



Lesedi Local Municipality
Financial statements
for the year ended 30 June 2015
Auditor General of South Africa
Registered Auditors

Lesedi Local Municipality

(Demarcation code GT423)

Financial Statements for the year ended 30 June 2015

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)
Accounting Officer	A Makhanya
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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The reports and statements set out below comprise the financial statements presented to the provincial legislature:

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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
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
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 financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the 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 financial statements and was given unrestricted access to all financial records and related data.

The 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 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 council 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 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 2016 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 financial statements. The financial statements have been examined by the municipality's external auditors and their report is presented on page 6.

The financial statements set out on pages 6 to 58, which have been prepared on the going concern basis, were approved by the council on 31 August 2015 and were signed on its behalf by:

Accounting Officer
Designation

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Audit Committee Report

We are pleased to present our report for the financial year ended 30 June 2015.

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 (Chairperson)	5
Mr MG Dhladhla	5
Mr S Mofokeng	5
Mr J Mokoro	4
Mr F Makaula	4

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 system of internal controls applied by the municipality over financial and risk management is effective, efficient and transparent. In line with the MFMA and the King III Report on Corporate Governance requirements, Internal Audit provides the audit committee and management with assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes. From the various reports of the Internal Auditors, the Audit Report on the financial statements, and the management report of the Auditor-General South Africa, it was noted that no matters were reported that indicate any material deficiencies in the system of internal control or any deviations therefrom. Accordingly, we can report that the system of internal control over financial reporting for the period under review was efficient and effective.

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

The audit committee is satisfied with the content and quality of monthly and quarterly reports prepared and issued by the of the municipality during the year under review. It was however noted that..... (e.g. suspense accounts were not cleared on a monthly basis).

Evaluation of financial statements

The audit committee has:

- reviewed and discussed the audited 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 (delete if not applicable);
- 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 financial statements, and are of the opinion that the audited 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.

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Audit Committee Report

Chairperson of the Audit Committee

Date: _____

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Financial Statements for the year ended 30 June 2015

Statement of Financial Position as at 30 June 2015

Figures in Rand	Note(s)	2015	2014 Restated*
Assets			
Current Assets			
Inventories	9	3 260 736	3 759 241
Receivables from exchange transactions	10	6 994 232	1 717 347
Receivables from non-exchange transactions	11	31 624 296	6 277 388
Consumer debtors	12	57 320 399	61 288 296
Cash and cash equivalents	13	18 976 001	8 247 932
		118 175 664	81 290 204
Non-Current Assets			
Investment property	4	220 980 382	232 513 237
Property, plant and equipment	5	592 273 409	554 054 916
Intangible assets	6	4 634 794	4 473 795
Heritage assets	7	157 702	157 702
		818 046 287	791 199 650
		818 046 287	791 199 650
Non-Current Assets		818 046 287	791 199 650
Current Assets		118 175 664	81 290 204
Total Assets		936 221 951	872 489 854
Liabilities			
Current Liabilities			
Other financial liabilities	15	3 063 232	2 823 298
Payables from exchange transactions	17	106 228 579	79 563 597
VAT payable	18	11 335 606	11 471 674
Consumer deposits	19	8 238 829	7 733 370
Employee benefit obligation	8	51 121 000	46 763 000
Unspent conditional grants and receipts	14	4 436 059	2 111 040
Provisions	16	11 460 323	8 451 847
		195 883 628	158 917 826
Non-Current Liabilities			
Other financial liabilities	15	61 994 065	65 057 297
Provisions	16	4 747 680	4 541 518
		66 741 745	69 598 815
		66 741 745	69 598 815
Non-Current Liabilities		66 741 745	69 598 815
Current Liabilities		195 883 628	158 917 826
Total Liabilities		262 625 373	228 516 641
Assets		936 221 951	872 489 854
Liabilities		(262 625 373)	(228 516 641)
Net Assets		673 596 578	643 973 213
Accumulated surplus		673 596 578	643 973 213

* See Note 2 & 44

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Financial Statements for the year ended 30 June 2015

Statement of Financial Performance

Figures in Rand	Note(s)	2015	2014 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	20	333 887 241	312 428 511
Rental of facilities and equipment	21	3 512 499	3 266 832
Licences and permits		41 377	57 936
Administration and management fees received	22	1 003 700	1 054 502
Recoveries	22	1 479 295	1 609 024
Other income	22	690 202	2 555 607
Interest received	23	11 520 777	8 945 908
Total revenue from exchange transactions		352 135 091	329 918 320
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	24	84 459 205	62 277 506
Transfer revenue			
Government grants & subsidies	25	142 882 331	113 514 336
Public contributions and donations	26	16 840 128	-
Fines, Penalties and Forfeits		30 211 525	4 662 647
Total revenue from non-exchange transactions		274 393 189	180 454 489
		352 135 091	329 918 320
		274 393 189	180 454 489
Total revenue		626 528 280	510 372 809
Expenditure			
Employee related costs	27	(128 402 859)	(100 178 386)
Remuneration of councillors	28	(8 432 692)	(7 839 778)
Depreciation and amortisation	29	(41 277 512)	(37 674 564)
Impairment loss/ Reversal of impairments	30	410 124	(475 962)
Finance costs	31	(11 478 407)	(10 416 563)
Debt Impairment	32	(75 844 490)	(58 741 130)
Collection costs		(272 640)	(360 731)
Repairs and maintenance		(24 475 465)	(15 398 143)
Bulk purchases	33	(217 374 765)	(200 318 829)
Contracted services	34	(525 683)	(496 750)
General Expenses	35	(85 643 808)	(70 004 587)
Total expenditure		(593 318 197)	(501 905 423)
		-	-
Total revenue		626 528 280	510 372 809
Total expenditure		(593 318 197)	(501 905 423)
Operating surplus	38	33 210 083	8 467 386
Loss on disposal of assets and liabilities		(4 144 732)	(9 678 221)
Actuarial gains/losses	8	558 000	(6 334 000)
		(3 586 732)	(16 012 221)
Surplus (deficit) before taxation		29 623 351	(7 544 835)
Taxation		-	-
Surplus (deficit) for the year		29 623 351	(7 544 835)

* See Note 2 & 44

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Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	689 943 543	689 943 543
Adjustments		
Correction of errors	(1 625 495)	(1 625 495)
Change in accounting policy	(36 800 000)	(36 800 000)
Balance at 01 July 2013 as restated*	651 518 048	651 518 048
Changes in net assets		
Surplus for the year	(7 544 835)	(7 544 835)
Total changes	(7 544 835)	(7 544 835)
Restated* Balance at 01 July 2014	643 973 227	643 973 227
Changes in net assets		
Surplus for the year	29 623 351	29 623 351
Total changes	29 623 351	29 623 351
Balance at 30 June 2015	673 596 578	673 596 578

Note(s)

* See Note 2 & 44

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Financial Statements for the year ended 30 June 2015

Cash Flow Statement

Figures in Rand	Note(s)	2015	2014 Restated*
Cash flows from operating activities			
Receipts			
Property rates		76 222 142	61 192 095
Sale of goods and services		358 536 770	273 162 463
Grants		145 094 555	111 945 908
Interest income		11 520 777	8 945 908
		591 374 244	455 246 374
Payments			
Employee costs		(132 492 803)	(107 253 358)
Suppliers		(378 833 041)	(302 936 412)
Finance costs		(11 478 407)	(10 416 563)
		(522 804 251)	(420 606 333)
Total receipts		591 374 244	455 246 374
Total payments		(522 804 251)	(420 606 333)
Net cash flows from operating activities	39	68 569 993	34 640 041
Cash flows from investing activities			
Purchase of property, plant and equipment	5	(54 174 777)	(35 524 113)
Proceeds from sale of property, plant and equipment	5	-	1 435 575
Proceeds from sale of investment property	4	-	(2 509 692)
Purchase of other intangible assets	6	(843 849)	(1 629 664)
Net cash flows from investing activities		(55 018 626)	(38 227 894)
Cash flows from financing activities			
Repayment of other financial liabilities		(2 823 298)	(2 596 116)
Net cash flows from financing activities		(2 823 298)	(2 596 116)
Net increase/(decrease) in cash and cash equivalents		10 728 069	(6 183 969)
Cash and cash equivalents at the beginning of the year		8 247 932	14 431 901
Cash and cash equivalents at the end of the year	13	18 976 001	8 247 932

