

FEZILE DABI DISTRICT MUNICIPALITY
Annual Financial Statements
for the year ended 30 June 2011

FEZILE DABI DISTRICT MUNICIPALITY
Annual Financial Statements for the year ended 30 June 2011

General Information

| | |
|--|--|
| Legal form of entity | District Municipality |
| Nature of business and principal activities | District Municipality |
| Mayoral Committee (01 July 2010 to 27 May 2011) | |
| Executive Mayor | Cllr JERT Ramokhoase |
| Speaker | Cllr SI Mbalo |
| Councillors | Cllr D Corbert Cllr K Khumalo Cllr NG Guza Cllr MS Taje Cllr DLS George Cllr PR Ndayi |
| Mayoral Committee (31 May 2011 to 30 June 2011) | |
| Executive Mayor | Cllr MP Moshodi |
| Speaker | Cllr SI Mbalo |
| Councillors | Cllr GN Guza Cllr ME Notsi Cllr AM Oliphant Cllr K Khumalo Cllr PR Ndayi |
| Grading of local authority | Low Capacity |
| Accounting Officer | Dr. MMV Mongake |
| Chief Financial Officer (CFO) | M E Mohlahlo |
| Registered Office | John Vorster Road Sasolburg 1947 |
| Postal Address | P.O Box 10 Sasolburg 1947 |
| Bankers | ABSA Bank |
| Auditors | The Auditor - General (SA) |

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Abbreviations

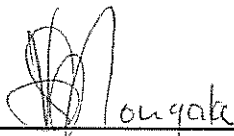
| | |
|---------|--|
| COID | Compensation for Occupational Injuries and Diseases |
| CRR | Capital Replacement Reserve |
| EPWP | Expanded Public Works Programme |
| DBSA | Development Bank of South Africa |
| SA GAAP | South African Statements of Generally Accepted Accounting Practice |
| GRAP | Generally Recognised Accounting Practice |
| GAMAP | Generally Accepted Municipal Accounting Practice |
| HDF | Housing Development Fund |
| IAS | International Accounting Standards |
| IMFO | Institute of Municipal Finance Officers |
| IPSAS | International Public Sector Accounting Standards |
| ME's | Municipal Entities |
| MEC | Member of the Executive Council |
| MFMA | Municipal Finance Management Act |
| MIG | Municipal Infrastructure Grant (Previously CMIP) |
| FDDM | Fezile Dabi District Municipality |
| CBPWP | Community Based Public Works Program |
| DWAF | Department of Water Affairs and Forestry |

Accounting Officer's Responsibilities and Approval

I am responsible for the presentation of these financial statements which are set out on page 5 to 46 in terms of Section 126(1) of the Municipal Finance Management Act (Act 56 of 2003), and which I have signed on behalf of the Municipality.

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

The annual financial statements set out on page 5 to 46, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2011 and were signed on its behalf by:



Municipal Manager
Dr. MMV Mongake
BA. Hons; Magister Artium; PhD Economics

31/08/2011

FEZILE DABI DISTRICT MUNICIPALITY
Annual Financial Statements for the year ended 30 June 2011

STATEMENT OF FINANCIAL POSITION

| | Note(s) | 2011 R | 2010 R |
|---|---------|--------------------|--------------------|
| Assets | | | |
| Current Assets | | | |
| Trade and other receivables | 2 | 1,669,165 | 3,070,474 |
| VAT receivable | 3 | 2,624,022 | 6,292,936 |
| Cash and cash equivalents | 4 | 206,198,370 | 150,591,146 |
| | | <u>210,491,557</u> | <u>159,954,556</u> |
| Non-Current Assets | | | |
| Property, plant and equipment | 5 | 22,492,430 | 22,818,225 |
| Intangible assets | 39 | 214,725 | 425,718 |
| | | <u>22,707,155</u> | <u>23,243,943</u> |
| Total Assets | | <u>233,198,712</u> | <u>183,198,499</u> |
| Liabilities | | | |
| Current Liabilities | | | |
| Trade and other payables | 8 | 20,189,602 | 13,930,635 |
| Unspent conditional grants and receipts | 41 | 56,661,118 | 21,157,111 |
| Current portion of long term loans | 7 | 4,729,858 | 4,241,177 |
| | | <u>81,580,578</u> | <u>39,328,923</u> |
| Non-Current Liabilities | | | |
| Retirement benefit obligation | 40 | 5,643,000 | 3,483,000 |
| Provisions | 9 | 4,707,000 | 3,597,000 |
| Long term Liabilities | 7 | 25,717,818 | 30,449,958 |
| Operating lease liability | | 768,338 | 974,732 |
| | | <u>36,836,156</u> | <u>38,504,690</u> |
| Total Liabilities | | <u>118,416,734</u> | <u>77,833,613</u> |
| Net Assets | | <u>114,781,978</u> | <u>105,364,886</u> |
| Net Assets | | | |
| Reserves | | | |
| Revaluation reserve | 6 | 8,181,602 | 8,364,448 |
| Capital replacement reserve | | 4,019,492 | 4,019,492 |
| Accumulated surplus | | 102,580,884 | 92,980,946 |
| Total Net Assets | | <u>114,781,978</u> | <u>105,364,886</u> |

FEZILE DABI DISTRICT MUNICIPALITY
Annual Financial Statements for the year ended 30 June 2011

STATEMENT OF FINANCIAL PERFORMANCE

| | Note(s) | 2011 R | 2010 R |
|---|---------|-----------------------------|-----------------------------|
| Revenue | | | |
| Government grants & subsidies | 10 | 124,738,417 | 142,816,789 |
| Administration and management fees received | | 66,998 | 68,520 |
| Fees earned | | 117,894 | 124,317 |
| Recoveries | | 36,391 | 34,827 |
| Other income | | 1,795,040 | 1,568,399 |
| Interest received - Investment | 12 | 9,319,046 | 9,140,673 |
| Total Revenue | | <u>136,073,786</u> | <u>153,753,525</u> |
| Expenditure | | | |
| Employee related costs | 13 | (47,431,798) | (36,369,234) |
| Remuneration of councillors | 14 | (4,984,859) | (4,806,148) |
| Administration | 15 | (1,158,012) | (825,178) |
| Depreciation and amortisation | 16 | (3,443,522) | (3,053,436) |
| Bad debt written off | 17 | - | (335,020) |
| Finance charges | 18 | (3,972,338) | (4,415,963) |
| Repairs and maintenance | | (605,265) | (411,185) |
| Contracted services | 19 | (13,027,768) | (10,228,149) |
| Grants and subsidies paid | 20 | (9,043,571) | (34,087,850) |
| General Expenses | 21 | (43,228,302) | (41,026,955) |
| Total Expenditure | | <u>(126,895,435)</u> | <u>(135,559,118)</u> |
| Loss on disposal of assets | | (348,351) | - |
| Surplus for the year | | <u>8,830,000</u> | <u>18,194,407</u> |

FEZILE DABI DISTRICT MUNICIPALITY
Annual Financial Statements for the year ended 30 June 2011

STATEMENT OF CHANGES IN NET ASSETS

| | Revaluation reserve | Capital replacement reserve | Total reserves | Accumulated surplus | Total net assets |
|---|------------------------|-----------------------------------|-------------------|------------------------|---------------------|
| | R | R | R | R | R |
| Opening balance as previously reported | 8,792,718 | 4,019,492 | 12,812,210 | 81,238,339 | 94,050,549 |
| Adjustments | | | | | |
| Prior year adjustments | - | - | - | (7,629,016) | (7,629,016) |
| Balance at 01 July 2009 as restated | 8,792,718 | 4,019,492 | 12,812,210 | 73,609,323 | 86,421,533 |
| Changes in net assets | | | | | |
| Revaluation reserve realised | (428,270) | - | (428,270) | 428,270 | - |
| Other | - | - | - | 748,946 | 748,946 |
| Net income (losses) recognised directly in net assets | (428,270) | - | (428,270) | 1,177,216 | 748,946 |
| Surplus for the year | - | - | - | 18,194,407 | 18,194,407 |
| Total recognised income and expenses for the year | (428,270) | - | (428,270) | 19,371,623 | 18,943,353 |
| Total changes | (428,270) | - | (428,270) | 19,371,623 | 18,943,353 |
| Balance at 01 July 2010 | 8,364,448 | 4,019,492 | 12,383,940 | 92,980,947 | 105,364,887 |
| Changes in net assets | | | | | |
| Recognition of Revaluation Surplus Over-realised | 163,615 | - | 163,615 | - | 163,615 |
| Bursary Debtors recognised | - | - | - | 114,310 | 114,310 |
| Auditors Corrections | - | - | - | (8,545) | (8,545) |
| Revaluation reserve realised | (346,461) | - | (346,461) | 346,461 | - |
| Prior year corrections: | - | - | - | (15,000) | (15,000) |
| Other | - | - | - | 332,711 | 332,711 |
| Net income (losses) recognised directly in net assets | (182,846) | - | (182,846) | 769,937 | 587,091 |
| Surplus for the year | - | - | - | 8,830,000 | 8,830,000 |
| Total recognised income and expenses for the year | (182,846) | - | (182,846) | 9,599,937 | 9,417,091 |
| Total changes | (182,846) | - | (182,846) | 9,599,937 | 9,417,091 |
| Balance at 30 June 2011 | 8,181,602 | 4,019,492 | 12,201,094 | 102,580,884 | 114,781,978 |
| Note(s) | 6 | | | | |

FEZILE DABI DISTRICT MUNICIPALITY
Annual Financial Statements for the year ended 30 June 2011

CASH FLOW STATEMENT

| | Note(s) | 2011 R | 2010 R |
|---|---------|---------------------------|---------------------------|
| Cash flows from operating activities | | | |
| Receipts | | | |
| Grants | | 124,738,417 | 117,569,001 |
| Interest income | | 9,319,046 | 9,140,673 |
| Other receipts | | 3,961,313 | 1,796,063 |
| | | <u>138,018,776</u> | <u>128,505,737</u> |
| Payments | | | |
| Employee costs | | (49,146,657) | (41,175,382) |
| Suppliers | | (21,751,235) | (48,439,070) |
| Finance costs | | (3,972,338) | (4,415,963) |
| Other cash item | | - | 322,598 |
| | | <u>(74,870,230)</u> | <u>(93,707,817)</u> |
| Net cash flows from operating activities | 22 | <u>63,148,546</u> | <u>34,797,920</u> |
| Cash flows from investing activities | | | |
| Purchase of property, plant and equipment | 5 | (3,445,711) | (3,567,328) |
| Proceeds from sale of property, plant and equipment | 5 | 702,593 | - |
| Loss from sale of property, plant and equipment | | (348,351) | - |
| Net cash flows from investing activities | | <u>(3,091,469)</u> | <u>(3,567,328)</u> |
| Cash flows from financing activities | | | |
| Movement in long term liabilities | | (4,243,459) | (3,799,947) |
| Movement in operating lease liability | | (206,394) | 974,732 |
| Net cash flows from financing activities | | <u>(4,449,853)</u> | <u>(2,825,215)</u> |
| Net increase/(decrease) in cash and cash equivalents | | 55,607,224 | 28,405,377 |
| Cash and cash equivalents at the beginning of the year | | 150,591,146 | 122,185,769 |
| Cash and cash equivalents at the end of the year | 4 | <u>206,198,370</u> | <u>150,591,146</u> |

ACCOUNTING POLICIES

1. Basis of Presentation

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

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

ACCOUNTING POLICIES

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

These accounting policies are consistent with the previous period.

