



FEZILE DABI DISTRICT MUNICIPALITY
Annual Financial Statements
for the year ended 30 June 2010

FEZILE DABI DISTRICT MUNICIPALITY
Annual Financial Statements for the year ended 30 June 2010

General Information

Legal form of entity	District Municipality
Nature of business and principal activities	District Municipality
Mayoral committee	
Executive Mayor	Cllr JERT Ramokhoase
Councillors	Cllr D Colbert Cllr K Khumalo Cllr NG Guza Cllr MS Taje Cllr DLS George Cllr PR Ndayi
Grading of local authority	Low Capacity
Accounting Officer	M E Mohlahlo (Acting)
Chief Finance 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
Other Information	

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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

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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

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Accounting Officer's Responsibilities and Approval

I am responsible for the presentation of these financial statements which are set out on page 4 to 47 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..

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 14 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act

The annual financial statements set out on page 4 to 47, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2010 and were signed on its behalf by:



Acting Municipal Manager
M E Mohlahlo
B.Com; B.Com(Acc) Hons; MBA

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STATEMENT OF FINANCIAL POSITION

	Note(s)	2010 R	2009 R
Assets			
Current Assets			
Investment deposits	2	-	29 073 565
Trade and other receivables	3	3 070 474	14 195 853
VAT receivable	4	6 292 936	1 179 842
Cash and cash equivalents	5	150 591 146	93 112 204
		<u>159 954 556</u>	<u>137 561 464</u>
Non-Current Assets			
Property, plant and equipment	6	22 818 225	22 304 333
Total Assets		<u>182 772 781</u>	<u>159 865 797</u>
Liabilities			
Current Liabilities			
Trade and other payables	9	35 087 747	26 897 819
Current portion of long term loans	8	4 241 177	3 611 242
		<u>39 328 924</u>	<u>30 509 061</u>
Non-Current Liabilities			
Long term Liabilities	8	30 449 958	34 879 840
Total Liabilities		<u>69 778 882</u>	<u>65 388 901</u>
Net Assets		<u>112 993 899</u>	<u>94 476 896</u>
Net Assets			
Reserves			
Revaluation reserve	7	8 364 448	8 792 718
Capital replacement reserve		4 019 492	4 019 492
Accumulated surplus		100 609 959	81 664 689
Total Net Assets		<u>112 993 899</u>	<u>94 476 899</u>

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STATEMENT OF FINANCIAL PERFORMANCE

	Note(s)	2010 R	2009 R
Revenue			
Levies	10	-	663 442
Government grants & subsidies	11	142 816 789	104 856 873
Administration and management fees received		68 520	70 050
Fees earned		124 317	251 914
Recoveries		34 827	37 508
Other income	12	1 568 399	1 549 595
Interest received - investment	13	9 140 673	13 459 260
Total Revenue		<u>153 753 525</u>	<u>120 888 642</u>
Expenditure			
Personnel	14	(36 369 234)	(30 072 802)
Remuneration of councillors	15	(4 806 148)	(4 439 604)
Administration	16	(825 178)	(1 506 529)
Depreciation and amortisation	17	(3 053 436)	(2 543 383)
Bad debt written off	18	(335 020)	-
Finance costs	19	(4 415 963)	(4 812 114)
Repairs and maintenance		(411 185)	(411 951)
Contracted services	20	(10 228 149)	(10 807 561)
Grants and subsidies paid	21	(36 219 994)	(10 808 682)
General Expenses	22	(38 894 812)	(26 786 597)
Total Expenditure		<u>(135 559 119)</u>	<u>(92 189 223)</u>
Surplus for the year		<u>18 194 406</u>	<u>28 699 419</u>

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STATEMENT OF CHANGES IN NET ASSETS

	Revaluation reserve	Capital replacement reserve	Total reserves	Accumulated surplus	Total net assets
	R	R	R	R	R
Balance at 01 July 2008	9 220 988	4 019 492	13 240 480	52 601 537	65 842 017
Changes in net assets					
Reserve Realised	(428 270)	-	(428 270)	428 270	-
Correction of prior year period	-	-	-	(66 754)	(66 754)
Revaluation on Land and Buildings	-	-	-	2 217	2 217
Net income (losses) recognised directly in net assets	(428 270)	-	(428 270)	363 733	(64 537)
Surplus for the year	-	-	-	28 699 419	28 699 419
Total recognised income and expenses for the year	(428 270)	-	(428 270)	29 063 152	28 634 882
Total changes	(428 270)	-	(428 270)	29 063 152	28 634 882
Balance at 01 July 2009	8 792 718	4 019 492	12 812 210	81 238 337	94 050 547
Changes in net assets					
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	-	-	-	18 194 406	18 194 406
Total recognised income and expenses for the year	(428 270)	-	(428 270)	19 371 622	18 943 352
Total changes	(428 270)	-	(428 270)	19 371 622	18 943 352
Balance at 30 June 2010	8 364 448	4 019 492	12 383 940	100 609 959	112 993 899
Note(s)	7				