* See Note 2 & 44

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	362 582 118	(7 816 250)	354 765 868	333 887 241	(20 878 627)	Note 56 (1)
Rental of facilities and equipment	7 723 600	(4 336 775)	3 386 825	3 512 499	125 674	
Licences and permits	90 659	(85 606)	5 053	41 377	36 324	Note 56 (2)
Administration and management fees received	2 694 892	(1 264 314)	1 430 578	1 003 700	(426 878)	Note 56 (3)
Recoveries	494 262	690 481	1 184 743	1 479 295	294 552	Note 56 (4)
Other income	1 758 630	(754 180)	1 004 450	690 202	(314 248)	Note 56 (5)
Interest received	3 760 349	5 833 580	9 593 929	11 520 777	1 926 848	Note 56 (6)
Total revenue from exchange transactions	379 104 510	(7 733 064)	371 371 446	352 135 091	(19 236 355)	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	73 200 000	11 460 970	84 660 970	84 459 205	(201 765)	
Transfer revenue						
Government grants & subsidies	123 400 621	11 412 918	134 813 539	142 882 331	8 068 792	Note 56 (7)
Public contributions and donations	-	-	-	16 840 128	16 840 128	Note 56 (8)
Fines, Penalties and Forfeits	2 500 000	2 500 000	5 000 000	30 211 525	25 211 525	Note 56 (9)
Total revenue from non-exchange transactions	199 100 621	25 373 888	224 474 509	274 393 189	49 918 680	
'Total revenue from exchange transactions'	379 104 510	(7 733 064)	371 371 446	352 135 091	(19 236 355)	
'Total revenue from non-exchange transactions'	199 100 621	25 373 888	224 474 509	274 393 189	49 918 680	
Total revenue	578 205 131	17 640 824	595 845 955	626 528 280	30 682 325	
Expenditure						
Personnel	(147 508 907)	19 125 617	(128 383 290)	(128 402 859)	(19 569)	
Remuneration of councillors	(8 185 301)	-	(8 185 301)	(8 432 692)	(247 391)	
Depreciation and amortisation	(34 054 010)	(3 972 224)	(38 026 234)	(41 277 512)	(3 251 278)	Note 56 (10)
Impairment loss/ Reversal of impairments	-	-	-	410 124	410 124	
Finance costs	(6 083 739)	(1 000 000)	(7 083 739)	(11 478 407)	(4 394 668)	Note 56 (11)
Bad debts written off	(51 018 176)	(8 276 328)	(59 294 504)	(75 844 490)	(16 549 986)	Note 56 (12)
Collection costs	(750 000)	310 000	(440 000)	(272 640)	167 360	Note 56 (13)
Repairs and maintenance	(18 556 954)	82 879	(18 474 075)	(24 475 465)	(6 001 390)	Note 56 (14)
Bulk purchases	(207 281 000)	(1 200 000)	(208 481 000)	(217 374 765)	(8 893 765)	Note 56 (15)
Contracted Services	(611 381)	(108 100)	(719 481)	(525 683)	193 798	
General Expenses	(70 160 448)	(2 503 858)	(72 664 306)	(85 643 808)	(12 979 502)	Note 56 (16)
Total expenditure	(544 209 916)	2 457 986	(541 751 930)	(593 318 197)	(51 566 267)	

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
	578 205 131	17 640 824	595 845 955	626 528 280	30 682 325	
	(544 209 916)	2 457 986	(541 751 930)	(593 318 197)	(51 566 267)	
Operating surplus	33 995 215	20 098 810	54 094 025	33 210 083	(20 883 942)	
Loss on disposal of assets and liabilities	-	-	-	(4 144 732)	(4 144 732)	
Actuarial gains/losses	-	-	-	558 000	558 000	
	-	-	-	(3 586 732)	(3 586 732)	
	33 995 215	20 098 810	54 094 025	33 210 083	(20 883 942)	
	-	-	-	(3 586 732)	(3 586 732)	
Surplus before taxation	33 995 215	20 098 810	54 094 025	29 623 351	(24 470 674)	
Deficit before taxation	33 995 215	20 098 810	54 094 025	29 623 351	(24 470 674)	
Taxation	-	-	-	-	-	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	33 995 215	20 098 810	54 094 025	29 623 351	(24 470 674)	

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Position						
Assets						
Current Assets						
Inventories	3 979 533	(220 292)	3 759 241	3 260 736	(498 505)	
Receivables from exchange transactions	234 685	1 482 662	1 717 347	6 994 232	5 276 885	
Receivables from non-exchange transactions	-	4 281 773	4 281 773	31 624 296	27 342 523	Note 56 (17)
Consumer debtors	73 007 457	(4 696 060)	68 311 397	57 320 399	(10 990 998)	Note 56 (18)
Cash and cash equivalents	4 423 834	(2 306 324)	2 117 510	18 976 001	16 858 491	Note 56 (19)
	81 645 509	(1 458 241)	80 187 268	118 175 664	37 988 396	
Non-Current Assets						
Investment property	417 624 820	(188 297 818)	229 327 002	220 980 382	(8 346 620)	Note 56 (20)
Property, plant and equipment	542 969 873	43 524 707	586 494 580	592 273 409	5 778 829	Note 56 (21)
Intangible assets	734 610	3 553 014	4 287 624	4 634 794	347 170	Note 56 (22)
Heritage assets	157 193	509	157 702	157 702	-	
	961 486 496	(141 219 588)	820 266 908	818 046 287	(2 220 621)	
Non-Current Assets	81 645 509	(1 458 241)	80 187 268	118 175 664	37 988 396	
Current Assets	961 486 496	(141 219 588)	820 266 908	818 046 287	(2 220 621)	
Total Assets	1 043 132 005	(142 677 829)	900 454 176	936 221 951	35 767 775	
Liabilities						
Current Liabilities						
Other financial liabilities	-	-	-	3 063 232	3 063 232	Note 56 (23)
Payables from exchange transactions	24 062 908	55 973 423	80 036 331	106 228 573	26 192 242	Note 56 (24)
VAT payable	16 452 764	(4 981 090)	11 471 674	11 335 606	(136 068)	
Consumer deposits	7 526 428	206 942	7 733 370	8 238 829	505 459	
Employee benefit obligation	-	-	-	51 121 000	51 121 000	Note 56 (25)
Unspent conditional grants and receipts	-	115 425	115 425	4 436 059	4 320 634	Note 56 (26)
Provisions	8 993 486	(541 639)	8 451 847	11 460 323	3 008 476	Note 56 (27)
	57 035 586	50 773 061	107 808 647	195 883 622	88 074 975	
Non-Current Liabilities						
Other financial liabilities	65 063 072	(5 775)	65 057 297	61 994 065	(3 063 232)	
Provisions	2 512 345	2 029 173	4 541 518	4 747 680	206 162	
	67 575 417	2 023 398	69 598 815	66 741 745	(2 857 070)	
	57 035 586	50 773 061	107 808 647	195 883 622	88 074 975	
	67 575 417	2 023 398	69 598 815	66 741 745	(2 857 070)	
	-	-	-	-	-	
Total Liabilities	124 611 003	52 796 459	177 407 462	262 625 367	85 217 905	
Assets	1 043 132 005	(142 677 829)	900 454 176	936 221 951	35 767 775	
Liabilities	(124 611 003)	(52 796 459)	(177 407 462)	(262 625 367)	(85 217 905)	
Net Assets	918 521 002	(195 474 288)	723 046 714	673 596 584	(49 450 130)	

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	918 521 002	(195 474 288)	723 046 714	673 596 584	(49 450 130)	