1.1 Presentation of currency

These annual financial statements are presented in South African Rand.

1.2 Reserves

Capital replacement reserve (CRR)

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus/(deficit) to the CRR in terms of a Council resolution. A corresponding amount is transferred to a designated CRR bank or investment account. The cash in the designated CRR bank account can only be utilised to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus/(deficit) is credited by a corresponding amount when the amounts in the CRR are utilised.

1.3 Revaluation reserve

The surplus arising from the revaluation of property, plant and equipment is credited to a non-distributable reserve. The revaluation surplus is realised as revalued assets are depreciated, through a transfer from the revaluation reserve to the accumulated surplus/deficit. On disposal, the net revaluation surplus is transferred to the accumulated surplus/deficit while gains or losses on disposal, based on revalued amounts, are credited or charged to the statement of financial performance.

1.4 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 at no cost, or for a nominal cost, 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.

ACCOUNTING POLICIES

1.4 Property, plant and equipment (continued)

Property, plant and equipment is stated at cost less accumulated depreciation and any impairment losses except land and buildings which are revalued at least every five years. Similarly, land is not depreciated as it is deemed to have an indefinite life.

Subsequent expenditure is capitalised when the recognition and measurement criteria of an asset are met.

Land and buildings are carried at revalued amounts, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses in respect of buildings.

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

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

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

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

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

| Item | Average useful life |
|--------------------------------------|---------------------|
| Land | Indefinite |
| Buildings | 30 years |
| Furniture and Fittings | 3 - 10 years |
| Motor Vehicles | |
| • Ambulances | 5 - 10 years |
| • Fire engines | 20 years |
| • Buses | 15 years |
| • Trucks and light delivery vehicles | 5 - 7 years |
| • Ordinary motor vehicles | 5 - 7 years |
| • Motor cycles | 3 years |
| Office Equipment | |
| • Computer hardware | 5 years |
| • Computer software | 3 - 5 years |
| • Office machines | 3 - 5 years |
| • Air conditioners | 5 - 7 years |
| Emergency Equipment | |
| • Fire hoses | 5 years |
| • Other fire-fighting equipment | 15 years |
| • Emergency lights | 5 years |

ACCOUNTING POLICIES

1.4 Property, plant and equipment (continued)

Other property, plant and equipment

| | |
|-------------------------------|---------|
| • Lawn mowers | 2 years |
| • Compressors | 5 years |
| • Laboratory equipment | 5 years |
| • Radio equipment | 5 years |
| • Firearms | 5 years |
| • Telecommunication equipment | 5 years |

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

Impairment

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

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

An impairment loss shall be recognised immediately in surplus or deficit, unless the asset is carried at a revalued amount in accordance with another Standard of GRAP (for example, in accordance with the revaluation model in the Standard of GRAP on Property, Plant and Equipment). Any impairment loss of a revalued asset shall be treated as a revaluation decrease in accordance with that Standard of GRAP.

An impairment loss recognised in prior periods for an asset shall be reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. If this is the case, the carrying amount of the asset shall, except as described in paragraph .65 of GRAP 21, be increased to its recoverable service amount. That increase is a reversal of an impairment loss.

The increased carrying amount of an asset attributable to a reversal of an impairment loss shall not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised in prior periods.

A reversal of an impairment loss for an asset shall be recognised immediately in surplus or deficit unless the asset is carried at revalued amount in accordance with another Standard of GRAP (for example, the revaluation model in the Standard of GRAP on Property, Plant and Equipment). Any reversal of an impairment loss of a revalued asset shall be treated as a revaluation increase in accordance with that other Standard of GRAP.

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

Derecognition

The carrying amount of an item of property, plant and equipment shall be derecognised:

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

The gain or loss arising from the derecognition of an item of property, plant and equipment shall be included in surplus or deficit when the item is derecognised (unless the Standard of GRAP on Leases requires otherwise on a sale and leaseback). Gains shall not be classified as revenue.

ACCOUNTING POLICIES

1.5 Revaluation of Land and Buildings

Land and buildings are stated at revalued amounts, being the fair value at the date of revaluation less subsequent accumulated depreciation and impairment losses in respect of buildings.

1.6 Financial instruments

Classification

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

- Financial assets at fair value through surplus or deficit - designated
- Held-to-maturity investment
- Loans and receivables
- Available-for-sale financial assets

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

Loans and receivables/payables are non-derivative financial assets/liabilities with fixed or determinable payments that are not quoted in an active market. They are included in current assets/liabilities, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets/liabilities. The municipality's loans and receivables/payables comprise 'trade and other receivables/payables' and cash and cash equivalents in the balance sheet.

Initial recognition and measurement

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

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

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

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

Transaction costs on financial instruments at fair value through surplus or deficit are recognised in surplus or deficit.

Subsequent measurement

Financial instruments at fair value through surplus or deficit are subsequently measured at fair value, with gains and losses arising from changes in fair value being included in surplus or deficit for the period.

Net gains or losses on the financial instruments at fair value through surplus or deficit include dividends and interest.

Dividend income is recognised in surplus or deficit as part of other income when the municipality's right to receive payment is established.

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

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

ACCOUNTING POLICIES

1.6 Financial instruments (continued)

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

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

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

Trade and other receivables

Trade and other receivables are classified as loans and receivables

Accounts receivable are carried at anticipated realisable value. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year end. Bad debts are written off during the year in which they are identified.

Trade and other payables

Trade payables are stated at their nominal value.

Cash and cash equivalents

Cash includes cash on hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of changes in value.

For the purpose of cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks and short term deposits in financial instruments, net of bank overdrafts.

Held to maturity

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

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

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

ACCOUNTING POLICIES

1.6 Financial instruments (continued)

Gains and losses

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

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

Derecognition

Financial assets

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

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

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

Financial liabilities

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

1.7 Revenue Recognition

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.

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.

Interest revenue is recognised using the effective interest rate method.

ACCOUNTING POLICIES

1.7 Revenue Recognition (continued)

Government grants are recognised as revenue when all conditions associated with the grant have been met. Where grants have been received but the municipality has not met the condition, a liability is raised.

Amounts received from government and donors for the purpose of acquiring item of property, plant and equipment are also recognised as revenue.

Measurement

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

1.8 Conditional grants and receipts

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

This liability always has to be cash-backed. The following provision are set for the creation and utilisation of this creditor:

Unspent conditional grants are recognised as a liability when the grant is received.

When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.

The cash which backs up the creditor is invested until it is utilised.

Interest earned on the investment is treated in accordance with the grant conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the Municipality's income it is recognised as interest earned in the Statement of Financial Performance.

1.9 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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

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

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

ACCOUNTING POLICIES

1.9 Provisions and contingencies (continued)

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

Provisions are not recognised for future operating deficits.

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

A constructive obligation to restructure arises only when an entity:

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

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

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

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

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

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

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

1.10 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.

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). 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.

1.11 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's 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.

ACCOUNTING POLICIES

1.11 Irregular expenditure (continued)

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

1.12 Fruitless and wasteful expenditure

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

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

1.13 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.

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment subject to finance lease agreements are capitalized at their cash cost equivalent and the corresponding liabilities are raised. The cost of the item of property, plant and equipment is at appropriate rates on the straight-line basis over its estimated useful life. Lease payments are allocated between the lease finance cost and capital repayments using the effective interest rate method. Lease finance costs are expensed when incurred.

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.

Finance leases - lessee

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

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

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

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

Operating leases - lessor

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

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

ACCOUNTING POLICIES

1.13 Leases (continued)

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

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

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

Operating leases - lessee

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

1.14 Borrowing costs

Borrowing costs are recognised as an expense in the Statement of Financial Performance in the period in which they are incurred

1.15 Employee benefits

Short-term employee benefits

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

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

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

Defined contribution plans

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

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

Defined benefit plans

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

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

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

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

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

ACCOUNTING POLICIES

1.15 Employee benefits (continued)

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

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

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

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

Other post retirement obligations

The entity provides post-retirement health care benefits, housing subsidies and gratuities 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 entity also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

1.16 Comparative figures

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

Budget information in accordance with GRAP 1, has been provided in an annexure to these financial statements and forms part of the audited annual financial statements.

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature and reason for the reclassification is disclosed.

Where material accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparative are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

Prior year comparatives:

When the presentation or classification of items in the annual financial statements is amended, prior year comparative amounts are reclassified. The nature and reason for the reclassification is disclosed.

1.17 Significant judgements and sources of estimation uncertainty

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

ACCOUNTING POLICIES

1.17 Significant judgements and sources of estimation uncertainty (continued)

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

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

Provisions

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

Post retirement benefits

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

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 40.

1.18 Intangible assets

An asset is identified as an intangible asset when it:

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

An intangible asset is recognised when:

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

Intangible assets are initially recognised at cost.

The cost of a separately acquired intangible asset comprises:

- (a) its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates; and
- (b) any directly attributable costs of preparing the asset for its intended use.

An intangible asset acquired at no or nominal cost, the cost shall be its fair value as at the date of acquisition.

