



# Fezile Dabi

District Municipality

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**

<b>Legal form of entity</b>	District Municipality
<b>Mayoral committee</b>	
Executive Mayor	Mr JERT Ramokhoase
Councillors	Cllr D Colbert Cllr K Khumalo Cllr NG Guza Cllr MS Taje Cllr DLS George Cllr PR Ndayi
<b>Grading of local authority</b>	Low Capacity
<b>Accounting Officer</b>	M E Mohlahlo (Acting)
<b>Chief Finance Officer (CFO)</b>	M E Mohlahlo
<b>Registered office</b>	John Vorster Road Sasolburg 1947
<b>Postal address</b>	P.O Box 10 Sasolburg 1947
<b>Bankers</b>	ABSA BANK
<b>Auditors</b>	The Auditor - General

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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

**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:

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**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
<b>Assets</b>			
<b>Current Assets</b>			
Investment deposits	2	30 154 075	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	119 441 380	93 112 204
		<b><u>158 958 865</u></b>	<b><u>137 561 464</u></b>
<b>Non-Current Assets</b>			
Property, plant and equipment	6	22 818 225	22 304 333
<b>Total Assets</b>		<b><u>181 777 090</u></b>	<b><u>159 865 797</u></b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade and other payables	9	32 049 182	24 397 503
Provisions	10	3 038 564	2 500 316
Current portion of long term loans	8	4 241 177	3 611 242
		<b><u>39 328 923</u></b>	<b><u>30 509 061</u></b>
<b>Non-Current Liabilities</b>			
Long term Liabilities	8	30 449 958	34 879 840
<b>Total Liabilities</b>		<b><u>69 778 881</u></b>	<b><u>65 388 901</u></b>
<b>Net Assets</b>		<b><u>111 998 209</u></b>	<b><u>94 476 896</u></b>
<b>Net Assets</b>			
Reserves			
Revaluation reserve	7	8 364 448	8 792 718
Capital replacement reserve		4 019 492	4 019 492
Accumulated surplus		99 614 269	81 664 689
<b>Total Net Assets</b>		<b><u>111 998 209</u></b>	<b><u>94 476 899</u></b>

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**STATEMENT OF FINANCIAL PERFORMANCE**

	Note(s)	2010 R	2009 R
<b>Revenue</b>			
Levies	11	-	663 442
Government grants & subsidies	12	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	13	1 568 399	1 549 595
Interest received - investment	14	8 108 246	13 459 260
<b>Total Revenue</b>		<b><u>152 721 098</u></b>	<b><u>120 888 642</u></b>
<b>Expenditure</b>			
Personnel	15	(36 369 234)	(30 072 802)
Remuneration of councillors	16	(4 806 148)	(4 439 604)
Administration	17	(825 178)	(1 506 529)
Depreciation and amortisation	18	(3 053 436)	(2 543 383)
Impairment loss/ Reversal of impairments	19	(335 020)	-
Finance costs	20	(4 415 963)	(4 812 114)
Repairs and maintenance		(411 185)	(411 951)
Contracted services	21	(10 228 149)	(10 807 561)
Grants and subsidies paid	22	(36 219 994)	(10 808 682)
General Expenses	23	(38 894 812)	(26 786 597)
<b>Total Expenditure</b>		<b><u>(135 559 119)</u></b>	<b><u>(92 189 223)</u></b>
<b>Surplus for the year</b>		<b><u>17 161 979</u></b>	<b><u>28 699 419</u></b>

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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
<b>Balance at 01 July 2008</b>	<b>9 220 988</b>	<b>4 019 492</b>	<b>13 240 480</b>	<b>52 601 537</b>	<b>65 842 017</b>
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
<b>Balance at 01 July 2009</b>	<b>8 792 718</b>	<b>4 019 492</b>	<b>12 812 210</b>	<b>81 238 337</b>	<b>94 050 547</b>
Changes in net assets					
Reserve realised	(428 270)	-	(428 270)	428 270	-
Other	-	-	-	785 683	785 683
Net income (losses) recognised directly in net assets	(428 270)	-	(428 270)	1 213 953	785 683
Surplus for the year	-	-	-	17 161 979	17 161 979
Total recognised income and expenses for the year	(428 270)	-	(428 270)	18 375 932	17 947 662
Total changes	(428 270)	-	(428 270)	18 375 932	17 947 662
<b>Balance at 30 June 2010</b>	<b>8 364 448</b>	<b>4 019 492</b>	<b>12 383 940</b>	<b>99 614 269</b>	<b>111 998 209</b>
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**CASH FLOW STATEMENT**