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Property rates	62 993 965	526 369	63 520 334	76 222 142	12 701 808	
Sale of goods and services	325 162 594	(20 360 985)	304 801 609	358 536 770	53 735 161	
Grants	119 132 621	15 680 918	134 813 539	145 094 555	10 281 016	
Interest income	3 760 349	(3 348 495)	411 854	11 520 777	11 108 923	
	511 049 529	(7 502 193)	503 547 336	591 374 244	87 826 908	
Payments						
Employee costs	(155 694 208)	19 125 617	(136 568 591)	(132 492 803)	4 075 788	
Suppliers	(297 359 783)	(2 781 079)	(300 140 862)	(378 833 041)	(78 692 179)	
Finance costs	(6 083 739)	(1 000 000)	(7 083 739)	(11 478 407)	(4 394 668)	
	(459 137 730)	15 344 538	(443 793 192)	(522 804 251)	(79 011 059)	
Total receipts	511 049 529	(7 502 193)	503 547 336	591 374 244	87 826 908	
Total payments	(459 137 730)	15 344 538	(443 793 192)	(522 804 251)	(79 011 059)	
Net cash flows from operating activities	51 911 799	7 842 345	59 754 144	68 569 993	8 815 849	
Cash flows from investing activities						
Purchase of property, plant and equipment	(45 654 000)	(17 404 933)	(63 058 933)	(54 174 777)	8 884 156	
Purchase of other intangible assets	-	-	-	(843 849)	(843 849)	
Net cash flows from investing activities	(45 654 000)	(17 404 933)	(63 058 933)	(55 018 626)	8 040 307	
Cash flows from financing activities						
Repayment of other financial liabilities	(2 817 536)	(5 762)	(2 823 298)	(2 823 298)	-	
Net increase/(decrease) in cash and cash equivalents	3 440 263	(9 568 350)	(6 128 087)	10 728 069	16 856 156	
Cash and cash equivalents at the beginning of the year	983 571	7 262 026	8 245 597	8 247 932	2 335	
Cash and cash equivalents at the end of the year	4 423 834	(2 306 324)	2 117 510	18 976 001	16 858 491	

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Accounting Policies

1. Presentation of Financial Statements

The 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).

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

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

These accounting policies are consistent with the previous period.

1.1 Significant judgements and sources of estimation uncertainty

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

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, 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 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.

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1.2 Investment property (continued)

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.

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.

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 are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

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

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

Item	Depreciation method	Average useful life
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Accounting Policies

1.3 Property, plant and equipment (continued)

Infrastructure	Straight line	
• Roads and Paving		10-30 years
• Electricity		20-30 years
• Water		15-20 years
• Sewerage		15-20 years
• Landfill Site		4 years
Community	Straight line	
• Buildings		30 years
• Recreational Facilities		20-30 years
• Security		5 years
Other property, plant and equipment	Straight line	
• 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.

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.

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1.4 Intangible assets (continued)

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

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

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

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

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.

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

1.5 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 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.

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.

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1.5 Heritage assets (continued)

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

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

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

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

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
 - receive cash or another financial asset from another entity; or
 - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Classification

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

Class

Trade and other receivables
Other receivables from non-exchange transactions
Cash and cash equivalents

Category

Financial asset measured at amortised cost
Financial asset measured at amortised cost
Financial asset measured at fair value

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

Class

Other financial liabilities
Trade and other payables
Consumer deposits

Category

Financial liability measured at amortised cost
Financial liability measured at amortised cost
Financial liability measured at amortised cost

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1.6 Financial instruments (continued)

Initial recognition

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

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

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1.6 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

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

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

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

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

Gains and losses

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

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

Impairment and uncollectibility of financial assets

The entity assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

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Accounting Policies

1.6 Financial instruments (continued)

Derecognition

Financial assets

The entity derecognises a financial asset only when:

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

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

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

Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

Presentation

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability.

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.

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Accounting Policies

1.7 Leases (continued)

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.

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.

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.

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1.9 Impairment of cash-generating assets (continued)

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.

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

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

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Accounting Policies

1.11 Employee benefits (continued)

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the entity during a reporting period, the entity recognise the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

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1.11 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:

- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
 - those changes were enacted before the reporting date; or
 - past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

Other post retirement obligations

The municipality provides post-retirement health care benefits upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations.

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The entity shall recognise the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.

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.

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1.12 Provisions and contingencies (continued)

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 42.

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.

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.

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1.13 Revenue from exchange transactions (continued)

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. Tariifs 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 from 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 conditions, a liability is recognised.

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions 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

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.

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Accounting Policies

1.14 Revenue from non-exchange transactions (continued)

Recognition

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

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

Measurement

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

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

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.

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.

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Accounting Policies

1.18 Fruitless and wasteful expenditure (continued)

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 Budget information

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

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2. Changes in accounting policy

The financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice on a basis consistent with the prior year except for the adoption of the following new or revised standards.

- GRAP 25

The aggregate effect of the changes in accounting policy on the financial statements for the year ended 30 June 2014 is as follows:

Statement of financial position

Employee benefit obligation

Previously stated	-	-
Adjustment	-	46 763 000
	-	46 763 000

Statement of Financial Performance

Interest expense

Previously stated	-	6 972 563
Adjustment	-	3 444 000
	-	10 416 563

General expenditure

Previously stated	-	68 124 475
Adjustment	-	185 000
	-	68 309 475

Actuarial gains/losses

Previously stated	-	-
Adjustment	-	6 334 000
	-	6 334 000

3. New standards and interpretations

3.1 Standards and interpretations effective and adopted in the current year

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

Standard/ Interpretation:

- GRAP 25: Employee benefits

Effective date: Years beginning on or after

01 April 2013

Expected impact:

The impact of the amendment is set out in note 2 changes in accounting policy

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3. New standards and interpretations (continued)

3.2 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 2015 or later periods:

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

4. Investment property

	2015			2014		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	265 791 911	(44 811 529)	220 980 382	265 791 911	(33 278 674)	232 513 237

Reconciliation of investment property - 2015

	Opening balance	Depreciation	Total
Investment property	232 513 237	(11 532 855)	220 980 382

Reconciliation of investment property - 2014

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

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. Property, plant and equipment

	2015			2014		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Land	175 098 236	-	175 098 236	175 098 237	-	175 098 237
Infrastructure	598 745 658	(295 510 726)	303 234 932	556 311 410	(283 534 038)	272 777 372
Community	132 895 520	(60 998 500)	71 897 020	132 937 382	(54 909 524)	78 027 858
Other property, plant and equipment	42 109 858	(24 231 001)	17 878 857	36 550 660	(20 159 036)	16 391 624
Capital work in progress	14 652 644	-	14 652 644	2 393 829	-	2 393 829
Library books	13 399 769	(6 624 828)	6 774 941	13 358 333	(5 476 895)	7 881 438
Work in progress - Library books	2 736 779	-	2 736 779	1 484 558	-	1 484 558
Total	979 638 464	(387 365 055)	592 273 409	918 134 409	(364 079 493)	554 054 916

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5. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2015

	Opening balance	Additions	Disposals	Transfers received	Transfers	Depreciation	Impairment reversal	Total
Land	175 098 236	-	-	-	-	-	-	175 098 236
Infrastructure	272 777 372	7 584 652	(3 860 074)	12 564 652	31 272 740	(17 514 534)	410 124	303 234 932
Community	78 027 858	29 900	(25 050)	-	-	(6 135 688)	-	71 897 020
Other property, plant and equipment	16 391 624	1 296 958	(2 972)	4 275 476	-	(4 082 229)	-	17 878 857
Capital work in progress	2 393 829	43 531 555	-	-	(31 272 740)	-	-	14 652 644
Library books	7 881 438	382 690	(256 636)	-	59 955	(1 292 506)	-	6 774 941
Work in progress - Library books	1 484 558	1 349 022	-	-	(59 955)	(36 846)	-	2 736 779
	554 054 915	54 174 777	(4 144 732)	16 840 128	-	(29 061 803)	410 124	592 273 409