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

ACCOUNTING POLICIES

1.18 Heritage assets (continued)

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

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

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

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

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

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

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

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

| Item | Useful life |
|-------------------|--------------------|
| Computer software | 3 - 5 years |

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.

Transitional provision

The municipality changed its accounting policy for intangible assets in 2011. The change in accounting policy is made in accordance with its transitional provision as per Directive 4 of the GRAP Reporting Framework.

Intangible Assets has been recognised at the current market value in an arm length transaction, retrospectively adjusted by the useful life of the assets concerned to its net replacement value.

ACCOUNTING POLICIES

1.19 Use of estimates

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

1.20 Offsetting

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

1.21 Segmental information

Segmental information on property, plant and equipment, as well as income and expenditure, is set out in Appendices C and D, based on the International Government Financial Statistics classifications and the budget formats prescribed by National Treasury. The municipality operates solely in its area of jurisdiction as determined by the Demarcation Board.

Segment information is prepared in conformity with the accounting policies applied for preparing and presenting the financial statements.

1.22 Research and development expenditure

Research costs are charged against operating surplus as incurred. Development costs are recognised as an expense in the period in which they are incurred unless the following criteria are met:

- The product or process is clearly defined and the costs attributable to the process or product can be separately identified and measured reliably;
- The technical feasibility of the product or process can be demonstrated;
- The existence of a market or, if to be used internally rather than sold, its usefulness to the municipality can be demonstrated;
- Adequate resources exist, or their availability can be demonstrated, to complete the project and then market or use the product or process; and
- The asset must be separately identifiable.

Where development costs are deferred, they are written off on a straight-line basis over the life of the process or product, subject to a maximum of five years. The amortization begins from the commencement of the commercial production of the product or use of the process to which they relate.

FEZILE DABI DISTRICT MUNICIPALITY
Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

| | 2011 R | 2010 R |
|---------------------------------------|------------------|------------------|
| 2. Trade and other receivables | | |
| Suspense | 615,447 | 261,138 |
| DWAF Project | - | 2,239,802 |
| Fuel deposit | 1,000 | 1,000 |
| Pick n Pay Card | 2,251 | 2,251 |
| SA Post Office - Deposit | - | 15,000 |
| Other debtors | 922,893 | 503,462 |
| Bursary recoupments | 114,308 | - |
| N Xaba - Vehicle | 9,780 | 30,280 |
| T Sefako - Vehicle | 3,486 | 15,486 |
| B Nyakane - Vehicle | - | 2,055 |
| | <u>1,669,165</u> | <u>3,070,474</u> |
| 3. VAT receivable | | |
| VAT | <u>2,624,022</u> | <u>6,292,936</u> |

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of Value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

FEZILE DABI DISTRICT MUNICIPALITY
Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

| | 2011 R | 2010 R |
|---------------------------------------|--------------------|--------------------|
| 4. Cash and cash equivalents | | |
| Cash and cash equivalents consist of: | | |
| Bank balances | 90,236,741 | 41,303,241 |
| Short-term deposits | 115,961,629 | 109,287,905 |
| | <u>206,198,370</u> | <u>150,591,146</u> |

Short-term deposits amounting to R4 019 492 (2010: R4 019 492) are attributable to the Capital Replacement Reserve.

Short term deposits are for periods which are less than 3 months.

The municipality had the following bank accounts

Cheque Account

ABSA BANK - Sasolburg

Account number: 520000100

| | | |
|---|-------------------|----------------|
| Cash book balance at the beginning of the year | 718,441 | 1,108,781 |
| Cash book balance at the end of the year | 21,674,920 | 718,441 |
| Bank statement balance at the beginning of the year | 961,942 | 1,160,210 |
| Bank statement balance at the end of the year | <u>24,718,509</u> | <u>961,942</u> |

Savings Account

ABSA Bank - Sasolburg

Account Number: 9070399717

| | | |
|---|-------------------|-------------------|
| Cash book balance at the beginning of the year | 40,203,780 | 20,834,375 |
| Cash book balance at the end of the year | 67,484,814 | 40,203,780 |
| Bank statement balance at the beginning of the year | 40,203,780 | 20,834,375 |
| Bank statement balance at the end of the year | <u>67,484,814</u> | <u>40,203,780</u> |

HIV/Aids Project Bank Account

ABSA Bank - Sasolburg

Account number: 9209269956

| | | |
|---|------------------|----------------|
| Cash book balance at the beginning of the year | 381,020 | - |
| Cash book balance at the end of the year | 1,189,219 | 381,020 |
| Bank statement balance at the beginning of the year | 381,020 | 426,349 |
| Bank statement balance at the end of the year | <u>1,189,219</u> | <u>381,020</u> |

FEZILE DABI DISTRICT MUNICIPALITY
Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

2011
R

2010
R

5. Property, plant and equipment

| | 2011 | | | 2010 | | |
|------------------------|-------------------|---|-------------------|-------------------|---|-------------------|
| | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value |
| Land | 2,025,000 | - | 2,025,000 | 2,025,000 | - | 2,025,000 |
| Buildings | 14,677,111 | (2,564,724) | 12,112,387 | 14,573,865 | (1,970,376) | 12,603,489 |
| Plant and machinery | 204,945 | (25,535) | 179,410 | 204,946 | (14,775) | 190,171 |
| Furniture and fixtures | 3,799,178 | (2,829,956) | 969,222 | 3,801,502 | (2,597,711) | 1,203,791 |
| Motor vehicles | 5,941,459 | (1,677,608) | 4,263,851 | 4,685,442 | (1,531,746) | 3,153,696 |
| Office equipment | 1,515,461 | (1,161,599) | 353,862 | 1,504,882 | (1,148,966) | 355,916 |
| Computer equipment | 5,054,260 | (4,178,568) | 875,692 | 5,176,085 | (4,138,697) | 1,037,388 |
| Other Assets | 2,386,097 | (673,091) | 1,713,006 | 2,649,691 | (400,917) | 2,248,774 |
| Total | 35,603,511 | (13,111,081) | 22,492,430 | 34,621,413 | (11,803,188) | 22,818,225 |

Reconciliation of property, plant and equipment - 2011

| | Opening balance | Additions | Disposals | Revaluation Surplus over-realised | Depreciation | Total |
|------------------------|-------------------|------------------|------------------|-----------------------------------|--------------------|-------------------|
| Land | 2,025,000 | - | - | - | - | 2,025,000 |
| Buildings | 12,603,489 | 103,246 | - | 163,616 | (757,964) | 12,112,387 |
| Plant and machinery | 190,171 | - | - | - | (10,761) | 179,410 |
| Furniture and fixtures | 1,203,791 | 162,947 | (7,496) | - | (390,020) | 969,222 |
| Motor vehicles | 3,153,696 | 2,112,213 | - | - | (1,002,058) | 4,263,851 |
| Office equipment | 355,916 | 155,429 | (117) | - | (157,366) | 353,862 |
| Computer Equipment | 1,037,388 | 463,487 | (8,113) | - | (617,070) | 875,692 |
| Other Assets | 2,248,774 | 448,389 | (686,867) | - | (297,290) | 1,713,006 |
| | 22,818,225 | 3,445,711 | (702,593) | 163,616 | (3,232,529) | 22,492,430 |

Reconciliation of property, plant and equipment - 2010

| | Opening balance | Additions | Depreciation | Total |
|------------------------|-------------------|------------------|--------------------|-------------------|
| Land | 2,025,000 | - | - | 2,025,000 |
| Buildings | 13,334,842 | 254,251 | (985,604) | 12,603,489 |
| Plant and machinery | 200,931 | - | (10,760) | 190,171 |
| Furniture and fixtures | 1,393,673 | 220,782 | (410,664) | 1,203,791 |
| Motor vehicles | 1,866,901 | 1,836,012 | (549,217) | 3,153,696 |
| Office equipment | 353,845 | 138,953 | (136,882) | 355,916 |
| Computer Equipment | 1,629,917 | 167,654 | (760,183) | 1,037,388 |
| Other Assets | 1,499,224 | 949,676 | (200,126) | 2,248,774 |
| | 22,304,333 | 3,567,328 | (3,053,436) | 22,818,225 |

Revaluations

The effective date of the revaluations was 26 June 2008. Revaluations were performed by independent valuer. Valuations were made on the basis of recent market transactions on arm length terms. The revaluation surplus was credited to revaluation reserve.

Notes to the Annual Financial Statements

2011
R

2010
R

5. Property, plant and equipment (continued)

Land and buildings are re-valued independently every 5 years.

The carrying value of the revalued assets under the cost model would have been:

| | | |
|-----------|-----------|-----------|
| Land | 178,810 | 178,810 |
| Buildings | 4,984,097 | 5,232,752 |

Other information

**Property, plant and equipment fully depreciated and still in use
(Gross carrying amount)**

| | | |
|------------------------|------------------|------------------|
| Computer Equipment | 3,013,801 | 1,994,741 |
| Furniture and Fittings | 2,001,014 | 865,362 |
| Land and Buildings | - | - |
| Motor Vehicles | 4,500 | 488,014 |
| Office Equipment | 684,338 | 789,684 |
| Other Assets | 189,186 | - |
| | 5,892,839 | 4,137,801 |

As at year-end, Work-in-progress (WIP) contained the following amounts for assets as at year-end not yet delivered/received by the Municipality.

The following are the assets that makes up the WIP;

| | |
|--------------------------|----------------|
| - Computer Equipment | 13 514 |
| - Furniture and Fittings | 90 708 |
| TOTAL | 104 222 |

Key Assumptions used to determine the recoverable service amount of assets during the period:

The municipality conducted a stock-take/asset count, and in this process the assets' conditions were assessed, and it was determined that no assets were identified to be impaired.

No further information is therefore disclosed, as there were no assets impaired during the period under review.