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CASH FLOW STATEMENT

	Note(s)	2010 R	2009 R
Cash flows from operating activities			
Receipts			
Grants		117 569 001	104 856 973
Interest income		9 140 673	13 459 260
Other receipts		1 796 063	5 652 382
		<u>128 505 737</u>	<u>123 968 615</u>
Payments			
Employee costs		(41 175 382)	(34 512 406)
Suppliers		(47 464 338)	(55 113 379)
Finance costs		(4 415 963)	(4 812 114)
Other cash item		322 598	-
		<u>(92 733 085)</u>	<u>(94 437 899)</u>
Net cash flows from operating activities	23	<u>35 772 652</u>	<u>29 530 716</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	6	(3 567 328)	(3 851 936)
Proceeds from sale of property, plant and equipment	6	-	11 568
Proceeds from sale of financial assets		29 073 565	(29 073 565)
Proceeds from sale of other asset		-	95 485
		<u>25 506 237</u>	<u>(32 818 448)</u>
Net cash flows from investing activities		<u>25 506 237</u>	<u>(32 818 448)</u>
Cash flows from financing activities			
Movement in long term liabilities		<u>(3 799 947)</u>	<u>(3 403 800)</u>
Net increase/(decrease) in cash and cash equivalents		<u>57 478 942</u>	<u>(6 691 532)</u>
Cash and cash equivalents at the beginning of the year		<u>93 112 204</u>	<u>99 803 736</u>
Cash and cash equivalents at the end of the year	5	<u>150 591 146</u>	<u>93 112 204</u>

ACCOUNTING POLICIES

1. Basis of Presentation

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board in accordance with the annual financial statements. These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

These standards are summarised as follows:

Standards of GRAP

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GRAP 4	The Effects of Changes in Foreign Exchange Rates
GRAP 6	Consolidated financial statements and accounting for control entities
GRAP 7	Accounting for Investment in Associates
GRAP 8	Financial Reporting of Interest in Joint Ventures
GRAP 9	Revenue
GRAP 12	Inventories
GRAP 14	Events after the reporting date
GRAP 17	Property, Plant and Equipment
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets

GRAP 6, 7 and 8 have been compiled with, to the extent that the requirements in these standards relate to the municipality's separate financial statements.

Accounting policies for material transactions, events or conditions not covered by the above GRAP Standards have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3. These accounting policies and the applicable disclosures have been based on the South African Statements of Generally Accepted Accounting Practices (SA GAAP) including any interpretations of such Statements issued by the Accounting Practices Board.

The Minister of Finance has, in terms of General notice 552 of 2007 exempted compliance with certain of the above mentioned standards and aspects or parts of these standards. Details of the exemptions applicable to the municipality have been provided in note 34 to the financial statements. This is also in line with the transitional provisions as per Directive 4 of the GRAP Reporting Framework of which the Municipality has taken advantage of.

No progress has been made regarding the exemptions listed in note 34, except the standards that were applied in the previous and current financial year.

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

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.

Accounting Policies

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 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.

Impairment as well as the review of useful life of assets and depreciation method is exempted in accordance with the exemptions in Gazette no. 30013 of 29 June 2007.

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

Intangible assets are not recognised in accordance with the exemptions in Gazette no 30013 of 29 June 2007. Depreciation is calculated on cost, using the straight-line method over the estimated useful life of the asset.

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.

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	5 years
Office equipment	3 - 10 years
Computer equipment	4 - 5 years
Miscellaneous equipment	3 - 7 years

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 in respect of buildings.

1.6 Investments in controlled entities

Investments in controlled entities are carried at cost less any accumulated impairment.

The cost of an investment in subsidiary is the aggregate of:

- the fair value, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the municipality; plus
- any costs directly attributable to the purchase of the subsidiary.

An adjustment to the cost of a business combination contingent on future events is included in the cost of the combination if the adjustment is probable and can be measured reliably.

1.7 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

Accounting Policies

1.7 Financial instruments (continued)

- 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.

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

Accounting Policies

1.7 Financial instruments (continued)

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 change 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.

Investment Deposits

Investment deposits which include fixed deposits and short term deposits of more than 3 months invested in registered commercial banks, are stated at cost.

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.

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

Accounting Policies

1.7 Financial instruments (continued) 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.

1.8 Revenue Recognition

Interest and rental are recognised on a time proportion basis.

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.

1.9 Conditional grants and receipts

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

1.10 Provisions and contingencies

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Accounting Policies

1.10 Provisions and contingencies (continued)

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.