Reconciliation of property, plant and equipment - 2014

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Impairment reversal	Total
Land	175 098 237	-	-	-	-	-	-	175 098 237
Infrastructure	252 128 099	24 887 112	(125 995)	11 379 317	(14 886 799)	(604 362)	-	272 777 372
Community	83 900 034	1 512 300	(2 483 560)	(210)	(5 624 624)	-	723 918	78 027 858
Other property, plant and equipment	26 290 170	897 992	(5 993 099)	(4 941)	(4 798 498)	-	-	16 391 624
Capital work in progress	5 967 876	7 805 273	-	(11 379 320)	-	-	-	2 393 829
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
	553 619 276	35 524 113	(8 602 654)	(5 154)	(26 600 221)	(604 362)	723 918	554 054 916

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6. Intangible assets

	2015			2014		
	Cost	Accumulated amortisation and accumulated impairment	Carrying value	Cost	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	7 229 256	(2 594 462)	4 634 794	6 385 408	(1 911 613)	4 473 795

Reconciliation of intangible assets - 2015

	Opening balance	Additions	Amortisation	Total
Computer software, other	4 473 795	843 849	(682 850)	4 634 794

Reconciliation of intangible assets - 2014

	Opening balance	Additions	Transfers	Amortisation	Total
Computer software, other	3 610 090	1 629 664	4 941	(770 900)	4 473 795

7. Heritage assets

	2015			2014		
	Cost	Accumulated impairment losses	Carrying value	Cost	Accumulated impairment losses	Carrying value
Historical buildings	157 702	-	157 702	157 702	-	157 702

Reconciliation of heritage assets 2015

	Opening balance	Total
Historical buildings	157 702	157 702

Reconciliation of heritage assets 2014

	Opening balance	Disposals	Total
Historical buildings	159 152	(1 450)	157 702

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8. Employee benefit obligations

Defined benefit plan

Post retirement medical aid plan

Eligible in-service and continuation members employed prior to 30 June 2004 and who are on the old South African Local Government Association (SALGA) agreement are entitled to a 60% subsidy of medical scheme contributions in retirement subject to a maximum Rand Cap of R3,618.04.

The Rand Cap amount is expected to increase each year in line with healthcare cost inflation, effective 1 January each year.

Summary of membership data:

Reason	Number	Average Age
Continuation members	34	70.2
In-service member	103	49.4

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

Carrying value

Present value of the defined benefit obligation-wholly unfunded	(51 121 000)	(46 763 000)
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Changes in the present value of the defined benefit obligation are as follows:

Opening balance	46 763 000	36 800 000
Net expense recognised in the statement of financial performance	4 358 000	9 963 000
	51 121 000	46 763 000

Net expense recognised in the statement of financial performance

Current service cost	1 608 000	1 228 000
Interest cost	4 477 000	3 444 000
Actuarial (gains) losses	(558 000)	6 334 000
Payments	(1 169 000)	(1 043 000)
	4 358 000	9 963 000

Calculation of actuarial gains and losses

Actuarial (gains) losses – Obligation	(558 000)	6 334 000
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Key assumptions used

Assumptions used at the reporting date:

Discount rates used	9,50 %	9,70 %
Proportion of employees opting for early retirement	- %	- %
Expected increase in healthcare costs	9,10 %	9,30 %
Rand Cap inflation rate	9,10 %	9,30 %
Expected retirement age	65	65
Membership discontinued at retirement or death-in-service	-	-

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8. Employee benefit obligations (continued)

Other assumptions

Assumed healthcare cost trends rates have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed healthcare cost trends rates would have the following effects:

	One percentage point increase	One percentage point decrease
Effect on the aggregate of the service cost and interest cost	8 098 000	5 370 000
Effect on defined benefit obligation	62 013 000	42 697 000

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

	2015 R	2014 R	2013 R	2012 R	2011 R
Defined benefit obligation	51 121 000	56 763 000	36 800 000	-	-
Experience adjustments on plan liabilities	547 000	(1 456 000)	-	-	-

Defined contribution plan

It is the policy of the municipality to provide retirement benefits to all its employees. A number of defined contribution provident funds, all of which are subject to the Pensions Fund Act exist for this purpose.

The municipality is under no obligation to cover any unfunded benefits.

The amount recognised as an expense for defined contribution plans is

15 006 818 11 721 819

9. Inventories

Consumable stores	3 083 564	3 582 895
Water	177 172	176 346
	3 260 736	3 759 241

10. Receivables from exchange transactions

Deposits	380 340	234 685
Sundry debtors	6 613 892	1 320 662
Insurance debtor	-	162 000
	6 994 232	1 717 347

11. Receivables from non-exchange transactions

Fines	29 300 330	4 281 773
Government grants and subsidies	2 323 966	1 995 615
	31 624 296	6 277 388

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Notes to the Financial Statements

Figures in Rand	2015	2014
12. Consumer debtors		
Gross balances		
Rates	44 802 309	34 888 452
Electricity	95 087 713	86 163 653
Water	105 289 695	87 247 028
Sewerage	30 892 088	26 797 937
Refuse	47 845 497	46 835 379
VAT	36 104 400	32 512 893
Other	27 826 901	33 190 616
	387 848 603	347 635 958
Less: Allowance for impairment		
Rates	(34 646 188)	(29 332 652)
Electricity	(74 594 828)	(60 326 627)
Water	(92 384 363)	(77 746 014)
Sewerage	(27 396 593)	(23 686 991)
Refuse	(43 888 908)	(41 499 392)
VAT	(30 763 174)	(26 519 513)
Other	(26 854 150)	(27 236 473)
	(330 528 204)	(286 347 662)
Net balance		
Rates	10 156 121	5 555 800
Electricity	20 492 885	25 837 026
Water	12 905 332	9 501 014
Sewerage	3 495 495	3 110 946
Refuse	3 956 589	5 335 987
VAT	5 341 226	5 993 380
Other	972 751	5 954 143
	57 320 399	61 288 296
Rates		
Current (0 -30 days)	5 446 361	2 570 038
31 - 60 days	1 884 989	1 384 091
61 - 90 days	1 498 377	906 808
91 - 120 days	1 326 394	694 863
	10 156 121	5 555 800
Electricity		
Current (0 -30 days)	13 079 705	16 601 489
31 - 60 days	2 979 648	3 191 461
61 - 90 days	2 293 958	2 620 065
91 - 120 days	2 139 574	2 138 905
121 - 365 days	-	1 285 106
	20 492 885	25 837 026
Water		
Current (0 -30 days)	6 815 162	2 992 968
31 - 60 days	3 079 597	2 121 119
61 - 90 days	2 554 840	2 465 530
91 - 120 days	455 733	1 921 397
	12 905 332	9 501 014

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Figures in Rand	2015	2014
12. Consumer debtors (continued)		
Sewerage		
Current (0 -30 days)	1 458 223	137 048
31 - 60 days	810 223	840 772
61 - 90 days	732 257	763 137
91 - 120 days	494 792	654 961
121 - 365 days	-	715 028
	3 495 495	3 110 946
Refuse		
Current (0 -30 days)	1 716 069	1 757 535
31 - 60 days	1 110 750	1 273 923
61 - 90 days	1 000 829	1 174 873
91 - 120 days	128 941	1 015 718
121 - 365 days	-	113 938
	3 956 589	5 335 987
VAT		
Current (0 -30 days)	2 851 866	2 735 245
31 - 60 days	1 117 231	1 119 919
61 - 90 days	921 464	915 382
91 - 120 days	450 665	807 427
121 - 365 days	-	415 407
	5 341 226	5 993 380
Other		
Current (0 -30 days)	972 751	1 783 147
31 - 60 days	-	458 917
61 - 90 days	-	384 828
91 - 120 days	-	374 651
121 - 365 days	-	2 952 600
	972 751	5 954 143
Reconciliation of allowance for impairment		
Balance at beginning of the year	(286 347 662)	(239 246 256)
Contributions to allowance	(75 844 490)	(58 741 130)
Debt impairment written off against allowance	31 663 948	11 639 724
	(330 528 204)	(286 347 662)
13. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	2 835	2 335
Bank balances	2 380 003	3 137 258
Short-term deposits	16 593 163	5 108 339
	18 976 001	8 247 932