6. Revaluation reserve

| | | |
|---|------------------|------------------|
| Opening balance | 8,364,448 | 8,792,718 |
| Reserve realised | (346,461) | (428,270) |
| Reversal of Revaluation surplus over-realised | 163,615 | - |
| | 8,181,602 | 8,364,448 |

Revaluation surplus relating to property, plant and equipment

| | | |
|---|------------------|------------------|
| Revaluation surplus beginning of period | 8,364,448 | 8,792,718 |
| Movements in the reserve for the year | (346,461) | (428,270) |
| Reversal of Revaluation surplus over-realised | 163,615 | - |
| | 8,181,602 | 8,364,448 |

FEZILE DABI DISTRICT MUNICIPALITY
Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

| | 2011 R | 2010 R |
|--|--------------------------|--------------------------|
| 7. Long term Liabilities | | |
| Loans from DBSA | | |
| External loans | 30,447,653 | 34,691,132 |
| Less: Current portion transferred to current liabilities | <u>(4,729,858)</u> | <u>(4,241,177)</u> |
| | <u>25,717,795</u> | <u>30,449,955</u> |
| 8. Trade and other payables | | |
| Trade payables | 6,813,834 | 7,665,713 |
| Retention Creditors | 9,680,215 | 3,226,358 |
| Other creditors | 21,961 | - |
| Staff Leave Accrual | 2,664,214 | 2,149,766 |
| Service Bonus Accrual | 1,009,378 | 888,798 |
| | <u>20,189,602</u> | <u>13,930,635</u> |

Notes to the Annual Financial Statements

| | 2011 R | 2010 R |
|--|--------------------|-----------|
| 9. Provisions | | |
| Reconciliation of provisions - 2011 | | |
| | Opening Balance | Additions |
| Long Service Awards | 3,597,000 | 1,110,000 |
| | | Total |
| | | 4,707,000 |

Reconciliation of provisions - 2010

| | | | |
|---------------------|--------------------|-----------|-----------|
| | Opening Balance | Additions | Total |
| Long Service Awards | 2,945,000 | 652,000 | 3,597,000 |

The provision relates to the Long Service Award obligation for the municipal employees. The actuarial valuation was performed in line with the requirements of IAS 19.

Amounts recognised in the statement of Financial Performance are as follows:

| | | |
|-----------------------------------|--------------------|------------------|
| Service cost | (647,000) | (514,000) |
| Interest cost | (337,000) | (279,000) |
| Expected benefits paid | 667,000 | 653,000 |
| Actuarial gains/(losses) | (793,000) | (512,000) |
| Net Expenditure recognised | (1,110,000) | (652,000) |

Amounts recognised in the statement of Financial Position are as follows:

| | | |
|---|--------------------|--------------------|
| Defined benefit obligation | (4,707,000) | (3,597,000) |
| Plan Assets | - | - |
| Funded status | (4,707,000) | (3,597,000) |
| Unrecognised actuarial (gains) / losses | - | - |
| Net obligation recognised in the Statement of Financial Position | (4,707,000) | (3,597,000) |

Key assumptions used:

Assumptions used at the reporting date:

| | | |
|---------------------|--------|--------|
| Discount rates used | 8.40 % | 9.40 % |
| Salary inflation | 7.70 % | 7.25 % |
| Net discount rate | 0.65 % | 2.00 % |

The basis on which the discount rate has been determined is as follow:

The discount rate used in the valuation is our best estimate assumption of a CPI inflation rate, consistent with the gross discount rate, is determined with reference to the difference between the yields on government conventional and index-linked bonds as at valuation date, adjusted by a liquidity risk premium of 0.35%. A 2% margin is added to these estimates to arrive at the best estimate assumption for a salary inflation.

FEZILE DABI DISTRICT MUNICIPALITY
Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

| | 2011 R | 2010 R |
|--|---------------------------|---------------------------|
| 10. Government grants and subsidies | | |
| Equitable share | 122,988,417 | 116,084,001 |
| Financial management grant | 1,000,000 | 750,000 |
| MSIG | 750,000 | 735,000 |
| Government grant (operating) | - | 25,247,788 |
| | <u>124,738,417</u> | <u>142,816,789</u> |

Equitable Share

| | | |
|---|----------------------|----------------------|
| Current-year receipts | 122,988,417 | 116,084,001 |
| Conditions met - transferred to revenue | <u>(122,988,417)</u> | <u>(116,084,001)</u> |
| | <u>-</u> | <u>-</u> |

The Equitable Share is an unconditional grant and is utilised to assist the municipalities to undertake service delivery.

Financial Management Grant

| | | |
|---|--------------------|------------------|
| Current-year receipts | 1,000,000 | 750,000 |
| Conditions met - transferred to revenue | <u>(1,000,000)</u> | <u>(750,000)</u> |
| | <u>-</u> | <u>-</u> |

The purpose of the financial management grant is to assist municipalities to implement financial reforms required by MFMA

MSIG

| | | |
|---|------------------|------------------|
| Current-year receipts | 750,000 | 735,000 |
| Conditions met - transferred to revenue | <u>(750,000)</u> | <u>(735,000)</u> |
| | <u>-</u> | <u>-</u> |

The fund is used to assist the district in building capacity to perform its functions and stabilise institutional and governance systems as required by the Municipal Systems Act of 2000.

Changes in level of government grants

Based on the allocations set out in the Division of Revenue Act, (Act No.6 of 2011), no significant changes in the level of government grant funding are expected over the forthcoming 2 financial years.

FEZILE DABI DISTRICT MUNICIPALITY
Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

| | 2011 R | 2010 R |
|--|------------------|------------------|
| 11. Other Income | | |
| Telephone deductions - Officials and Councillors | 239,143 | 205,361 |
| Jazz festival income | 1,187,109 | 376,720 |
| Vuna Awards Prize Money | - | 750,000 |
| Other | 368,788 | 236,318 |
| | <u>1,795,040</u> | <u>1,568,399</u> |
| 12. Interest received | | |
| Interest revenue | | |
| Unlisted financial assets | 6,673,723 | 7,168,376 |
| Bank | 2,645,323 | 1,972,297 |
| | <u>9,319,046</u> | <u>9,140,673</u> |

FEZILE DABI DISTRICT MUNICIPALITY
Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

| | 2011 R | 2010 R |
|--|--------------------------|--------------------------|
| 13. Employee related costs | | |
| Employee related costs - Salaries and Wages | 26,422,444 | 22,047,356 |
| Performance Bonus | 515,223 | 475,795 |
| Employee related cost - Contributions of UIF, pension and medical aids | 6,429,013 | 4,992,931 |
| Leave pay provision charge | 970,200 | 1,468,636 |
| Overtime payments | 536,908 | 102,763 |
| Long-service awards | 1,110,000 | - |
| Annual Bonus | 2,294,200 | 1,557,199 |
| Travel, motor car and allowances | 6,066,401 | 5,096,449 |
| Housing benefits and allowances | 927,409 | 628,105 |
| Termination benefits | 2,160,000 | - |
| | <u>47,431,798</u> | <u>36,369,234</u> |
| Remuneration of Municipal Manager | | |
| Annual Remuneration | 649,297 | 64,877 |
| Car Allowance | 201,667 | 16,500 |
| Performance Bonuses | - | 140,925 |
| Housing Subsidy | 99,000 | - |
| Contributions to UIF, Medical and Pension Funds | 128,470 | 5,216 |
| | <u>1,078,434</u> | <u>227,518</u> |
| Remuneration of Chief Finance Officer | | |
| Annual Remuneration | 755,779 | 692,683 |
| Car Allowance | 251,926 | 230,894 |
| Performance Bonuses | 136,279 | 128,666 |
| Acting Allowance: Municipal Manager | 8,637 | 81,607 |
| Contributions to UIF, Medical and Pension Funds | 12,395 | 1,497 |
| | <u>1,165,016</u> | <u>1,135,347</u> |
| Remuneration of Director: LED | | |
| Annual Remuneration | 554,389 | 487,448 |
| Car Allowance | 204,110 | 220,932 |
| Performance Bonuses | 103,399 | 46,975 |
| Contributions to UIF, Medical and Pension Funds | 146,278 | 121,080 |
| | <u>1,008,176</u> | <u>876,435</u> |
| Remuneration of Director: PMU | | |
| Annual Remuneration | 657,932 | 578,558 |
| Car Allowance | 201,322 | 187,768 |
| Performance Bonuses | 112,740 | - |
| Contributions to UIF, Medical and Pension Funds | 10,922 | 1,497 |
| | <u>982,916</u> | <u>767,823</u> |

FEZILE DABI DISTRICT MUNICIPALITY
Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

| | 2011 R | 2010 R |
|---|------------------|------------------|
| 13. Employee related costs (continued) | | |
| Remuneration of Director: Corporate Services | | |
| Annual Remuneration | 521,108 | 543,128 |
| Car Allowance | 220,467 | 204,162 |
| Performance Bonuses | 81,141 | 103,102 |
| Contributions to UIF, Medical and Pension Funds | 132,546 | 112,142 |
| | <u>955,262</u> | <u>962,534</u> |
| Remuneration of Director: Health and Safety | | |
| Annual Remuneration | 550,953 | 497,953 |
| Car Allowance | 223,574 | 204,162 |
| Performance Bonuses | 81,665 | 103,102 |
| Contributions to UIF, Medical and Pension Funds | 127,989 | 112,142 |
| | <u>984,181</u> | <u>917,359</u> |
| 14. Remuneration of councillors | | |
| Executive Mayor | 609,560 | 588,151 |
| Mayoral Committee Members | 2,367,132 | 2,227,729 |
| Speaker | 449,903 | 442,692 |
| Councillors | 1,558,264 | 1,547,576 |
| | <u>4,984,859</u> | <u>4,806,148</u> |
| In-kind benefits | | |
| The Executive Mayor, Speaker and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council. The Executive Mayor has use of a Council owned vehicle for official duties. | | |
| 15. Administrative expenditure | | |
| Administration and management fees | <u>1,158,012</u> | <u>825,178</u> |
| 16. Depreciation and amortisation | | |
| Property, plant and equipment | 3,232,530 | 3,053,436 |
| Intangible assets | 210,992 | - |
| | <u>3,443,522</u> | <u>3,053,436</u> |

