised in the 2012/2013 financial year.

The payables from exchange transaction increased due to retentions which were incorrectly recognized.

Intangible assets increased due to servitudes.

The correction of the error(s) results in adjustments as follows:

Statement of financial position

Investment property	(178 453 207)	-
Property plant and Equipment	32 120 322	-
Intangible Assets	3 078 241	-
Payables from exchange transactions	(1 727 063)	-
	(144 981 707)	-

43. Risk management

Liquidity risk

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.

Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

Credit risk

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

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, 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. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

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

Financial instrument	2014	2013
Bank (Absa)	2 940 114	1 999 519
Call Account Investment	5 108 339	12 430 047

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44. Going concern

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

45. Unauthorised expenditure

Opening Balance	6 221	-
Unauthorised expenditure	-	6 221
	6 221	6 221

Unauthorized expenditure was due to amounts improperly debited against the municipal bank account by the banks and no advice was given to the municipality with regards to the originator.

46. Fruitless and wasteful expenditure

Opening Balance	369 254	88 765
Fruitless and wasteful expenditure	1 477 344	280 489
Less: Amounts condoned	(1 477 344)	-
	369 254	369 254

Fruitless and wasteful expenditure consists of penalties and interest on late submission of VAT return in the 2010/11 financial year that were incurred in the 2011/12 financial year.

Fruitless and wasteful expenditure consists of interest on late payment of Eskom accounts.

47. Irregular expenditure

Opening balance	10 248 882	7 456 901
Add: Irregular Expenditure - current year	3 191 320	2 834 345
Less: Amounts condoned	(1 046 682)	(42 364)
	12 393 520	10 248 882

Analysis of expenditure awaiting condonation per age classification

Current year	-	2 791 981
Prior years	10 248 882	7 456 901
	10 248 882	10 248 882

48. In-kind donations and assistance

The municipality received the following in-kind donations and assistance:

Gauteng Provincial Treasury provided the municipality with the services of a suitably qualified accountant to enhance municipal financial controls (5 months)

49. Additional disclosure in terms of Municipal Finance Management Act

Audit fees

Opening balance	552 393	-
Current year subscription / fee	3 144 273	3 649 206
Amount paid - current year	(3 696 666)	(3 096 813)
	-	552 393

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

PAYE and UIF

Opening balance	-	-
Current year subscription / fee	12 219 778	10 883 100
Amount paid - current year	(12 219 778)	(10 883 100)
	-	-

Pension and Medical Aid Deductions

Opening balance	-	-
Current year subscription / fee	28 737 781	27 552 043
Amount paid - current year	(28 737 781)	(27 552 043)
	-	-

VAT

VAT payable	11 471 674	6 632 188
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VAT output payables and VAT input receivables are shown in note .

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

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2014:

30 June 2014	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
SD Mkhwanazi	-	748	748

During the year 2013 there was no Councillor who had arrear accounts outstanding for more than 90 days.

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50. 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 and includes a note to the annual financial statements.

Eighty three procurements, noted below, were procured during the financial year under review and the process followed in procuring those goods deviated from the provisions of paragraph 12(1)(d)(i) as stated above. The reasons for these deviations were documented and reported to the adjudication committee and council who considered them and subsequently approved the deviation from the normal supply chain management regulations.

The procurements noted above are:

Reason	Number	Value
Emergency	31 Companies	497,751
Impractical to follow SCM	(Deviations below R30,000)	1620543
Recommended by Council	2 Company	0,00
Deviation due to Extension of Contract	1 Company	0.00
Sole supplier (Deviations above R30,000)	4 Companies	212,553
Urgent		68,563

51. Budget differences

Material differences between budget and actual amounts

Explanations for variances between budget to actuals:

Statement of Financial Performance

1. Service charges - A combination of defective metres and not updated metres.
2. Rental of facilities and equipment - Rental tariffs were not reviewed and expired contracts.
3. Licences and permits - Reduction in people who applied for licence.
4. Recoveries - Increase in insurance recoveries claim
5. Interest received - investment - Increase in investments
6. Government grants & subsidies - MIG reduction and roll overs
7. Property Rates - Rebates increased
8. Personnel - Budget based on full structure difference caused by vacancies
9. Administration - Underspending due to funds shortage
10. Depreciation - Newly identified assets and additions of assets bought
11. Debt impairment - Credit control policy implemented during year and increase in collection.
12. Repairs and maintenance - Reduction of costs in line with cost containment requirements
13. Bulk purchases - Budget was not done in accordance with MFMA Circulars 58 and 59
14. Contracted Services - Reduction of costs in line with cost containment requirements
15. General Expenses - Costs were not contained / controlled as planned.

Statement of Financial Position

16. Receivables from exchange transactions - Insurance debtor transferred to work in progress as the insurer decided to fix the burnt buildings. There was no split on exchange vs non?exchange.
17. Receivables from non?exchange transactions - There was no split on exchange vs non?exchange
18. Consumer debtors - It was anticipated that the credit control policy would be implemented during year.
19. Cash and cash equivalents - Budget was not done in accordance with MFMA Circulars 58 and 59
20. Intangible assets - Errors picked up during verification.
21. Property Plant and Equipment - Increase as a result of additions and reclassifications.
22. Other financial liabilities - The short term portion of the loan was not accounted for in the budget in error.
23. Payables from exchange transactions - Budget was not done in accordance with MFMA Circulars 58 and 59
24. VAT payable - VAT increased due to the portion of creditors as indicated on Payables above. Cash flow challenges.
25. Unspent conditional grants and receipts - MIG roll over due to accident on site and and contractor difficulties advised to National Treasury
26. Provisions - Adjustment to the period and related rates for landfill site

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51. Budget differences (continued)

52. Debtors on RDP houses not yet transferred

Reconciliation on RDP housing debtors

Debtors on RDP houses not yet transferred	146 883 483	146 883 483
Impairment on debtors on RDP houses not yet transferred	(146 883 483)	(146 883 483)
	-	-

53. Unaccounted water and electricity

Distribution loss Ammounts

Electricity	21 523 139	30 299 367
Water	9 354 862	6 472 464
	30 878 001	36 771 831

Distribution Loss Percentage

	%	%
Electricity	14	20
Water	22	20
	36	40

Distribution losses for Electricity is reported after taking into account , acceptable network losses (R-2,787,634) which is 6% and own use 1,442,111 which takes up 3%.

Distribution losses for Water is reported after taking into account , own use (R -191,496) which is 1% and acceptable network losses (-576,410.01) which takes up 5 %

54. Fines

Traffic Fines	4 650 550	168 107
Other Fines	17 318	-
	4 667 868	168 107

The municipality has adopted IGRAP 1 in accounting for fines. Therefore all fines issued during the financial year have been recognised as revenue prospectively.