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13. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2015	30 June 2014	30 June 2013	30 June 2015	30 June 2014	30 June 2013
ABSA Bank - Main Cheque Account	1 972 744	2 940 114	1 999 519	610 215	(2 528 576)	850 402
ABSA Bank - Cheque Account	407 259	197 144	-	407 259	197 144	-
ABSA Bank - Call Account	13 323 909	3 395 405	-	13 323 909	3 395 405	-
Investec - Call Account	3 269 254	1 712 934	-	-	1 712 934	-
Total	18 973 166	8 245 597	1 999 519	14 341 383	2 776 907	850 402

14. 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 Integrated Grant	-	65
Government grant (operating) 6 - Libraries plan grant	-	454 042
Government grant (operating) 8 - Provincial clinics	(629 945)	(981 817)
Government grant (operating) 11 - District taxi ranks	-	(310 000)
Government grant (operating) 12 - District health	(1 694 021)	(703 798)
Government grant (operating) 15 - Rural Development Coordination Grant	-	462 464
Government grant (operating) 17 - BKB Grant	460 650	306 332
Government grant (capital) 1 - Municipal Infrastructure Grant	3 486 312	-
Government grant (capital) 2 - Integrated National Electrification Programme Grant	-	3 140
Government grant (capital) 6 - Recapitalization of Community Libraries Grant	-	715 503
Government grants (capital) 7 - Environmental Quality Management Grant	487 769	-
Government grant (capital) 11 - NLDTF/Lotto	1 328	91 329
Government grant (operating) - Moneys receivable	2 323 966	1 995 615
	4 436 059	2 111 040

Movement during the year

Balance at the beginning of the year	2 111 040	11 573 700
Additions during the year	143 099 010	101 901 701
Income recognition during the year	(142 882 401)	(113 359 976)
Transfer to payables	(215 556)	-
Reversal of debtor for reconciliation	2 323 966	1 995 615
	4 436 059	2 111 040

Net grants for movement reconciliation

Receivables from non-exchange transactions	(2 323 966)	(1 995 615)
Unspent conditional grant rollovers	4 436 059	2 111 040
	2 112 093	115 425

See note 25 for reconciliation of grants from National/Provincial Government.

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

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15. Other financial liabilities

At amortised cost

Bank loans - other	65 057 297	67 880 595
Terms and conditions		

Refer to appendix A for details on loans.

Non-current liabilities

At amortised cost	61 994 065	65 057 297
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Current liabilities

At amortised cost	3 063 232	2 823 298
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16. Provisions

Reconciliation of provisions - 2015

	Opening Balance	Additions	Utilised during the year	Change in discount factor	Total
Environmental rehabilitation	4 541 518	-	-	206 162	4 747 680
Provision for 13th cheque	2 600 469	6 026 124	(5 635 728)	-	2 990 865
Provision for leave pay	5 851 378	4 804 879	(2 186 799)	-	8 469 458
	12 993 365	10 831 003	(7 822 527)	206 162	16 208 003

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

Non-current liabilities	4 747 680	4 541 518
Current liabilities	11 460 323	8 451 847
	16 208 003	12 993 365

17. Payables from exchange transactions

Trade payables	81 407 526	56 124 448
Payments received in advanced	15 576 252	13 744 185
Retentions	4 425 317	4 308 579
Accrued bonus	2 394 405	2 006 936
Accrued salaries	118 111	1 352 640
Deposits received	119 960	-
Other payables	259 505	190 305
Unclaimed and confiscated deposits	1 461 947	1 469 072
Grants to be repaid	465 556	367 432
	106 228 579	79 563 597

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18. VAT payable		
Tax refunds payables	11 335 606	11 471 674
19. Consumer deposits		
All services	8 238 829	7 733 370
20. Service charges		
Sale of electricity	216 219 039	205 544 634
Sale of water	70 208 747	64 476 771
Sewerage and sanitation charges	20 711 417	18 627 890
Refuse removal	25 597 955	23 069 549
Other service charges	1 150 083	709 667
	333 887 241	312 428 511
21. Rental of facilities and equipment		
Premises		
Premises	1 084 349	1 077 851
Facilities and equipment		
Rental of facilities	2 316 720	2 160 905
Rental of equipment	111 430	28 076
	2 428 150	2 188 981
Premises	1 084 349	1 077 851
Garages and parking	-	-
Facilities and equipment	2 428 150	2 188 981
	3 512 499	3 266 832
22. Other revenue		
Administration and management fees received - third party	1 003 700	1 054 502
Insurance recoveries	1 224 550	462 569
Other recoveries	254 745	1 146 455
Other income	690 202	2 555 607
	3 173 197	5 219 133
23. Investment revenue		
Interest revenue		
Interest charged on trade and other receivables	10 482 157	7 474 335
Interest earned - external investments	1 038 620	1 471 573
	11 520 777	8 945 908
	-	-
	11 520 777	8 945 908

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24. Property rates

Rates received

Residential	106 641 063	82 306 218
Less: Income forgone	(22 181 858)	(20 028 712)
	84 459 205	62 277 506

Valuations

Residential	6 549 330 001	4 855 546 001
Commercial	1 740 911 000	1 045 891 000
State	665 944 069	598 408 003
Municipal	282 330 000	404 902 000
Small holdings and farms	1 862 681 000	1 514 904 000
	11 101 196 070	8 419 651 004

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2014. 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 2018.

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25. Government grants and subsidies		
Operating grants		
Equitable share	71 665 000	64 253 000
Government grant (operating) 1 - Finance Management Grant	1 528 165	1 221 835
Government grant (operating) 2 - Municipal Systems Improvement Grant	934 000	889 999
Government grant (operating) 3 - Expanded Public Works Program Integrated Grant	1 269 065	1 324 000
Government grant (operating) 6 - Libraries plan	1 745 473	1 895 959
Government grant (operating) 8 - Provincial clinics	152 472	1 644 717
Government grant (operating) 10 - Sustainable Resource Management Grant	1 430 000	1 742 122
Government grant (operating) 11 - District taxi ranks	-	310 000
Government grant (operating) 12 - District health	3 724 011	2 836 269
Government grant (operating) 13 - District HIV/Aids grant	-	250 000
Government grant (operating) 14 - Expanded Public Works Program (Cogta)	500 000	-
Government grant (operating) 15 - Rural Development Coordination Grant	246 908	37 536
Government grant (operating) 16 - Cogta	-	2 800 000
Government grant (operating) 17 - BKB grant	30 682	75 540
Government grant (operating) 18 - LG Seta	1 493 018	154 359
	84 718 794	79 435 336
Capital grants		
Government grant (capital) 1 - Municipal Infrastructure Grant	32 550 688	25 875 372
Government grant (capital) 2 - Integrated National Electrification Grant	7 003 140	5 996 860
Government grant (capital) 6 - Recapitalization of Community Libraries Grant	4 817 477	984 497
Government grant (capital) 7 - Environmental Quality Management Grant	2 231	-
Government grant (capital) 10 - Human Settlement Development Grant	13 700 000	-
Government grant (capital) 11 - NLDTF/Lotto	90 001	183 671
Government grant (capital) 12 - Cogta	-	1 000 000
Government grant (capital) 13 - BKB Grant	-	38 600
	58 163 537	34 079 000
	84 718 794	79 435 336
	58 163 537	34 079 000
	142 882 331	113 514 336

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	71 217 401	49 261 336
Unconditional grants received	71 665 000	64 253 000
	142 882 401	113 514 336

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 (2014: R 350), which is funded from the grant.