FEZILE DABI DISTRICT MUNICIPALITY
Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

| | 2011 R | 2010 R |
|---|-------------------|-------------------|
| 17. Bad debt written off | | |
| Bad debt | | |
| Trade and other receivables | - | 335,020 |
| <p>During the 2008/2009 financial year the District Municipality entered into an agreement with the DPLG to host the HIV/AIDS jazz festival. In terms of this agreement DPLG committed to fund the procurement of Sound and Stage that was used in this event due to the fact that they wanted the International Artist to perform at this event. The procurement was paid for by Fezile Dabi District Municipality and the said payment was to be recovered from DPLG. Council has resolved not to pursue this matter further.</p> | | |
| 18. Finance costs | | |
| Interest on long term liabilities | <u>3,972,338</u> | <u>4,415,963</u> |
| 19. Contracted services | | |
| Various Contractors | <u>13,027,768</u> | <u>10,228,149</u> |
| <p>These payments are contracts which have been entered into during the current and prior financial year.</p> | | |
| Jazz Festival | 4,302,356 | 2,494,823 |
| IDP Implementation Monitoring | 1,104,272 | 1,550,601 |
| Municipal systems improvement programme | 750,000 | 722,734 |
| Cleaning Services | 865,892 | 758,572 |
| Performance Management systems | 442,028 | 150,000 |
| Emergency Funding | 653,197 | 863,576 |
| Renovations - Mafube Fire Station | 1,500,575 | - |
| Security Services - Building | 576,143 | 944,842 |
| Sport Development Programs | 1,012,378 | 998,926 |
| Vredefort Dome | 503,618 | - |
| Other | 1,317,309 | 1,744,075 |
| | <u>13,027,768</u> | <u>10,228,149</u> |
| 20. Grants and subsidies paid | | |
| Other subsidies | | |
| Mafube Local Municipality | - | 21,286 |
| Metsimaholo Municipality | 90,902 | - |
| Ngwathe Local Municipality | 3,308,968 | 2,188,443 |
| Moqhaka Local Municipality | - | 2,667,000 |
| District Rural Areas | 5,643,701 | 29,211,121 |
| | <u>9,043,571</u> | <u>34,087,850</u> |

The Municipality identifies projects which are funded through grants and subsidies in the various local municipalities within the District. Projects are identified through the Integrated Development Plan. The operation and control of items of property, plant and equipment funded through these grants and subsidies vests in the local municipalities.

FEZILE DABI DISTRICT MUNICIPALITY
Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

| | 2011 R | 2010 R |
|---|--------------------------|--------------------------|
| 21. General expenses | | |
| Accounting fees | 136,714 | 371,404 |
| Advertising | 287,648 | 379,623 |
| Auditors remuneration | 1,585,529 | 1,358,645 |
| Bank charges | 46,048 | 59,878 |
| Cleaning | 39,412 | 47,234 |
| Consulting and professional fees | 1,104,573 | 1,124,329 |
| Consumables | 335,703 | 145,645 |
| Donations | 562,103 | 2,537,453 |
| Entertainment | 1,329,452 | 1,236,421 |
| Rental Equipment | 3,151,237 | 2,926,903 |
| Insurance | 185,660 | 111,569 |
| Community development and training | 3,214,996 | 729,321 |
| IT expenses | 606,328 | 923,131 |
| Fleet | 68,736 | 53,911 |
| Marketing | 1,162,656 | 1,085,980 |
| Magazines, books and periodicals | 36,830 | 32,224 |
| Medical expenses | 1,575 | 2,611 |
| Assistance to Local Municipalities | 6,409,169 | 6,430,249 |
| Fuel and oil | 642,359 | 454,396 |
| Postage and courier | 13,430 | 7,605 |
| Printing and stationery | 454,176 | 263,043 |
| Promotions | 4,872,484 | 5,361,050 |
| Protective clothing | 96,908 | 3,707 |
| Project maintenance costs | - | 86,247 |
| Research and development costs | - | 378,449 |
| Royalties and license fees | 8,895 | 5,181 |
| Security (Guarding of municipal property) | 70,342 | 157,827 |
| Staff welfare | 762,111 | 823,840 |
| Subscriptions and membership fees | 475,128 | 312,373 |
| Telephone and fax | 609,691 | 532,893 |
| Training | 1,325,367 | 1,259,399 |
| Travel - local | 2,671,936 | 2,613,057 |
| Assets expensed | - | 229,709 |
| Tourism development | 673,839 | 2,562,705 |
| Strategic sessions | 892,475 | - |
| Bursaries: External Students | 1,451,085 | 808,895 |
| Rental property | 191,986 | 170,312 |
| Other expenses | 7,751,721 | 5,439,736 |
| | <u>43,228,302</u> | <u>41,026,955</u> |

Notes to the Annual Financial Statements

| | 2011 R | 2010 R |
|--|-------------------|-------------------|
| 22. Cash generated from operations | | |
| Surplus | 8,830,000 | 18,194,407 |
| Adjustments for: | | |
| Depreciation and amortisation | 3,443,522 | 3,053,436 |
| Loss on sale of assets | 348,351 | - |
| Impairment deficit | - | 335,020 |
| Movements in retirement benefit assets and liabilities | 2,160,000 | - |
| Movements in provisions | 1,110,000 | - |
| Prior year corrections: | (15,000) | - |
| Other | 438,476 | 532,204 |
| Changes in working capital: | | |
| Trade and other receivables | 1,401,309 | 10,790,359 |
| Trade and other payables | 6,258,967 | (8,189,927) |
| VAT | 3,668,914 | (5,113,094) |
| Unspent conditional grants and receipts | 35,504,007 | 15,195,515 |
| | <u>63,148,546</u> | <u>34,797,920</u> |

23. Retirement Benefit Information

Councillors and employees belong to two defined benefit retirement funds which are the Free State Municipal Pension Fund and the Councillors Pension Fund governed by the Pension Fund Act of 1956. These Funds are subject to triennial actuarial valuation. The last valuation of the Free State Municipal Pension Fund was performed June 2005. The Free State Municipal Pension Fund, net assets that are available for benefits at 30 June 2005 was R 1 530 775 000.

The actuarial valuation determined that the fund was in a sound financial position. The estimated liability of the funds is R1 308 118 000 which is adequately financed.

No new information was available at balance sheet date.

24. Going concern

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

25. Unauthorised expenditure

| | | |
|--------------------------------------|----------|-----------|
| Balance at the beginning of the year | - | 281,340 |
| Approved/condoned by council | - | (281,340) |
| | <u>-</u> | <u>-</u> |

There were no unauthorised expenditure for the current year.

26. Fruitless and wasteful expenditure

| | | |
|------------------------------|----------|----------|
| Opening balance | - | 91,013 |
| Approved/condoned by council | - | (91,013) |
| | <u>-</u> | <u>-</u> |

There were no fruitless and wasteful expenditure for the current year.

FEZILE DABI DISTRICT MUNICIPALITY
Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

| | 2011 R | 2010 R |
|---|--|---------------|
| 27. Irregular expenditure | | |
| Opening balance | 85,428 | 3,241,181 |
| Add: Irregular Expenditure - current year | 351,672 | 970,445 |
| Less: Amounts condoned by council | (390,800) | (4,126,198) |
| Less: Amounts recoverable (not condoned) | - | (10,922) |
| Add: Amounts recovered | - | 10,922 |
| | <u>46,300</u> | <u>85,428</u> |
| Analysis of expenditure awaiting condonation per age classification | | |
| Current year | 46,300 | 85,428 |
| Prior years | - | - |
| | <u>46,300</u> | <u>85,428</u> |
| Details of irregular expenditure – current year | | |
| | Disciplinary steps taken/criminal proceedings | |
| Supply Chain Policy procedures not followed. | None | 331,672 |
| Details of irregular expenditure condoned | | |
| | Condoned by (condoning authority) | |
| Supply Chain Policy procedures not followed. | Municipality Council | 305,372 |
| Irregular expenditure of R305 372 (2010: R885 017) were condoned by council. Irregular expenditure of R46 300 will be submitted to council for consideration. | | |
| 28. In-kind donations and assistance | | |
| No in-kind donations or assistance were received during the year. | | |
| 29. Additional disclosure in terms of Municipal Finance Management Act | | |
| Contributions to organised local government | | |
| Current year subscription | 453,925 | 305,905 |
| Amount paid - current year | (453,925) | (305,905) |
| | <u>-</u> | <u>-</u> |
| Audit fees | | |
| Current year fee | 1,584,448 | 1,358,645 |
| Amount paid - current year | (1,584,448) | (1,358,645) |
| | <u>-</u> | <u>-</u> |

Notes to the Annual Financial Statements

| | 2011 R | 2010 R |
|---|-------------|-------------|
| 29. Additional disclosure in terms of Municipal Finance Management Act (continued) | | |
| PAYE and UIF | | |
| Opening balance | - | 494,289 |
| Current year payroll deduction | 9,053,922 | 6,988,215 |
| Amount paid - current year | (9,053,922) | (7,482,504) |
| | <u>-</u> | <u>-</u> |
| Pension and Medical Aid Deductions | | |
| Current year payroll deduction | 8,100,703 | 7,511,233 |
| Amount paid - current year | (8,100,703) | (7,511,233) |
| | <u>-</u> | <u>-</u> |
| VAT | | |
| VAT receivable | 2,624,022 | 6,292,936 |

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

30. Actual operating expenditure versus budgeted operating expenditure

Refer to Appendix E(1) for the comparison of actual operating expenditure versus budgeted expenditure.

31. Actual capital expenditure versus budgeted capital expenditure

Refer to Appendix E(2) for the comparison of actual capital expenditure versus budgeted expenditure.

32. Related parties

No related party transactions occurred during this financial year.

33. Risk Management

Financial risk management

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

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

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.

The financial liabilities of the District Municipality are backed by appropriate assets and it has adequate liquid resources. The District Municipality monitors the cash projections by ensuring that borrowing facilities are available to meet its cash requirements.

No significant financial risk pertaining to the creditors exists except for mainly operational risks that are not covered in here.

Notes to the Annual Financial Statements

| 2011 | 2010 |
|------|------|
| R | R |

33. Risk Management (continued)

Interest rate risk

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

The risk is managed on an on-going basis.

Credit risk

Credit risk is the risk that a counter party to a financial asset will fail to discharge an obligation and cause the District Municipality to incur financial loss.

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.

Foreign exchange risk

The District Municipality does not engage in foreign currency transactions.

34. Events after the reporting date

No events took place after the reporting date which has an impact on the Annual Financial Statements.

35. 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 council and includes a note to the annual financial statements.

Deviations from supply chain management regulations did occur. These deviations were submitted and approved by council. A detailed deviation register is available at the municipality for inspection.