	Note(s)	2010 R	2009 R
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Grants		117 569 001	104 856 973
Interest income		8 108 246	13 459 260
Other receipts		1 796 063	5 652 382
		<u>127 473 310</u>	<u>123 968 615</u>
<b>Payments</b>			
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		359 333	-
		<u>(92 696 350)</u>	<u>(94 437 899)</u>
<b>Undefined difference compared to the cash generated from operations note</b>		<b>1</b>	<b>-</b>
<b>Net cash flows from operating activities</b>	24	<b><u>34 776 961</u></b>	<b><u>29 530 716</u></b>
<b>Cash flows from investing activities</b>			
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		(1 080 510)	(29 073 565)
Proceeds from sale of other asset		-	95 485
		<u>(4 647 838)</u>	<u>(32 818 448)</u>
<b>Cash flows from financing activities</b>			
Movement in long term liabilities		(3 799 947)	(3 403 800)
		<u>(3 799 947)</u>	<u>(3 403 800)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>26 329 176</b>	<b>(6 691 532)</b>
Cash and cash equivalents at the beginning of the year		93 112 204	99 803 736
<b>Cash and cash equivalents at the end of the year</b>	5	<b><u>119 441 380</u></b>	<b><u>93 112 204</u></b>

## **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 35 to the financial statements. This is also in line with the transitional provisions as per Directive 4 of the GRAP Reporting Framework.

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.

#### **1.3 Revaluation reserve**

The surplus arising from the revaluation of property, plant and equipment is credited to a non-distributable reserve.

## ACCOUNTING POLICIES

### 1.3 Revaluation reserve (continued)

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.

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

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
- 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

## **ACCOUNTING POLICIES**

### **1.7 Financial instruments (continued)**

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 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

## **ACCOUNTING POLICIES**

### **1.7 Financial instruments (continued)**

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 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

## ACCOUNTING POLICIES

### 1.7 Financial instruments (continued)

- 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

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

## **ACCOUNTING POLICIES**

### **1.11 Unauthorised expenditure (continued)**

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 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.

## **ACCOUNTING POLICIES**

### **1.14 Leases (continued)**

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.

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

	2010 R	2009 R
<b>2. Investment deposits</b>		
<b>Held to maturity</b>		
Investment Deposits	<u>30 154 075</u>	<u>29 073 565</u>
<b>Current assets</b>		
Held to maturity	<u>30 154 075</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><b>3 070 474</b></u>	<u><b>14 195 853</b></u>

**4. VAT receivable**

VAT	<u>6 292 936</u>	<u>1 179 842</u>
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VAT is payable on the receipt basis. Only when payment is received from debtors is VAT paid over to SARS.

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

	2010 R	2009 R
<b>5. Cash and cash equivalents</b>		
Cash and cash equivalents consist of:		
Bank balances	41 303 241	22 369 505
Short-term deposits	78 138 139	70 742 699
	<b><u>119 441 380</u></b>	<b><u>93 112 204</u></b>

Short-term deposits amounting to R4 019 492 (2009: 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	1 108 781	1 029 279
Cash book balance at the end of the year	718 441	1 108 781
Bank statement balance at the beginning of the year	1 160 210	1 108 553
Bank statement balance at the end of the year	<u>961 942</u>	<u>1 160 210</u>

**Savings Account**

**ABSA Bank - Sasolburg**

**Account Number: 9070399717**

Cash book balance at the beginning of the year	20 834 375	2 923 411
Cash book balance at the end of the year	40 203 780	20 834 375
Bank statement balance at the beginning of the year	20 834 375	2 923 411
Bank statement balance at the end of the year	<u>40 203 780</u>	<u>20 834 375</u>

**Current account**

**Standard Bank - Sasolburg**

**Account number: 728670534**

Cash book balance at the beginning of the year	-	1 247 697
Cash book balance at the end of the year	-	51
Bank statement balance at the beginning of the year	-	1 247 697
Bank statement balance at the end of the year	<u>-</u>	<u>51</u>