Provisions are reviewed at each balance sheet 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.

1.11 Unauthorised expenditure

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

1.12 Irregular expenditure

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

- (a) this Act;

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

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

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

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

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

1.13 Fruitless and wasteful expenditure

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

Accounting Policies

1.13 Fruitless and wasteful expenditure (continued)

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.

1.14 Leases

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.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are expensed as they become due, in accordance with the exemptions in Gazette no. 30013 of 29 June 2007

1.15 Borrowing costs

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

1.16 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 benefit/contribution plans

The municipality provides retirement benefits for its employees and councillors. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year they become payable. The defined benefits funds, which are administered on a provincial basis, are actuarially valued triennially on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities.

1.17 Comparative figures

Current year comparatives:

Budgeted amounts have been included in the annual financial statements for the current financial year only.

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.

1.18 Intangible assets

Transitional provision

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Accounting Policies

1.18 Intangible assets (continued)

According to the transitional provision, the municipality is not required to measure intangible assets for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard of GRAP on intangible assets. The transitional provision expires on 30 June 2012

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2010 R	2009 R
2. Investment deposits		
Held to maturity		
Investment Deposits	-	29 073 565
	<u>-</u>	<u>29 073 565</u>
Current assets		
Held to maturity	-	29 073 565
	<u>-</u>	<u>29 073 565</u>

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

3. Trade and other receivables

Suspense	261 138	1 973 441
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	15 000
Other debtors	503 462	1 362 844
CBPWP Grant	-	10 841 317
N Xaba - Vehicle	30 280	-
T Sefako - Vehicle	15 486	-
B Nyakane - Vehicle	2 055	-
	<u>3 070 474</u>	<u>14 195 853</u>

4. VAT receivable

VAT	6 292 936	1 179 842
	<u>6 292 936</u>	<u>1 179 842</u>

VAT is payable on the receipt basis. Only when payment is received from debtors is VAT paid over to SARS.

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Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

2010
R

2009
R

6. Property, plant and equipment

	2010			2009		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Land and Buildings	16 149 251	(1 670 846)	14 478 405	15 895 000	(834 687)	15 060 313
Other property, plant and equipment	18 472 162	(10 132 342)	8 339 820	15 011 500	(7 767 480)	7 244 020
Total	34 621 413	(11 803 188)	22 818 225	30 906 500	(8 602 167)	22 304 333

Reconciliation of property, plant and equipment - 2010

	Opening balance	Additions	Depreciation	Total
Land and Buildings	15 060 313	254 251	(836 159)	14 478 405
Other property, plant and equipment	7 244 020	3 313 077	(2 217 277)	8 339 820
	22 304 333	3 567 328	(3 053 436)	22 818 225

Reconciliation of property, plant and equipment - 2009

	Opening balance	Additions	Disposals	Depreciation	Total
Land and Buildings	15 895 000	-	-	(834 687)	15 060 313
Other property, plant and equipment	5 112 348	3 851 936	(11 568)	(1 708 696)	7 244 020
	21 007 348	3 851 936	(11 568)	(2 543 383)	22 304 333

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Notes to the Annual Financial Statements

2010	2009
R	R

6. Property, plant and equipment (continued)

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.)

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

Review of usefull life

The usefull life of assets aquired during the financial year were reviewed and did not differ from the original estimates

Details of properties

Reconciliation of Accumulated Depreciation

Balance at the beginning of the year	8 749 751	7 257 756
Depreciation for the year	3 053 436	2 543 383
Disposals	-	(1 198 972)
	<u>11 803 187</u>	<u>8 602 167</u>

7. Revaluation reserve

Opening balance	8 792 718	8 792 718
Reserve realised	(428 270)	-
	<u>8 364 448</u>	<u>8 792 718</u>

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Notes to the Annual Financial Statements

	2010 R	2009 R
8. Long term Liabilities		
Loans from DBSA		
External loans	34 691 132	38 491 082
Less: Current portion transferred to current liabilities	(4 241 177)	(3 611 242)
	<u>30 449 955</u>	<u>34 879 840</u>
9. Trade and other payables		
Trade payables	7 665 714	20 839 038
Salary Suspense	-	524 286
Retentions	3 226 358	2 364 281
Other creditors	-	36 302
DWAF Grant - Water - Ngwathe Local Municipality	-	633 596
Department of Public Works - Church - Ngwathe Local Municipality	79 946	-
EPWP Project - Sidewalks - Metsimaholo Local Municipality	2 594 452	-
Department of Roads,Transport and Police - Fire Figthing Vehicles	2 000 000	-
Department of Health - Relebohile Clinic-Ngwathe Local Municipality	123 632	-
Department of Roads,Transport and Police - Internal Roads - Ngwathe Local Municipality	5 920 186	-
Department of Sports - CBPWP Grant - Fezile Dabi Stadium	10 438 895	-
Staff Leave Accrual	2 149 766	1 756 733
Service Bonus Acrual	888 798	743 583
	<u>35 087 747</u>	<u>26 897 819</u>
10. Regional service council levies		
RSC Levies	-	663 442