FEZILE DABI DISTRICT MUNICIPALITY
Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

2011
R

2010
R

36. Financial assets by category

In accordance with IAS 39.09 the financial assets of the municipality are classified as follows:

2011

| | Loans and receivables | Held to maturity investments | Total |
|-----------------------------|--------------------------|------------------------------------|--------------------|
| Trade and other receivables | 1,669,165 | - | 1,669,165 |
| VAT Receivable | 2,624,022 | - | 2,624,022 |
| Cash and Cash Equivalents | - | 90,236,741 | 90,236,741 |
| Short-term Deposits | - | 115,961,629 | 115,961,629 |
| | 4,293,187 | 206,198,370 | 210,491,557 |

2010

| | Loans and receivables | Held to maturity investments | Total |
|-----------------------------|--------------------------|------------------------------------|--------------------|
| Trade and other receivables | 3,070,474 | - | 3,070,474 |
| VAT Receivable | 6,292,936 | - | 6,292,936 |
| Cash and Cash Equivalents | - | 41,303,241 | 41,303,241 |
| Short-term Deposits | - | 109,287,905 | 109,287,905 |
| | 9,363,410 | 150,591,146 | 159,954,556 |

FEZILE DABI DISTRICT MUNICIPALITY
Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

| | 2011 R | 2010 R |
|---|---|---------------------------|
| 37. Financial liabilities by category | | |
| In accordance with IAS 39.09 the financial liabilities of the municipality are classified as follows: | | |
| 2011 | | |
| | Financial liabilities at amortised cost | Total |
| Annuity Loans | 25,717,818 | 25,717,818 |
| Retirement benefit obligation | 5,643,000 | 5,643,000 |
| Trade and other payables | 20,189,602 | 20,189,602 |
| Operating lease liability | 768,338 | 768,338 |
| Current portion of Long-term Liabilities | 4,729,858 | 4,729,858 |
| Provisions | 4,707,000 | 4,707,000 |
| Unspent conditional grants and receipts | 56,661,118 | 56,661,118 |
| | <u>118,416,734</u> | <u>118,416,734</u> |
| 2010 | | |
| | Financial liabilities at amortised cost | Total |
| Annuity Loans | 30,449,958 | 30,449,958 |
| Retirement benefit obligation | 3,483,000 | 3,483,000 |
| Trade and other payables | 13,930,636 | 13,930,636 |
| Operating lease liability | 974,732 | 974,732 |
| Current portion of Long-term Liabilities | 4,241,177 | 4,241,177 |
| Provisions | 3,597,000 | 3,597,000 |
| Unspent conditional grants and receipts | 21,157,111 | 21,157,111 |
| | <u>77,833,614</u> | <u>77,833,614</u> |

Notes to the Annual Financial Statements

2011
R

2010
R

38. Changes in accounting policy

The annual financial statements have been prepared in accordance with South African Statements 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 1 | Presentation of Financial Statements |
| GRAP 2 | Cash Flow Statements |
| GRAP 3 | Accounting Policies, Changes in Accounting Estimates and Errors |
| GRAP 4 | Accounting policies, changes in accounting estimates and errors |
| GRAP 5 | Borrowing Cost |
| GRAP 6 | Consolidated and Separate Financial Statements |
| GRAP 7 | Investments in Associates |
| GRAP 8 | Interests in joint ventures |
| GRAP 9 | Revenue from Exchange Transactions |
| GRAP 10 | Financial reporting in hyperinflationary economies |
| GRAP 11 | Construction Contracts |
| GRAP 12 | Inventories |
| GRAP 13 | Leases |
| GRAP 14 | Events After the Reporting Date |
| GRAP 16 | Investment Property |
| GRAP 17 | Property, Plant and Equipment |
| GRAP 19 | Provisions, Contingent Liabilities and Contingent Assets |
| GRAP 21 | Impairment non-cash generating assets |
| GRAP 24 | Presentation of Budget Information in Financial Statements |
| GRAP 100 | Non-current Assets Held for Sale and Discontinued Operations |
| GRAP 102 | Intangible Assets |
| IFRS 3 | Business combinations |
| IFRS 4 | Insurance contracts |
| IFRS 6 | Exploration for and evaluation of mineral resources |
| IFRS 7 | Financial instruments: Disclosures |
| IAS 12 | Income taxes |
| IAS 19 | Employee Benefits |
| IAS 32 | Financial Instruments: Presentation |
| IAS 39 | Financial Instruments: Recognition and measurement |
| IAS 36 | Impairment of assets |
| IPSAS 20 | Related Parties |
| GAMAP 9.29 - .35 & .39 - .54 | Revenue |
| IGRAP 1 | Applying the probability test on initial recognition of exchange revenue |
| IFRIC 2 | Members' Shares in Co-operative Entities and Similar Instruments |
| IFRIC 4 | Determining whether an Arrangement contains a Lease |
| IFRIC 9 | Reassessment of Embedded Derivatives |
| IFRIC 12 | Service Concession Arrangements |
| IFRIC 13 | Customer Loyalty Programmes |
| IFRIC 14 | IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction |
| SIC 21 | Income Taxes – Recovery of Re-valued Non-Depreciable Assets |
| SIC 25 | Income Taxes – Changes in the Tax Status of an Enterprise or its Shareholders |
| SIC 27 | Disclosure – Service Concession Arrangements |

Notes to the Annual Financial Statements

| | 2011 R | 2010 R |
|--|-----------|--|
| 38. Changes in accounting policy (continued) | | |
| • Directive 1 | | Repeal of Existing Transitional Provisions in, and Consequential Amendments to, Standards of GRAP |
| Directive 2 | | Transitional Provisions for the Adoption of Standards of GRAP by Public Entities, Municipal Entities and Constitutional Institutions |
| Directive 3 | | Transitional Provisions for the Adoption of Standards of GRAP by High Capacity Municipalities |
| Directive 4 | | Transitional Provisions for the Adoption of Standards of GRAP by Medium and Low Capacity Municipalities |
| Directive 5 | | Determining the GRAP Reporting Framework |
| ASB guide 1 | | Guideline on Accounting for Public Private Partnerships |
| | | Other 10 |
| CHANGE IN ACCOUNTING POLICY IN TERMS OF GRAP 3 | | |
| The following adjustments were made to amounts previously reported in the annual financial statements of the Municipality accounted for under the Institute of Municipal Finance Officers (IMFO) Accountants arising from the Implementation of the General Recognised Accounting Practice (GRAP): | | |
| The aggregate effect of the changes in accounting policy on the annual financial statements for the year ended 30 June 2010 is as follows: | | |
| Statement of financial position | | |
| Intangible Assets (GRAP 102) | | |
| Previously stated | - | - |
| Cost recognised | - | 1,135,560 |
| Accumulated Amortisation recognised | - | (709,843) |
| | <u>-</u> | <u>425,717</u> |
| Operating lease liability (GRAP 13) | | |
| Previously stated | - | - |
| Adjustment | - | (974,732) |
| | <u>-</u> | <u>(974,732)</u> |
| Retirement benefit obligation (IAS 19) | | |
| Previously stated | - | - |
| Adjustment | - | (3,483,000) |
| | <u>-</u> | <u>(3,483,000)</u> |
| Provisions: Long Service Award (GRAP 19) | | |
| Previously stated | - | - |
| Adjustment | - | (3,597,000) |
| | <u>-</u> | <u>(3,597,000)</u> |
| Accumulated surplus | | |
| Opening Balance 2010: Previously stated | - | (81,238,337) |
| Effects of Changes in Accounting Policy | - | 7,629,015 |
| | <u>-</u> | <u>(73,609,322)</u> |

Notes to the Annual Financial Statements

2011 R 2010 R

39. Intangible assets

| | 2011 | | | 2010 | | |
|-----------------------|------------------|---|----------------|------------------|---|----------------|
| | Cost / Valuation | Accumulated amortisation and accumulated impairment | Carrying value | Cost / Valuation | Accumulated amortisation and accumulated impairment | Carrying value |
| Caseware | 173,950 | (67,647) | 106,303 | 173,950 | (9,664) | 164,286 |
| Microsoft Office 2007 | 163,027 | (163,027) | - | 163,027 | (163,027) | - |
| E-Venus | 468,460 | (468,460) | - | 468,460 | (391,984) | 76,476 |
| Server Software | 241,071 | (132,649) | 108,422 | 241,071 | (56,115) | 184,956 |
| Payday System | 89,052 | (89,052) | - | 89,052 | (89,052) | - |
| Total | 1,135,560 | (920,835) | 214,725 | 1,135,560 | (709,842) | 425,718 |

Reconciliation of intangible assets - 2011

| | Opening balance | Amortisation | Total |
|-----------------|-----------------|------------------|----------------|
| Caseware | 164,286 | (57,983) | 106,303 |
| E-Venus | 76,476 | (76,476) | - |
| Server Software | 184,956 | (76,534) | 108,422 |
| | 425,718 | (210,993) | 214,725 |

Reconciliation of intangible assets - 2010

| | Opening balance | Amortisation | Total |
|-----------------|-----------------|------------------|----------------|
| Caseware | 173,950 | (9,664) | 164,286 |
| E-Venus | 170,168 | (93,692) | 76,476 |
| Server Software | 229,600 | (44,644) | 184,956 |
| | 573,718 | (148,000) | 425,718 |

Other information

Fully amortised intangible assets still in use: 720,539 252,079

Fully amortised intangible assets still in use consist of:

- Microsoft Office 2007
- ISA Server 2006
- MS Exchange 2003 Server
- Payday Payroll System
- E-Venus

There were no intangible assets that were assessed as having an indefinite useful life.

There are no intangible assets whose title is restricted.

There are no contractual commitments for the acquisition of intangible assets.

Notes to the Annual Financial Statements

| | 2011 | 2010 |
|--|------|------|
| | R | R |

40. Employee benefit obligations

Defined benefit plan

The defined benefit plan, to which employees belong, consists of the Free State Municipal Pension Fund and the Councillors Pension Fund governed by the Pension Fund Act of 1956.

The actuarial valuation determined that the retirement plan was in a sound financial position.