Government grant (operating) 1 - Finance Management Grant

Balance unspent at beginning of year	78 165	-
Current-year receipts	1 450 000	1 300 000
Conditions met - transferred to revenue	(1 528 165)	(1 221 835)
	-	78 165

Government grant (operating) 2 - Municipal Systems Improvement Grant

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25. Government grants and subsidies (continued)		
Balance unspent at beginning of year	-	-
Current-year receipts	934 000	890 000
Conditions met - transferred to revenue	(934 000)	(890 000)
	-	-
Government grant (operating) 3 - Expanded Public Works Program Integrated Grant		
Balance unspent at beginning of year	65	324 065
Current-year receipts	1 269 000	1 000 000
Conditions met - transferred to revenue	(1 269 065)	(1 324 000)
	-	65
Government grant (operating) 6 - Libraries plan		
Balance unspent at beginning of year	454 042	(79 237)
Current-year receipts	1 291 431	2 100 000
Conditions met - transferred to revenue	(1 745 473)	(1 645 958)
Transferred to payables	-	79 237
	-	454 042
Government grant (operating) 8 - Provincial clinics		
Balance unspent at beginning of year	(981 817)	(1 601 377)
Current-year receipts	504 344	2 264 277
Conditions met - transferred to revenue	(152 472)	(1 644 717)
	(629 945)	(981 817)
Government grant (operating) 10 - Sustainable Resource Management Grant		
Balance unspent at beginning of year	-	442 122
Current-year receipts	1 430 000	1 300 000
Conditions met - transferred to revenue	(1 430 000)	(1 742 122)
	-	-
Government grant (operating) 11 - District taxi ranks		
Balance unspent at beginning of year	(310 000)	-
Current-year receipts	310 000	-
Conditions met - transferred to revenue	-	(310 000)
	-	(310 000)
Government grant (operating) 12 - District health		
Balance unspent at beginning of year	(703 798)	(546 707)
Current-year receipts	2 733 787	2 873 860
Conditions met - transferred to revenue	(3 724 010)	(3 030 951)
	(1 694 021)	(703 798)
Government grant (operating) 13 - District HIV/Aids grant		
Balance unspent at beginning of year	-	-

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25. Government grants and subsidies (continued)		
Current-year receipts	-	250 000
Conditions met - transferred to revenue	-	(250 000)
	-	-
Government grant (operating) 14 - Expanded Public Works Program (Cogta)		
Balance unspent at beginning of year	-	-
Current-year receipts	500 000	-
Conditions met - transferred to revenue	(500 000)	-
	-	-
Government grant (operating) 15 - Rural Development Coordination Grant		
Balance unspent at beginning of year	462 464	-
Current-year receipts	-	500 000
Conditions met - transferred to revenue	(246 908)	(37 536)
Transferred to payables	(215 556)	-
	-	462 464
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 (operating) 17 - BKB grant		
Balance unspent at beginning of year	306 332	210 472
Current-year receipts	185 000	210 000
Conditions met - transferred to revenue	(30 682)	(114 140)
	460 650	306 332
Government grant (operating) 18 - LG Seta		
Balance unspent at beginning of year	-	-
Current-year receipts	1 493 018	154 359
Conditions met - transferred to revenue	(1 493 018)	(154 359)
	-	-
Government grant (capital) 1 - Municipal Infrastructure Grant		
Balance unspent at beginning of year	-	9 875 371
Current-year receipts	36 037 000	16 000 000
Conditions met - transferred to revenue	(32 550 688)	(25 875 371)
	3 486 312	-
Government grant (capital) 2 - Integrated National Electrification Grant		
Balance unspent at beginning of year	3 140	-
Current-year receipts	7 000 000	6 000 000
Conditions met - transferred to revenue	(7 003 140)	(5 996 860)

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25. Government grants and subsidies (continued)	-	3 140
Government grant (capital) 6 - Recapitalization of Community Libraries Grant		
Balance unspent at beginning of year	715 503	196 669
Current-year receipts	4 101 974	1 950 000
Conditions met - transferred to revenue	(4 817 477)	(1 234 497)
Transferred to payables	-	(196 669)
	-	715 503
Government grant (capital) 7 - Environmental Quality Management Grant		
Balance unspent at beginning of year	-	-
Current-year receipts	490 000	-
Conditions met - transferred to revenue	(2 231)	-
	487 769	-
Government grant (capital) 10 - Human Settlement Development Grant		
Balance unspent at beginning of year	-	-
Current-year receipts	13 700 000	-
Conditions met - transferred to revenue	(13 700 000)	-
	-	-
Government grant (capital) 11 - NLDTF/Lotto		
Balance unspent at beginning of year	91 329	-
Current-year receipts	-	275 000
Conditions met - transferred to revenue	(90 001)	(183 671)
	1 328	91 329
Additional text		
Government grant (capital) 12 - Cogta		
Balance unspent at beginning of year	-	-
Current-year receipts	-	1 000 000
Conditions met - transferred to revenue	-	(1 000 000)
	-	-
26. Public contributions and donations		
Donations	16 840 128	-
Donations income consists of the following:		
Infrastructure	R12,564,652	
Vehicles	R 4,140,000	
Computers	R 135,476	

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27. Employee related costs		
Basic	77 481 981	59 216 512
Medical aid - company contributions	5 857 191	5 182 424
UIF	725 970	606 567
WCA	1 105 755	1 259 862
SDL	943 120	745 147
Other payroll levies	37 577	35 161
Leave pay provision charge	2 618 080	307 056
Pension costs	14 538 350	11 576 265
Leave pay	2 186 800	1 862 171
Group insurance	1 095 818	828 079
Overtime payments	5 498 332	4 786 497
13th Cheques	6 413 592	4 909 265
Acting allowances	243 734	249 662
Car allowance	1 815 315	1 762 808
Housing benefits and allowances	347 190	292 580
Cellphone allowance	85 388	63 428
Entertainment allowance	770	840
Standby	714 712	1 057 888
Cleaning allowance	240	240
Tool allowance	1 080	1 080
	121 710 995	94 743 532

Remuneration of municipal manager

Annual Remuneration	1 209 627	1 130 122
Car Allowance	254 619	254 619
Contributions to UIF, Medical and Pension Funds	1 785	1 785
	1 466 031	1 386 526

Remuneration of chief finance officer

Annual Remuneration	1 159 046	829 790
Car Allowance	105 590	89 333
Contributions to UIF, Medical and Pension Funds	1 785	1 636
	1 266 421	920 759

Remuneration of executive manager: Corporate services

Annual Remuneration	632 949	925 041
Car Allowance	160 000	-
Contributions to UIF, Medical and Pension Funds	126 904	1 785
Housing Subsidy	60 000	-
Cellphone Allowance	10 000	-
	989 853	926 826

Remuneration of executive manager: Community services

Annual Remuneration	722 379	674 976
Car Allowance	244 327	230 718
Contributions to UIF, Medical and Pension Funds	23 147	21 135
	989 853	926 829

Remuneration of executive manager: Infrastructure services

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27. Employee related costs (continued)

Annual Remuneration	598 081	486 458
Car Allowance	252 308	223 424
Contributions to UIF, Medical and Pension Funds	139 464	119 215
	989 853	829 097

Remuneration of executive manager: Local economic development

Annual Remuneration	647 711	280 629
Car Allowance	166 754	75 636
Performance Bonuses	-	3 549
Contributions to UIF, Medical and Pension Funds	175 388	-
Other	-	85 003
	989 853	444 817

28. Remuneration of councillors

Executive Mayor	739 363	709 754
Speaker	595 664	563 129
Councillors	7 097 665	6 566 895
	8 432 692	7 839 778

In-kind benefits

The Executive Mayor, Deputy 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. Depreciation and amortisation

Property, plant and equipment	29 061 808	25 526 287
Investment property	11 532 854	11 377 377
Intangible assets	682 850	770 900
	41 277 512	37 674 564

30. Impairment of assets

Impairments

Property, plant and equipment	(410 124)	475 962
	(410 124)	475 962
	-	-

The main classes of assets affected by impairment losses are:

	2014/15	2013/14
Infrastructure	(410,124)	475,962

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31. Finance costs		
Non-current borrowings	6 126 465	6 331 753
Bank overdraft	874 942	640 810
Interest cost on employee benefits	4 477 000	3 444 000
	11 478 407	10 416 563
32. Debt impairment		
Contributions to debt impairment provision	75 844 490	58 741 130
33. Bulk purchases		
Electricity	168 588 132	156 436 265
Water	40 725 946	35 840 929
Sewer purification	8 060 687	8 041 635
	217 374 765	200 318 829
34. Contracted services		
Other Contractors	525 683	496 750

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Figures in Rand	2015	2014
35. General expenses		
Advertising	287 121	323 385
Auditors remuneration	4 150 503	3 669 110
Bank charges	507 947	556 943
Consulting and professional fees	11 046 205	11 504 800
Consumables	558 319	818 834
Debt collection	4 569 376	6 740 685
Donations	-	595
Entertainment	189 173	228 059
Fines and penalties	1 710 050	83 843
Hire of equipment	2 461 681	535 458
Insurance	2 876 155	1 557 189
Community development and training	353 130	122 048
IT expenses	349 035	1 216 983
Fleet expense	6 966 338	8 030 144
Promotions and sponsorships	-	30 285
Magazines, books and periodicals	109 283	146 818
Pest control	69 436	46 625
Postage and courier	796 735	532 952
Printing and stationery	1 356 314	722 901
Promotions	1 000 000	-
Protective clothing	503 647	385 204
Security (Guarding of municipal property)	8 652 267	6 017 024
Software expenses	502 391	31 418
Staff welfare	476 840	350 750
Subscriptions and membership fees	1 313 833	1 042 878
Telephone and fax	1 533 265	1 371 714
Training	4 768 612	4 431 922
Travel - local	1 760 429	512 944
Refuse	6 046 233	3 990 650
Assets expensed	214 693	118 304
Billing and meter reading charges	1 111 798	1 295 975
Laboratory charges	-	2 700
Grant related expenditure	2 424 330	2 844 117
Connection costs	565 814	614 408
Indigents	10 465 612	3 917 915
Valuation costs	955 680	2 065 642
Pensioners	1 842 622	1 439 217
Other expenses	3 148 941	2 704 148
	85 643 808	70 004 587

36. Auditors' remuneration

Fees	4 150 503	3 669 110
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37. Taxation

The municipality is exempt from income tax in terms of the Income Tax Act (Act No.58 of 1962) Section 10(1)(a).

38. Operating surplus

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

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38. Operating surplus (continued)			
Loss on sale of property, plant and equipment	(4 144 732)	(7 167 079)	
Loss on sale of investment property	-	(2 509 692)	
Compensation from third parties - Heritage assets	-	(1 450)	
Impairment on property, plant and equipment	(410 124)	475 962	
Amortisation on intangible assets	682 850	770 900	
Depreciation on property, plant and equipment	29 061 808	25 526 287	
Depreciation on investment property	11 532 854	11 377 377	
Employee costs	136 835 551	108 018 164	
39. Cash generated from operations			
Surplus (deficit)	29 623 351	(7 544 835)	
Adjustments for:			
Depreciation and amortisation	41 277 512	37 674 564	
Gain on sale of assets and liabilities	4 144 732	9 678 221	
Impairment	(410 124)	475 962	
Debt impairment	75 844 490	58 741 130	
Movements in retirement benefit assets and liabilities	4 358 000	9 963 000	
Movements in provisions	3 214 638	1 037 832	
Non-cash donation income	(16 840 126)	-	
Non-cash movement in payables	-	2 137 805	
Non-cash movement in assets	-	1 073 114	
Changes in working capital:			
Inventories	498 505	217 935	
Receivables from exchange transactions	(5 276 885)	(369 645)	
Consumer debtors	(71 876 593)	(77 322 161)	
Other receivables from non-exchange transactions	(25 346 908)	(4 050 066)	
Payables from exchange transactions	26 664 991	7 269 041	
VAT	(136 068)	4 839 486	
Unspent conditional grants and receipts	2 325 019	(9 462 660)	
Consumer deposits	505 459	281 318	
	68 569 993	34 640 041	
40. Financial instruments disclosure			
Categories of financial instruments			
2015			
Financial assets			
	At fair value	At amortised cost	Total
Trade and other receivables from exchange transactions	-	1 837 001	1 837 001
Other receivables from non-exchange transactions	-	5 931 922	5 931 922
Consumer debtors	-	56 662 266	56 662 266
Cash and cash equivalents	18 976 001	-	18 976 001
	18 976 001	64 431 189	83 407 190
Financial liabilities			
		At amortised cost	Total
Other financial liabilities		65 057 297	65 057 297
Trade and other payables from exchange transactions		105 531 076	105 531 076
Unspent conditional grants		4 436 059	4 436 059

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Figures in Rand	2015	2014
Financial instruments disclosure (continued)		
Consumer deposits	8 238 829	8 238 829
VAT payable	11 335 606	11 335 606
	194 598 867	194 598 867

2014

Financial assets

	At fair value	At amortised cost	Total
Trade and other receivables from exchange transactions	-	1 717 347	1 717 347
Other receivables from non-exchange transactions	-	6 277 388	6 277 388
Consumer debtors	-	61 288 296	61 288 296
Cash and cash equivalents	8 247 932	-	8 247 932
	8 247 932	69 283 031	77 530 963

Financial liabilities

	At amortised cost	Total
Other financial liabilities	67 880 595	67 880 595
Trade and other payables from exchange transactions	77 899 551	77 899 551
Unspent conditional grants	2 111 040	2 111 040
Consumer deposits	7 733 370	7 733 370
VAT payable	11 471 674	11 471 674
	167 096 230	167 096 230

41. Commitments

Authorised capital expenditure

Already contracted for but not provided for

• Construction of roads and stormwater in Kwazenzele	6 039 413	10 649 000
• Fencing of Ekuphumuleni cemetery	500 000	-
• Electrical reticulation and bulk supply (Obed Nkosi)	1 701 090	-
	8 240 503	10 649 000

Total capital commitments

Already contracted for but not provided for	8 240 503	10 649 000
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This committed expenditure relates to plant and equipment and will be financed by the Municipal Infrastructure Grant.

Operating leases - as lessee (expense)

Minimum lease payments due

- within one year	1 086 376	1 259 541
- in second to fifth year inclusive	533 682	2 433 586
	1 620 058	3 693 127

Operating lease payments represent rentals payable by the municipality for certain of its office properties. 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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42. Contingencies

Litigation is in the process against the municipality relating to a dispute with a former employee who alleges that she was unfairly dismissed and is seeking damages of R 12 450 610. The municipality's lawyers and management consider the likelihood of the action against the municipality being successful as unlikely, and the case should be resolved within the next two years.

A labour matter is pending against the municipality regarding a settlement agreement. The amount of the claim is R90 000.

43. 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 (Executive Manager: Corporate Services) I Rampedi (Executive Manager: Infrastructure Services) J Marwa (Executive Manager: Development and Planning) C Mokoena (Executive Manager: Community Services)

44. Prior period errors

Property, plant and equipment had to be restated due to items being duplicated in the work-in-progress register. Property, plant and equipment also had to be restated due to assets found during the verification process that were not in the asset register.

Payables from exchange transactions had to be restated due to invoices relating to work carried out in the prior year being processed in the current financial period.

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

Statement of financial position

Property, plant and equipment	-	(3 762 290)
Payables from exchange transactions	-	3 800 840
Accumulated Surplus or Deficit	-	1 625 495

Statement of Financial Performance

Depreciation expense	-	1 238 669
Loss on disposal of assets and liabilities	-	(966 397)
General expenses	-	1 664 045

45. Comparative figures

Certain comparative figures have been reclassified.