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Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

	2010 R	2009 R
11. Government grants and subsidies		
Equitable share	116 084 001	103 871 873
Financial management grant	750 000	250 000
MSIG	735 000	735 000
Government grant (operating) 7	25 247 788	-
	<u>142 816 789</u>	<u>104 856 873</u>
Equitable Share		
Balance unspent at beginning of year	-	-
Current-year receipts	116 084 001	103 871 873
Conditions met - transferred to revenue	(116 084 001)	(103 871 873)
	<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	750 000	250 000
Conditions met - transferred to revenue	(750 000)	(250 000)
	<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	735 000	735 000
Conditions met - transferred to revenue	(735 000)	(735 000)
	<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.12 of 2009), 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 2010

Notes to the Annual Financial Statements

	2010 R	2009 R
12. Other Income		
Telephone deductions - Officials and Councillors	205 361	236 964
Jazz festival income	376 720	414 350
Recovery from Republic Bank	-	158 089
Vuna Awards Prize Money	750 000	-
Other	236 318	740 192
	<u>1 568 399</u>	<u>1 549 595</u>
13. Interest received		
Interest revenue		
Unlisted financial assets	7 168 376	10 766 471
Bank	1 972 297	2 467 707
Interest charged on trade and other receivables	-	225 082
	<u>9 140 673</u>	<u>13 459 260</u>

FEZILE DABI DISTRICT MUNICIPALITY
Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

	2010 R	2009 R
14. Employee related costs		
Employee related costs - Salaries and Wages	22 047 356	18 613 559
Performance Bonus	475 795	335 432
Employee related cost - Contributions of UIF, pension and medical aids	4 992 931	3 871 744
Leave pay provision charge	1 468 636	656 128
Overtime payments	102 763	86 056
Annual Bonus	1 557 199	1 807 872
Travel, motor car and allowances	5 096 449	4 403 675
Housing benefits and allowances	628 105	298 336
	<u>36 369 234</u>	<u>30 072 802</u>
Remuneration of municipal manager		
Annual Remuneration	64 877	758 199
Car Allowance	16 500	187 500
Performance Bonuses	140 925	126 652
Contributions to UIF, Medical and Pension Funds	5 216	1 497
	<u>227 518</u>	<u>1 073 848</u>
Remuneration of chief finance officer		
Annual Remuneration	692 683	593 945
Car Allowance	230 894	196 728
Performance Bonuses	128 666	105 679
Contributions to UIF, Medical and Pension Funds	1 497	1 497
Acting Allowance: Municipal Manager	81 607	-
	<u>1 135 347</u>	<u>897 849</u>
Remuneration of Director: LED		
Annual Remuneration	487 448	448 736
Car Allowance	220 932	146 389
Performance Bonuses	46 975	103 101
Contributions to UIF, Medical and Pension Funds	121 080	1 191
	<u>876 435</u>	<u>699 417</u>
Remuneration of Director: PMU		
Annual Remuneration	578 558	390 427
Car Allowance	187 768	124 857
Performance Bonuses	-	-
Contributions to UIF, Medical and Pension Funds	1 497	1 123
	<u>767 823</u>	<u>516 407</u>
Remuneration of Director: Corporate Services		
Annual Remuneration	543 128	545 412
Car Allowance	204 162	181 758
Performance Bonuses	103 102	-
Contributions to UIF, Medical and Pension Funds	112 142	1 956

FEZILE DABI DISTRICT MUNICIPALITY
Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

	2010 R	2009 R
14. Employee related costs (continued)		
	<u>962 534</u>	<u>729 126</u>
Remuneration of Director: Health and Safety		
Annual Remuneration	497 953	612 780
Car Allowance	204 162	187 110
Performance Bonuses	103 102	-
Contributions to UIF, Medical and Pension Funds	112 142	1 956
	<u>917 359</u>	<u>801 846</u>
15. Remuneration of councillors		
Executive Mayor	444 082	545 391
Mayoral Committee Members	2 227 729	2 013 048
Speaker	442 692	419 636
Councillors	1 691 645	1 425 149
Councillors' pension contribution	-	36 380
	<u>4 806 148</u>	<u>4 439 604</u>
In-kind benefits		
<p>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.</p>		
16. Administrative expenditure		
Administration and management fees	<u>825 178</u>	<u>1 506 529</u>
17. Depreciation and amortisation		
Property, plant and equipment	<u>3 053 436</u>	<u>2 543 383</u>
18. 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>		
Total bad debt (recognised)	<u>335 020</u>	<u>-</u>
19. Finance costs		
Interest on long term liabilities	<u>4 415 963</u>	<u>4 812 114</u>

FEZILE DABI DISTRICT MUNICIPALITY
Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

	2010 R	2009 R
20. Contracted services		
Various Contractors	<u>10 228 149</u>	<u>10 807 561</u>

These payments are contracts which have been entered into during the current and prior financial year.