Post retirement medical aid plan

The Post Retirement Benefit Plan is a defined benefit plan, of which the members are made up as follows:

| | | |
|---|-----------|-----------|
| In-service (employee) members | 87 | 75 |
| Continuation members (e.g: Retirees, widows, orphans) | 3 | 2 |
| Total Members | 90 | 77 |

The municipality make monthly contributions for health care arrangements to the following medical aid schemes:

- LA Health Medical Scheme
- Bonitas Medical Scheme
- Hosmed Medical Scheme
- Samwumed Medical Scheme
- KeyHealth Medical Scheme

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

| | | |
|---|---------------------------|---------------------------|
| Carrying value | | |
| Present value of the defined benefit obligation-wholly unfunded | (3,483,000) | (2,834,000) |
| Service Cost | (321,000) | (347,000) |
| Interest Cost | (339,000) | (282,000) |
| Actuarial gains or (losses) | (1,572,000) | (55,000) |
| Actual benefits paid | 72,000 | 35,000 |
| Net liability | <u>(5,643,000)</u> | <u>(3,483,000)</u> |

Key assumptions used

Assumptions used at the reporting date:

| | | |
|---------------------------|--------|--------|
| Discount rates used | 9.25 % | 9.40 % |
| Healthcare cost inflation | 7.70 % | 7.75 % |
| Net discount rate | 1.44 % | 1.53 % |

The basis on which the discount rate has been determined is as follow:

The discount rate used in the valuation is determined by reference to market yields on high quality corporate bonds as at the balance sheet date. In countries where there is no deep market in corporate bonds, government bonds are used. It is currently market practice to use government bond yields, as the South African corporate bond market is not considered to be sufficiently developed. The currency and term of the government bonds shall be consistent with the currency and estimated term of the post-employment benefit obligations.

The estimated discount rate was set equal to the yield on a zero-coupon government bond with a term of approximately 20 years.

Notes to the Annual Financial Statements

| | 2011 R | 2010 R |
|--|-------------------|-------------------|
| 40. Employee benefit obligations (continued) | | |
| 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. | | |
| 41. Unspent conditional grants and receipts | | |
| See appendix "F2" for a detailed reconciliation of grants from other spheres of government. The Unspent Grants are cash-backed by term deposits. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld during the year. | | |
| Unspent conditional grants and receipts comprises of: | | |
| Unspent conditional grants and receipts | | |
| Department of Roads, Transport and Police - Fire Fighting Vehicles | - | 2,000,000 |
| Department of Health - Relebohile Clinic: Ngwathe Local Municipality | 13,503,163 | 123,632 |
| Department of Roads, Transport and Police - Internal Roads: Ngwathe Local Municipality | 732,391 | 5,920,186 |
| EPWP Project - Sidewalks: Metsimaholo Local Municipality | 897,157 | 2,594,452 |
| Department of Public Works - Church: Ngwathe Local Municipality | 276,926 | 79,946 |
| Department of Sports - CBPWP Grant: Fezile Dabi Stadium | 27,211,831 | 10,438,895 |
| EPWP - Metsimaholo Hospital | 10,000,000 | - |
| DWAF | 1,228,090 | - |
| EPWP - Paved Roads (Mafube) | 911,560 | - |
| LOTTO Grant | 1,900,000 | - |
| | 56,661,118 | 21,157,111 |
| Movement during the year | | |
| Balance at the beginning of the year | 21,157,111 | 633,596 |
| Additions during the year | 75,702,081 | 21,157,111 |
| Income recognition during the year | (40,198,074) | (633,596) |
| | 56,661,118 | 21,157,111 |

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

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

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

Notes to the Annual Financial Statements

| | 2011 | 2010 |
|--|------|------|
| | R | R |

42. Operating lease

The municipality rents photocopy machines from Journey Vehicle & Assets Finance (Bloemfontein) CC, being the major supplier:

- no contingent rent is payable in terms of the lease agreements.
- there is no renewal or purchase options as per lease agreement terms, and the lease escalates as determined in the various lease agreements with the renter; and
- no restrictions are imposed by lease arrangements, with regards to additional debt and further leasing.

The lease agreements is for a total period of 60 months (5 years).

43. Commitments

Operating leases - as lessee (expense)

| Minimum lease payments due | | |
|-------------------------------------|------------------|------------------|
| - within one year | 3,987,439 | 3,357,630 |
| - in second to fifth year inclusive | 1,289,819 | 5,277,258 |
| - later than five years | - | - |
| | 5,277,258 | 8,634,888 |

44. Non-Compliance: UIF Contributions Act No.4 of 2002

During the 2010/11 financial year, the municipality did not deduct and pay-over UIF contributions for its full-time Councillors as required by Circular No. 24 as issued by the Provincial Treasury on 22 August 2011.

The non-compliance was remedied as follows;
The municipality raised a creditor as at year end for the total UIF contributions that was due for the 2010/11 financial year as stipulated in Circular No. 24. However, the requirements of Circular No. 24 have been complied with regarding the 2011/12 financial year.

FEZILE DABI DISTRICT MUNICIPALITY
Annual Financial Statements for the year ended 30 June 2011

FEZILE DABI DISTRICT MUNICIPALITY
APPENDIX A
SCHEDULE OF EXTERNAL LOANS
FOR THE YEAR ENDED 30 JUNE 2011

| SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2011 | | | | | | | | |
|---|-------------|------------------|-------------------------|--------------------------|--------------------------------------|-------------------------|---|---|
| | Loan Number | Redeemable | Balance at 30 June 2010 | Received during the year | Redeemed written off during the year | Balance at 30 June 2011 | Carrying Value of Property, Plant & Equipment | Other Costs in accordance with the MFMA |
| | | | R | R | R | R | R | R |
| EXTERNAL LOANS | | | | | | | | |
| LONG-TERM LOANS | | | | | | | | |
| Stock Loan @ 10% - Tumahole Parys | 10055/1 | 30 June 2015 | 2 830 802 | - | 461 607 | 2 369 195 | - | - |
| Stock Loan @ 10% - Maokeng | 10054/1 | 30 June 2015 | 2 791 726 | - | 455 235 | 2 336 491 | - | - |
| Stock Loan @ 12% - Maokeng | 10054/2 | 31 December 2016 | 1 517 122 | - | 165 655 | 1 351 467 | - | - |
| Stock Loan @ 12% - Maokengbrentpark | 10057/1 | 31 December 2015 | 4 378 431 | - | 602 873 | 3 775 558 | - | - |
| Stock Loan @ 12% - Mokwallo Vredefort | 10056/1 | 31 December 2015 | 4 033 156 | - | 555 331 | 3 477 825 | - | - |
| Stock Loan @ 10% - Phiritona Heilbron | 10058/1 | 31 December 2016 | 10 741 571 | - | 1 243 967 | 9 497 604 | - | - |
| Stock Loan @ 10% - Vlijoenskroon | 10066/1 | 31 December 2015 | 508 653 | - | 73 436 | 435 217 | - | - |
| Stock Loan @ 10% - Zamdela | 10076/1 | 31 December 2015 | 290 278 | - | 47 334 | 242 944 | - | - |
| Stock Loan @ 10% - Zamdela | 10076/2 | 31 December 2015 | 509 831 | - | 83 136 | 426 695 | - | - |
| Stock Loan @ 15.25% - Sasolburg | 10243/3 | 31 December 2016 | 1 333 196 | - | 132 149 | 1 201 047 | - | - |
| Stock Loan @ 16.50% - Sasolburg | 13304/1 | 31 December 2018 | 2 221 734 | - | 134 348 | 2 087 386 | - | - |
| Stock Loan @ 16.50% - Sasolburg | 13304/2 | 31 December 2018 | 1 602 756 | - | 96 918 | 1 505 838 | - | - |
| Stock Loan @ 15.25% - Sasolburg Kroonstad | 10243/5 | 31 December 2016 | 1 931 876 | - | 191 489 | 1 740 387 | - | - |
| TOTAL EXTERNAL LOANS | | | 34 691 132 | - | 4 243 478 | 30 447 654 | - | - |

FEZILE DABI DISTRICT MUNICIPALITY
APPENDIX B
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT
FOR THE YEAR ENDED 30 JUNE 2011

| | COST | | | | Accumulated Depreciation | | | | Carrying Value | Budget Additions 2010 | |
|---------------------------|-----------------|-----------|-----------|-----------------|--------------------------|--------------|-----------------------------------|------------|----------------|-----------------------|-----------------|
| | Opening balance | Additions | Disposals | Closing balance | Opening balance | Depreciation | Over-realised Revaluation Reserve | Disposals | | | Closing balance |
| Land and Buildings | | | | | | | | | | | |
| Land | 2 025 000 | - | - | 2 025 000 | - | - | - | - | - | 2 025 000 | - |
| Buildings | 14 573 865 | 103 246 | - | 14 677 111 | 757 964 | (163 615) | - | 2 564 725 | 12 112 386 | | - |
| Other PPE | | | | | | | | | | | |
| Office equipment | 1 504 882 | 155 429 | 144 850 | 1 515 461 | 157 366 | - | 144 733 | 1 161 598 | 353 863 | | - |
| Furniture and Fittings | 3 801 502 | 162 947 | 165 271 | 3 799 178 | 390 020 | - | 157 775 | 2 829 956 | 969 222 | | - |
| Computer equipment | 5 176 085 | 463 487 | 585 312 | 5 054 260 | 617 070 | - | 577 199 | 4 178 568 | 875 692 | | - |
| Plant and Machinery | 204 945 | - | - | 204 945 | 10 760 | - | - | 25 535 | 179 410 | | - |
| Motor Vehicles | 4 685 442 | 2 112 212 | 856 196 | 5 941 458 | 1 002 058 | - | 856 196 | 1 677 607 | 4 263 851 | | - |
| Other Assets | 2 649 691 | 448 389 | 711 983 | 2 386 097 | 297 290 | - | 25 116 | 673 091 | 1 713 006 | | - |
| TOTAL | 34 621 412 | 3 445 711 | 2 463 612 | 35 603 511 | 3 232 527 | (163 615) | 1 761 019 | 13 111 081 | 22 492 430 | | - |