The effects of the reclassification are as follows:

Statement of financial position

Property, plant and equipment	-	(4 942)
Intangible assets	-	4 942
Receivables from exchange transactions	-	(4 281 773)
Receivables from non exchange transactions	-	4 281 773

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45. Comparative figures (continued)

Statement of Financial Performance

Service charges	-	(3 602 612)
Administration and management fees received	-	1 054 502
Other income	-	2 555 606
Repairs and maintenance	-	(23 561)
General expenses	-	31 066

46. 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.

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	2015	2014
Bank (ABSA)	1 972 744	2 940 114
Bank account (ABSA)	407 259	197 144
Call Account (ABSA)	13 323 909	1 712 934
Call Account (Investec)	3 269 254	3 395 405

Market risk

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.

47. Going concern

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

48. Unauthorised expenditure

Opening Balance	6 221	6 221
Unauthorised expenditure	51 566 267	-
	51 572 488	6 221

Included in unauthorised expenditure is non-cash items of R23 785 808.

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49. Fruitless and wasteful expenditure		
Opening balance	369 254	369 254
Fruitless and wasteful expenditure - current year	3 286 925	1 477 344
Less: Amounts condoned	-	(1 477 344)
	3 656 179	369 254

Fruitless and wasteful expenditure consists of interest on late payments on Eskom, Rand Water, Telkom, AGSA, DBSA and SARS accounts and rental fees paid on equipment.

50. Irregular expenditure

Opening balance	12 965 977	10 248 882
Add: Irregular Expenditure - current year	70 407 140	3 763 777
Less: Amounts condoned	-	(1 046 682)
	83 373 117	12 965 977

Analysis of expenditure awaiting condonation per age classification

Current year	70 407 140	2 717 095
Prior years	12 965 977	10 248 882
	83 373 117	12 965 977

51. 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 (6 months).

MISA provided the municipality with the services of a structural and civil expert (12 months).

52. Additional disclosure in terms of Municipal Finance Management Act

Audit fees

Opening balance	-	552 393
Current year subscription / fee	2 555 054	3 144 273
Amount paid - current year	(2 555 054)	(3 696 666)
	-	-

PAYE and UIF

Opening balance	-	-
Current year subscription / fee	15 426 451	12 219 778
Amount paid - current year	(15 426 451)	(12 219 778)
	-	-

Pension and Medical Aid Deductions

Opening balance	-	-
Current year subscription / fee	32 697 462	28 737 781
Amount paid - current year	(32 697 462)	(28 737 781)
	-	-

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2015

2014

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

VAT

VAT payable	11 335 606	11 471 674
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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 2015:

30 June 2015	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
TS Moremi	1 702	1 473	3 175
SM Sibeko	582	-	582
	2 284	1 473	3 757

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

During the year the following Councillors' had arrear accounts outstanding for more than 90 days.

53. 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 financial statements.

Forty procurements, noted below, were procured during the financial year under review and the process followed in procuring these 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 [S36 (1)(a)(i)]	14 Companies	1,218,466
Impractical to follow SCM [S36 (1)(a)(v)]	3 Companies	210,812
Sole supplier [S36 (1)(a)(ii)]	9 Companies	1,866,620
Ratified by committee [S36(1)(b)]	14 Companies	1,006.828

54. Debtors on RDP houses not yet transferred

Reconciliation on RDP houses not yet transferred

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)

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Lesedi Local Municipality

(Demarcation code GT423)

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

Figures in Rand	2015	2014
55. Unaccounted water and electricity		
Distribution loss amounts		
Electricity	17 509 431	21 523 139
Water	11 340 239	9 354 862
	28 849 670	30 878 001
Distribution loss percentage		
Electricity	14	14
Water	24	22
	38	36

Distribution losses for electricity is reported after taking into account acceptable network losses of 5.2% (R6,467,545) and own use of 2% (R2,231,355).

Distribution losses for water is reported after taking into account acceptable network losses of 5.5% (R2,564,229) and own use of 0.6% (R211,572)

56. Budget differences

Material differences between budget and actual amounts

Explanations for variances between budget and actuals:

Statement of Financial Performance

1. Service charges - Negative variance is due to illegal connections and distribution losses. To mitigate, meter audits and penalization of connections is ongoing.
2. Licences and permits - The positive variance is due to increased application for licences and permits.
3. Administration and management fees received - The negative variance is due to a decrease in the number of consumers applying for connection and disconnection fees.
4. Insurance recoveries - Budget correctly conservative, so acceptable.
5. Other income - Budget overly optimistic.
6. Interest received - Additional transfers from provincial/national departments were received. Increase in interest charged to consumers as a result of data cleansing.
7. Government grants and subsidies - Additional transfers received during the year.
8. Public contributions and donations - Donations of fleet and infrastructure received during the year.
9. Fines and penalties - Actual collection rate on fines lower than anticipated.
10. Depreciation and amortisation - Variance due to additions above and over those budgeted for due as a result of additional capital grants received during the financial year.
11. Finance costs - The variance is due to the implementation of GRAP 25.
12. Debt impairment - Collection rate was lower than anticipated, credit control is currently being implemented to reduce bad debts.
13. Collection costs - Budget over estimated effect of increase.
14. Repairs and maintenance - Variance is due to damages to municipal property during the Devon public protests.
15. Bulk purchases - Variance is due to Eskom's higher tariff's in winter.
16. General expenses - Variance is due to budget downward adjustment.

Statement of Financial Position

17. Receivables from non-exchange transactions - Budget prepared on assumption of grants being fully utilised.
18. Consumer debtors - Greater debt write-offs due to increase in number of indigents.
19. Cash and cash equivalents - Variance due to unspent grants and retentions not taken into account in budget.
20. Investment property - Depreciation on investment property incorrectly allocated to PPE in the budget.
21. Property, plant and equipment - Effect of duplicates in the asset register discovered during the financial year.
22. Intangible assets - Error in budget calculation.
23. Other financial liabilities - The short term portions of the long term loans were not accounted for in the budget.
24. Payables from exchange transactions - Accruals at year end higher than anticipated due to cash flow constraints.
25. Employee benefit obligation - Implementation of GRAP 25.
26. Unspent conditional grants - Budget prepared on assumption of grants being fully utilised.
27. Provisions - Adjustment to provisions for the year not taken into account in the budget.

Lesedi Local Municipality

Appendix A

June 2015

Schedule of external loans as at 30 June 2015

Loan Number	Redeemable	Balance at 30 June 2014	Received during the period	Redeemed written off during the period	Balance at 30 June 2015	
		Rand	Rand	Rand	Rand	
Development Bank of South Africa						
R13 Rat Elec - 9.45% Fixed	102187	15 years	3 170 767	-	337 801	2 832 966
R14 Electrical Upgrade - 9.59% Fixed	102986_1	20 years	17 961 168	-	651 973	17 309 195
R15 Electrical Upgrade - 5.00% Fixed	102986_2	20 years	11 134 671	-	566 005	10 568 666
R16 Vehicle - 11.87% Fixed	6100956	12 years	5 057 226	-	93 448	4 963 778
R17 Infrastructure - 6.75% Fixed	6100955	20 years	3 026 296	-	109 885	2 916 411
R18 Other - 14.24% Fixed	6100954	20 years	3 183 178	-	257 006	2 926 172
R19 Electrical Infrastructure - 12%	61006830	20 years	7 522 792	-	139 453	7 383 339
R20 Electrical Upgrade - 6.75%	61006831	20 years	12 237 502	-	382 894	11 854 608
R21 Roads and Stormwater - 11.65%	61006809	12 years	4 586 961	-	284 800	4 302 161
			67 880 561	-	2 823 265	65 057 296
Total external loans						
Loan Stock			-	-	-	-
Structured loans			-	-	-	-
Funding facility			-	-	-	-
Development Bank of South Africa			67 880 561	-	2 823 265	65 057 296
Bonds			-	-	-	-
Other loans			-	-	-	-
Lease liability			-	-	-	-
Annuity loans			-	-	-	-
Government loans			-	-	-	-
			67 880 561	-	2 823 265	65 057 296