Jazz Festival	2 494 823	1 212 076
IDP Implementation Monitoring	1 550 601	1 505 264
Municipal systems improvement programme	722 734	727 907
Vredefort Dome	-	2 484 796
Performance Management systems	150 000	810 156
Other	5 309 992	4 067 362
	<u>10 228 150</u>	<u>10 807 561</u>

21. Grants and subsidies paid

Other subsidies

Mafube Local Municipality	21 286	2 212 901
Ngwathe Local Municipality	2 188 443	4 581 721
Moqhaka Local Municipality	2 667 000	-
District Rural Areas	31 343 265	4 014 060
	<u>36 219 994</u>	<u>10 808 682</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 2010

Notes to the Annual Financial Statements

	2010 R	2009 R
22. General expenses		
Accounting fees	371 404	466 105
Advertising	379 623	448 289
Auditors remuneration	1 358 645	1 350 756
Bank charges	59 878	53 086
Cleaning	47 234	31 351
Consulting and professional fees	1 124 329	950 712
Consumables	145 645	175 722
Donations	2 537 453	2 057 775
Entertainment	1 236 421	1 246 667
Hire	3 097 215	2 499 489
Insurance	111 569	92 837
Community development and training	729 321	165 563
IT expenses	923 131	947 815
Fleet	53 911	57 274
Marketing	1 085 980	869 926
Magazines, books and periodicals	32 224	27 300
Medical expenses	2 611	510
Assistance to Local Municipalities	4 298 105	-
Fuel and oil	454 396	399 266
Postage and courier	7 605	7 365
Printing and stationery	263 043	276 972
Promotions	5 361 050	4 083 383
Protective clothing	3 707	4 850
Project maintenance costs	86 247	335 084
Research and development costs	378 449	109 584
Royalties and license fees	5 181	5 135
Security (Guarding of municipal property)	157 827	1 175 417
Staff welfare	823 840	337 022
Subscriptions and membership fees	312 373	248 738
Telephone and fax	532 893	521 961
Training	1 259 399	1 027 842
Travel - local	2 613 057	1 948 993
Assets expensed	229 709	-
Tourism development	2 562 705	256 909
Other expenses	6 248 632	4 606 899
	<u>38 894 812</u>	<u>26 786 597</u>

Operational Lease Commitment

Amount payable within twelve months from year end: R 3 354 023

The amount payable thereafter: R 3 736 382

FEZILE DABI DISTRICT MUNICIPALITY
Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

	2010 R	2009 R
23. Cash generated from operations		
Surplus	18 194 406	28 699 419
Adjustments for:		
Depreciation and amortisation	3 053 436	2 543 383
Impairment deficit	335 020	-
Prior period error	-	(66 754)
Other	322 598	2 214
Changes in working capital:		
Trade and other receivables	10 790 359	(13 195 187)
Trade and other payables	8 189 927	7 427 731
VAT	(5 113 094)	4 119 910
	<u>35 772 652</u>	<u>29 530 716</u>

24. 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. These Funds are subject to triennial actuarial valuation. The last valuation of the Free State Municipal Pension Fund was performed in 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.

This valuation indicates that the fund is in 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.

FEZILE DABI DISTRICT MUNICIPALITY
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Notes to the Annual Financial Statements

2010
R

2009
R

25. Prior period errors

The following errors occurred, in relation to the prior financial year, which necessitated corrective action in the current year. The errors were corrected retrospectively in terms of GRAP 3: Accounting Policies, Changes in Accounting Estimates and Errors:

VAT incorrectly claimed on purchases of vehicles:

During the 2008 year VAT amounting to R66 754 was incorrectly claimed in respect of the purchases of vehicles. These vehicles are motor cars as defined in Section 1 of the Value added Tax Act no 89 of 1991 and no VAT may be claimed on these vehicles in terms of section 17 of the Act.

The correction was made in the previous year against Accumulated Surplus due to system restraints.

The effect on the financial statements is as follows:

Increase in Accumulated surplus	-	66 754
Decrease in VAT payable	-	(66 754)

26. 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.