FEZILE DABI DISTRICT MUNICIPALITY
APPENDIX C

SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT
FOR THE YEAR ENDED 30 JUNE 2011

| | COST | | | | Accumulated Depreciation | | | | Carrying Value | |
|----------------------------|-------------------|------------------|------------------------------|------------------|--------------------------|-------------------|------------------|------------------|-------------------|-------------------|
| | Opening balance | Additions | Additions Under Construction | Disposals | Closing balance | Opening balance | Depreciation | Disposals | | Closing balance |
| Executive & Council | 17 252 266 | - | - | 160 839 | 17 091 427 | 2 946 489 | 807 024 | 160 036 | 3 593 477 | 13 497 949 |
| Municipal Manager | 824 146 | 125 203 | - | 18 639 | 930 711 | 503 696 | 48 170 | 18 639 | 533 227 | 397 484 |
| Finance | 359 245 | 19 132 | - | 248 859 | 129 519 | 2 17 994 | 55 618 | 248 802 | 24 810 | 104 709 |
| Information Technology | 1 070 057 | 385 296 | - | 262 509 | 1 192 844 | 609 795 | 943 055 | 520 200 | 1 032 651 | 160 193 |
| PMU | 7 555 040 | 216 609 | - | 520 200 | 7 251 450 | 4 677 010 | 565 711 | 261 522 | 4 981 200 | 2 270 250 |
| Corporate Support Services | 3 807 471 | - | - | 412 250 | 3 395 221 | 1 600 030 | 220 105 | 412 194 | 1 407 941 | 1 987 280 |
| Fire & Emergency Services | 1 057 084 | 2 487 843 | - | 707 768 | 2 837 160 | 542 027 | 337 589 | 28 401 | 851 215 | 1 985 944 |
| Disaster Management | 133 694 | 152 178 | - | 28 401 | 257 471 | 30 010 | 77 103 | 20 901 | 86 212 | 171 260 |
| LED | 345 465 | - | - | 29 189 | 316 276 | 268 735 | 19 782 | 29 189 | 259 328 | 56 948 |
| Environmental Health | 2 209 702 | 59 448 | - | 67 716 | 2 201 434 | 243 786 | 158 371 | 61 136 | 341 021 | 1 860 413 |
| TOTAL | 34 614 170 | 3 445 711 | - | 2 456 370 | 35 603 511 | 11 639 572 | 3 232 529 | 1 761 019 | 13 111 081 | 22 492 430 |

APPENDIX D

SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 30 JUNE 2011

| | 2010 | | 2010 | | 2011 | | 2011 | | 2011 | |
|-------------|-------------|------------|--------------|------------------------|-------------|-------------|--------------|----------------------------|-----------------------|-----------------------|
| | REVENUE | EXPENSES | REVENUE | EXPENSES | REVENUE | EXPENSES | REVENUE | EXPENSES | Surplus/ (Deficit) | Surplus/ (Deficit) |
| R | R | R | R | R | R | R | R | R | R | R |
| | - | 25 201 669 | (25 201 669) | | - | 25 389 722 | (25 389 722) | | | |
| | - | 11 371 881 | (11 371 881) | Executive & Council | - | 12 637 966 | (12 637 966) | Corporate Support Services | | |
| | - | 14 964 709 | (14 964 709) | Municipal Manager | - | 17 865 494 | (17 865 494) | Finance | | |
| | - | 12 935 147 | (12 935 147) | Information Technology | - | 17 422 041 | (17 422 041) | PMU | | |
| | - | 3 553 382 | (3 553 382) | Environmental Health | - | 2 757 301 | (2 757 301) | Disaster Management | | |
| | - | 16 288 934 | (16 288 934) | LED | - | 17 640 592 | (17 640 592) | Fire & Emergency Services | | |
| | - | 11 575 579 | (11 575 579) | Income | - | 14 348 080 | (14 348 080) | Income | | |
| | - | 2 575 985 | (2 575 985) | | - | 3 500 018 | (3 500 018) | | | |
| | - | 11 323 107 | (11 323 107) | | - | 11 976 414 | (11 976 414) | | | |
| | - | 520 938 | (520 938) | | - | 3 706 156 | (3 706 156) | | | |
| 128 505 736 | - | - | 128 505 736 | | 136 073 786 | - | 136 073 786 | | | |
| 128 505 736 | 110 311 330 | 18 194 406 | | Sub Total | 136 073 786 | 127 243 786 | 8 830 000 | | | |

FEZILE DABI DISTRICT MUNICIPALITY
APPENDIX E (1)
ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE)
FOR THE YEAR ENDED 30 JUNE 2011

| | 2011 Actual (R) | 2011 Budget (R) | 2011 Variance (R) | 2011 Variance (%) | Explanation of Significant Variances greater than 10% versus Budget |
|---|--------------------|--------------------|----------------------|----------------------|--|
| REVENUE | | | | | |
| Government grants | 124 738 417 | 209 207 470 | (84 469 053) | -40.38% | Grants Received From Provincial Government for specific Projects not finished |
| Other Income | 2 016 323 | 1 316 231 | 700 092 | 53.19% | A grant from the Lotto Foundation for implementation of a project (R1.9m) |
| Interest received | 9 319 046 | 7 950 000 | 1 369 046 | 17.22% | Beter Management of Investments |
| Total Revenue | 136 073 786 | 218 473 701 | (82 399 915) | -37.72% | |
| EXPENDITURE | | | | | |
| Employee related costs | 47 431 798 | 52 652 700 | (5 420 902) | -10.26% | Appointments in new structure not finalised |
| Remuneration of Councillors | 4 984 859 | 5 444 000 | (459 141) | -8.43% | |
| Depreciation and amortisation | 3 443 522 | 2 206 700 | 1 236 822 | 56.05% | Under estimation of depreciation due to high value vehicles bought for Fire Services |
| Bad debts | - | - | - | 0.00% | N/A |
| Finance costs | 3 972 338 | 5 200 000 | (1 227 662) | -23.61% | Decrease due to decrease in capital portions of loans |
| Repairs and maintenance | 605 265 | 649 250 | (243 985) | -28.73% | Six vehicle were auctioned - less repairs and maintenance |
| Contracted services | 13 027 768 | 15 106 000 | (2 078 232) | -13.76% | Some non essential contracts were not awarded |
| Grants and subsidies paid | 9 043 571 | 92 047 500 | (83 003 929) | -90.18% | Implementation of Provincial Grant Projects delayed or started late |
| General expenses | 44 386 314 | 49 486 981 | (5 100 667) | -10.31% | Saving on non essential expenditure |
| Loss on disposal of property, plant and equipment | 348 351 | - | 348 351 | 0.00% | |
| Total Expenditure | 127 243 786 | 223 193 131 | (96 297 696) | -43.1% | |
| NET SURPLUS/(DEFICIT) FOR THE YEAR | 8 830 000 | (4 719 430) | 13 897 781 | -294.48% | |

FEZILE DABI DISTRICT MUNICIPALITY
APPENDIX E (2)
ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT)
FOR THE YEAR ENDED 30 JUNE 2011

| | <u>2011 Actual</u> | <u>2011 Under Construction</u> | <u>2011 Total Additions</u> | <u>2011 Budget</u> | <u>2011 Variance</u> | <u>2011 Variance</u> | <u>Explanation of Significant Variances greater than 10% versus Budget</u> |
|----------------------------|--------------------|--------------------------------|-----------------------------|--------------------|----------------------|----------------------|---|
| Executive & Council | R - | R - | R - | R - | R - | % 0.00% | |
| Corporate Support Services | - | - | - | - | - | 0.00% | |
| Municipal Manager | 125 203 | - | 125 203 | 200 000 | (74 797) | -37.40% | Furniture New appointments / post were not finalised |
| Finance | 19 132 | - | 19 132 | 100 000 | (80 868) | -80.87% | Furniture New appointments / post were not finalised |
| Information Technology | 385 296 | - | 385 296 | 700 000 | (314 704) | -44.96% | Shared Service Centre did not Realise |
| PMU | 216 609 | - | 216 609 | 720 000 | (503 391) | -69.92% | Extension to buildings were not finished |
| Environmental Health | 59 448 | - | 59 448 | 200 000 | (140 552) | -70.28% | Furniture New appointments / post were not finalised |
| Disaster Management | 152 178 | - | 152 178 | 400 000 | (247 822) | -61.96% | Furniture New appointments / post were not finalised, Disaster Centre not completed |
| LED | - | - | - | 100 000 | (100 000) | -100.00% | Furniture New appointments / post were not finalised |
| Fire & Emergency Services | 2 487 843 | - | 2 487 843 | 2 900 000 | (412 157) | -14.21% | Furniture New appointments / post were not finalised |
| TOTAL | 3 445 711 | - | 3 445 711 | 5 320 000 | (1 874 289) | -35.23% | |

FEZILE DABI DISTRICT MUNICIPALITY
APPENDIX F2

DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, ACT 56 OF 2003
FOR THE YEAR ENDED 30 JUNE 2011

| Grant Description | Opening Balance 30 June 2010 | Contributions during the year | Interest on Investments | Other Income | Operating Expenditure during the year Transferred to Revenue | Capital Expenditure during the year Transferred to Revenue | Closing Balance 30 June 2011 |
|--|------------------------------|-------------------------------|-------------------------|--------------|--|--|------------------------------|
| | R | R | R | R | R | R | R |
| UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS | | | | | | | |
| Provincial Treasury - Church (Parys) | 79 946 | 500 000 | - | - | 303 020 | - | 276 926 |
| EPWP - Sidewalks (Metsimaholo) | 2 594 452 | - | - | - | 1 697 295 | - | 897 157 |
| Department of Roads, Transport and Police - Fire | 2 000 000 | - | - | - | 2 000 000 | - | - |
| Department of Health - Clinic (Relebohile) | 123 632 | 23 000 000 | - | - | 9 620 469 | - | 13 503 163 |
| Department of Roads, Transport and Police - Internal Roads | 5 920 187 | - | - | - | 5 187 796 | - | 732 391 |
| Department of Sports - Stadium | 10 438 895 | 30 000 000 | - | - | 13 227 064 | - | 27 211 831 |
| EPWP Metsimaholo Hospital | - | 10 000 000 | - | - | - | - | 10 000 000 |
| EPWP - Paved Roads (Mafube) | - | 3 611 000 | - | - | 2 699 440 | - | 911 560 |
| LOTTO-GRANT | - | 1 900 000 | - | - | - | - | 1 900 000 |
| Total | 21 157 111 | 69 011 000 | - | - | 34 735 083 | - | 55 433 028 |
| UNPAID CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS | | | | | | | |
| Department of Water Affairs and Forestry (DWAF) | (2 239 802) | 6 691 081 | - | - | 3 223 190 | - | 1 228 090 |
| Total | (2 239 802) | 6 691 081 | - | - | 3 223 190 | - | 1 228 090 |
| TOTAL UNSPENT CONDITIONAL GRANTS | 18 917 309 | 75 702 081 | - | - | 37 958 273 | - | 56 661 118 |