27. Unauthorised expenditure

Balance at the beginning of the year	281 340	1 017 658
Unauthorised expenditure - current year	-	281 340
Approved/condoned by council	(281 340)	(1 017 658)
	<u>-</u>	<u>281 340</u>

There were no unauthorised expenditure for the current year.

28. Fruitless and wasteful expenditure

Opening balance	91 013	54 642
Fruitless and wasteful expenditure - current year	-	91 013
Approved/condoned by council	(91 013)	(54 642)
	<u>-</u>	<u>91 013</u>

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

29. Irregular expenditure

Opening balance	3 241 181	1 678 367
Add: Irregular Expenditure - current year	970 445	1 562 814
Less: Amounts recoverable (not condoned)	(10 922)	-
	<u>4 200 704</u>	<u>3 241 181</u>

FEZILE DABI DISTRICT MUNICIPALITY
Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

	2010 R	2009 R
29. Irregular expenditure (continued)		
Irregular expenditure of R 1 678 367 (2008) , R1 551 892 (2009) and R885 017 (2010), were condoned by council. Irregular expenditure of R85 428 will be submitted to council for consideration		
The above mentioned irregular expenditure must still be submitted to National Treasury for consideration.		
30. In-kind donations and assistance		
No in-kind donations or assistance were received during the year.		
31. Additional disclosure in terms of Municipal Finance Management Act		
Contributions to organised local government		
Current year subscription / fee	305 905	240 974
Amount paid - current year	<u>(305 905)</u>	<u>(240 974)</u>
	<u>-</u>	<u>-</u>
Audit fees		
Current year fee	1 358 645	1 350 756
Amount paid - current year	<u>(1 358 645)</u>	<u>(1 350 756)</u>
	<u>-</u>	<u>-</u>
PAYE and UIF		
Opening balance	494 289	-
Current year payroll deduction	6 988 215	6 225 548
Amount paid - current year	<u>(7 482 504)</u>	<u>(5 731 259)</u>
	<u>-</u>	<u>494 289</u>
Pension and Medical Aid Deductions		
Current year payroll deduction	7 511 233	3 742 547
Amount paid - current year	<u>(7 511 233)</u>	<u>(3 742 547)</u>
	<u>-</u>	<u>-</u>
VAT		
VAT receivable	<u>6 292 936</u>	<u>1 179 842</u>

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

32. Actual operating expenditure versus budgeted operating expenditure

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

33. Actual capital expenditure versus budgeted capital expenditure

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

FEZILE DABI DISTRICT MUNICIPALITY
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Notes to the Annual Financial Statements

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R

34. Details of the Exemption in terms of General Notice 552 of 2007 and in line with the transitional provisions as per Directive 4 of the GRAP Reporting Framework

GRAP 3

Accounting policies, changes in accounting estimates and errors.

Identification and impact of GRAP standards that have been issued but are not yet effective and changes to accounting policies (paragraphs 14, 19 and 30 - 31)

GAMAP 17

Property, plant and equipment

Review of useful life of items of PPE recognized in the annual financial statements (paragraphs 59 - 61, and 77)
Review of depreciation method applied to PPE recognized in the annual financial statements (paragraphs 62 and 77)

Impairment of non-cash-generating assets (paragraphs 64 - 69 and 75(e)(v) - (vi))

Impairment of cash-generating assets (paragraphs 63 and (e)(v) - (vi))

IAS 36 (AC 128)

Impairment of assets

Entire standard

GAMAP 12

Inventories

The entire standard as far as it relates to immovable capital assets inventory that is accounted for in terms of GAMAP 17

IAS 40 (AC 135)

Investment property

The entire standard to the extent that the property is accounted for in terms of GAMAP 17

Disclosure of the fair value of investment property if the cost model is applied and where the municipality has recognised the investment property in terms of this standard (paragraphs 79(e)(i) - (ii))

IAS 17 (AC 105)

Leases

Recognising operating lease payments / receipts on a straight - line basis if the amounts are recognised on the basis of the cash flows in the lease agreement. (SAICA circular 12/06 paragraph 8 - 11 and paragraphs 33, 34, 50, 51 of IAS 17 / AS 105)

IAS 38 (AC 129)

Intangible assets

The entire standard except for the recognition, measurement and disclosure of computer software and website costs (SIC32/AC 432) and all other costs are expensed.

IAS 19 (AC 116)

Employee benefits

Defined benefit accounting as far as it relates to defined benefit plans accounted for as defined contribution plans and the defined benefit obligation disclosed by narrative information. (paragraphs 29, 48-119, 120A(c) - (q))

GAMAP 9

Revenue

Initial measurement of fair value discounting all future receipts using an imputed rate of interest. (SAICA circular 09/06 and paragraph 12)

IFRS 5 (AC 142)

Non-current assets held for sale and discontinued operations

Classification, measurement and disclosure of non-current assets held for sale (paragraphs 6 - 14, 15 - 29) in so far

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34. Details of the Exemption in terms of General Notice 552 of 2007 and in line with the transitional provisions as per Directive 4 of the GRAP Reporting Framework (continued)

as it relates to non-current assets held for sale), 38 - 42)

IFRS 7 (AC144)

Financial instruments: Disclosures

Entire standard to be replaced by IAS 32 (AC125) issued August 2006 and effective for financial statements covering periods beginning on or after 1 January 1998

IAS 14 (AC 115)

Segment reporting

Entire Standard

IFRS 8 (AC 145)

Operating segments

Entire Standard

IAS 11 (AC 109)

Construction contracts

Entire Standard

IFRS 3 (AC 140)

Business combinations

Entire Standard

IAS 20 (AC 134)

Accounting for government grants and disclosure of government assistance

Entire standard excluding paragraph 24 and 26, replaced by paragraph 08 of GAMAP 12, paragraph 25 of GAMAP 17 and paragraphs 42 - 46 of GAMAP 9

35. Related parties

The municipality has an entity: Fezile Dabi District Municipality Trust.

No transactions occurred during the financial year between related parties.

36. 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

FEZILE DABI DISTRICT MUNICIPALITY
Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

2010	2009
R	R

36. Risk Management (continued)
in here.

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.

37. Events after the reporting date

SALGA issued a circular (Circular 26) on 14 October 2010 regarding an arbitration award that was awarded in favour of the trade unions in Local Government. A dispute was lodged regarding the calculation of payments on benefits. After calculation of these benefits in accordance with the arbitration award, the amount calculated was R 62 031 and it will be payable to affected employees during 2010/11 financial year

38. 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 2010

Notes to the Annual Financial Statements

	2010 R	2009 R
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39. Financial assets by category

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

2010

	Loans and receivables	Held to maturity investments	Total
Trade and other receivables	3 070 474	-	3 070 474
Cash and cash equivalents	-	119 441 380	119 441 380
Investments	-	30 154 075	30 154 075
	3 070 474	149 595 455	152 665 929

2009

	Loans and receivables	Held to maturity investments	Total
Trade and other receivables	14 195 853	-	14 195 853
Cash and cash equivalents	-	93 112 204	93 112 204
Investments	-	29 073 565	29 073 565
	14 195 853	122 185 769	136 381 622

40. Financial liabilities by category

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

2010

	Financial liabilities at amortised cost	Total
Annuity Loans	30 449 958	30 449 958
Trade and other payables	35 087 744	35 087 744
Current portion of Long-term Liabilities	4 241 177	4 241 177
	69 778 879	69 778 879

2009

	Financial liabilities at amortised cost	Total
Annuity Loans	34 879 840	34 879 840
Trade and other payables	26 897 819	26 897 819
Current portion of Long-term Liabilities	3 611 242	3 611 242
	65 388 901	65 388 901

FEZILE DABI DISTRICT MUNICIPALITY
Annual Financial Statements for the year ended 30 June 2010
Appendix A: Schedule of external loans

SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2010

Loan Number	Redeemable	Balance at 30 June 2009		Received during the period		Redeemed written off during the period		Balance at 30 June 2010		Carrying Value of Property, Plant & Equip		Other Costs in accordance with the MFMA	
		Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
DEVELOPMENT BANK OF SOUTH AFRICA													
10055	Stock loan @ 10%-TUMAHOLE-PARYS	3 249 495	-	-	418 693	-	-	2 830 802	-	-	-	-	-
10054/1	Stock loan @ 10%-MAOKENG	3 204 639	-	-	412 913	-	-	2 791 726	-	-	-	-	-
10054/2	Stock loan @ 12%-MAOKENG	1 664 567	-	-	147 445	-	-	1 517 122	-	-	-	-	-
10057	Stock loan @ 12%-MAOKENG-BRENTPARK	4 914 987	-	-	536 556	-	-	4 378 431	-	-	-	-	-
10056	Stock loan @ 12%-MOKWALLO-VREDEFORT	4 527 400	-	-	494 244	-	-	4 033 156	-	-	-	-	-
10058	Stock loan @ 10%-PHIRITONA-HEILBRON	11 869 954	-	-	1 128 383	-	-	10 741 571	-	-	-	-	-
10066	Stock loan @ 10%-VILJOENSKROON	575 263	-	-	66 610	-	-	508 653	-	-	-	-	-
10076/1	Stock loan @ 10%-ZAMDELA	333 212	-	-	42 934	-	-	290 278	-	-	-	-	-
10076/2	Stock loan @ 10%-ZAMDELA	585 238	-	-	75 407	-	-	509 831	-	-	-	-	-
10243	Stock loan @ 15.25%-SASOLBURG	1 447 263	-	-	114 087	-	-	1 333 196	-	-	-	-	-
13304/1	Stock loan @ 16.50%-SASOLBURG	2 336 385	-	-	114 651	-	-	2 221 734	-	-	-	-	-
13304/2	Stock loan @ 15.25%-SASOLBURG	1 685 465	-	-	82 709	-	-	1 602 756	-	-	-	-	-
10243	Stock loan @ 15.25%-SASOLBURG-KROONSTAD	2 097 195	-	-	165 319	-	-	1 931 876	-	-	-	-	-
		38 491 083	-	-	3 799 951	-	-	34 691 132	-	-	-	-	-
	TOTAL EXTERNAL LOANS	38 491 083	-	-	3 799 951	-	-	34 691 132	-	-	-	-	-

FEZILE DABI DISTRICT MUNICIPALITY
Annual Financial Statements for the year ended 30 June 2010

Supplementary Information

Appendix B: Analysis of property, plant and equipment

ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2009

	Cost/Revaluation							Accumulated depreciation				Dii			
	Opening Balance	Additions through business combinations	Disposals	Classified as held for sale	Transfers	Revaluations	Foreign exchange movements	Other changes, movements	Depreciation	Impairment loss	Impairment reversal		Closing Balance	Opening Balance	Additions
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand

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Appendix C: Segmental analysis of property, plant and equipment

FEZILE DABI DISTRICT MUNICIPALITY

APPENDIX C for the period ended 30 June 2010

	SEGMENTAL ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2010				Accumulated depreciation				
	Opening Balance	Additions	Additions - Under Construction	Cost	Closing Balance	Opening Balance	Depreciation	Closing Balance	Carrying value
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Municipality									
Executive & Council	17 252 266	-	-	17 252 266	(2 038 412)	(1 071 693)	(3 110 105)	14 142 161	
Corporate Support	771 463	-	-	824 146	(410 766)	(92 928)	(503 696)	320 450	
Services									
Municipal Manager	313 445	45 800	-	359 245	(170 043)	(38 951)	(217 994)	141 251	
Finance	710 118	104 804	-	814 922	(565 105)	(44 690)	(609 795)	205 127	
Information Technology	7 381 931	173 109	-	7 555 040	(3 628 564)	(1 048 446)	(4 677 010)	2 878 030	
PMU	2 976 194	753 759	84 761	3 814 714	(1 076 449)	(523 581)	(1 600 030)	2 214 684	
Environmental Health	831 657	125 127	-	1 057 084	(388 927)	(153 400)	(542 027)	515 057	
Disaster management	121 195	12 489	-	133 684	(4 760)	(25 250)	(30 010)	103 674	
LEO	342 860	2 605	-	345 465	(246 535)	(22 100)	(268 735)	76 730	
PIMMIS	255 135	-	-	255 135	(211 388)	(21 388)	-	255 135	
Fire & Emergency Services	-	1 268 511	943 690	2 212 201	-	(243 765)	(243 765)	1 968 435	
	31 056 504	2 538 877	1 028 451	34 623 832	(8 749 751)	(3 053 437)	(11 803 188)	22 820 724	

FEZILE DABI DISTRICT MUNICIPALITY
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Appendix D: Segmental Statement of Financial Performance

APPENDIX D for the period ended 30 June 2010
June 2010

SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED

	Prior Year		Current Year	
	Actual Income Rand	Actual Expenditure Rand	Actual Income Rand	Actual Expenditure Rand
		Surplus /(Deficit) Rand		Surplus /(Deficit) Rand

FEZILE DABI DISTRICT MUNICIPALITY
Annual Financial Statements for the year ended 30 June 2010

Supplementary Information

Appendix E(1): Actual versus Budget (Revenue and Expenditure)

FEZILE DABI DISTRICT MUNICIPALITY
Annual Financial Statements for the year ended 30 June 2010

Supplementary Information

Appendix E(2): Actual versus Budget (Acquisition of Property, Plant and Equipment)

BUDGET ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2007

Additions Rand	Original Budget Rand	Revised Budget Rand	Variance		Explanation of significant variances from budget
			Rand	%	

FEZILE DABI DISTRICT MUNICIPALITY
Annual Financial Statements for the year ended 30 June 2010

Supplementary Information

Appendix F: Disclosure of grants and subsidies in terms of the Municipal Finance Management Act

APPENDIX F for the ended 30 June 2010
 DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003
 June 2010

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts			Quarterly Expenditure			Grants and Subsidies delayed / withheld				Reason for delay/withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for noncompliance			
		Mar	Jun	Sep	Dec	Mar	Jun	Sep	Dec	Mar	Jun				Sep	Dec	Mar