**HIV/Aids Project Bank Account**

**ABSA Bank - Sasolburg**

**Account number: 9209269956**

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

**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
<b>Total</b>	<b>34 621 413</b>	<b>(11 803 188)</b>	<b>22 818 225</b>	<b>30 906 500</b>	<b>(8 602 167)</b>	<b>22 304 333</b>

**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
	<b>22 304 333</b>	<b>3 567 328</b>	<b>(3 053 436)</b>	<b>22 818 225</b>

**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
	<b>21 007 348</b>	<b>3 851 936</b>	<b>(11 568)</b>	<b>(2 543 383)</b>	<b>22 304 333</b>

**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.

**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)
	<b>11 803 187</b>	<b>8 602 167</b>

**7. Revaluation reserve**

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

FEZILE DABI DISTRICT MUNICIPALITY  
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**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

	2010 R	2009 R
<b>8. Long term Liabilities</b>		
<b>Loans from DBSA</b>		
External loans	34 691 132	38 491 082
Less: Current portion transferred to current liabilities	(4 241 177)	(3 611 242)
	<b><u>30 449 955</u></b>	<b><u>34 879 840</u></b>

**9. Trade and other payables**

Trade payables	7 665 713	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	-
	<b><u>32 049 182</u></b>	<b><u>24 397 503</u></b>

**10. Provisions**

**Reconciliation of provisions - 2010**

	Opening Balance	Additions	Utilised during the year	Reduction due to re- measurement or settlement without cost to entity	Total
Leave Provision	1 756 733	1 789 595	(1 396 562)	-	2 149 766
Annual Bonus Provision	743 583	1 919 600	(1 446 374)	(328 011)	888 798
	<b><u>2 500 316</u></b>	<b><u>3 709 195</u></b>	<b><u>(2 842 936)</u></b>	<b><u>(328 011)</u></b>	<b><u>3 038 564</u></b>

**11. Regional service council levies**

RSC Levies	-	<b><u>663 442</u></b>
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**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

	2010 R	2009 R
<b>12. Government grants and subsidies</b>		
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	-
	<b><u>142 816 789</u></b>	<b><u>104 856 873</u></b>

**Equitable Share**

Balance unspent at beginning of year	-	-
Current-year receipts	116 084 001	103 871 873
Conditions met - transferred to revenue	<u>(116 084 001)</u>	<u>(103 871 873)</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	750 000	250 000
Conditions met - transferred to revenue	<u>(750 000)</u>	<u>(250 000)</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	735 000	735 000
Conditions met - transferred to revenue	<u>(735 000)</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.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  
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**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

	2010 R	2009 R
<b>13. Other Income</b>		
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
	<b><u>1 568 399</u></b>	<b><u>1 549 595</u></b>
<b>14. Interest received</b>		
<b>Interest revenue</b>		
Unlisted financial assets	6 135 949	10 766 471
Bank	1 972 297	2 467 707
Interest charged on trade and other receivables	-	225 082
	<b><u>8 108 246</u></b>	<b><u>13 459 260</u></b>

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

	2010 R	2009 R
<b>15. Employee related costs</b>		
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
	<b><u>36 369 234</u></b>	<b><u>30 072 802</u></b>
<b>Remuneration of municipal manager</b>		
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
	<b><u>227 518</u></b>	<b><u>1 073 848</u></b>
<b>Remuneration of chief finance officer</b>		
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	-
	<b><u>1 135 347</u></b>	<b><u>897 849</u></b>
<b>Remuneration of Director: LED</b>		
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
	<b><u>876 435</u></b>	<b><u>699 417</u></b>
<b>Remuneration of Director: PMU</b>		
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
	<b><u>767 823</u></b>	<b><u>516 407</u></b>
<b>Remuneration of Director: Corporate Services</b>		
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

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

	2010 R	2009 R
<b>15. Employee related costs (continued)</b>	<b>962 534</b>	<b>729 126</b>
<b>Remuneration of Director: Health and Safety</b>		
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
	<b>917 359</b>	<b>801 846</b>
<b>16. Remuneration of councillors</b>		
Executive Mayor	605 811	545 391
Mayoral Committee Members	2 310 271	2 013 048
Speaker	470 654	419 636
Councillors	1 419 412	1 425 149
Councillors' pension contribution	-	36 380
	<b>4 806 148</b>	<b>4 439 604</b>
<b>In-kind benefits</b>		
<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>		
<b>17. Administrative expenditure</b>		
Administration and management fees	825 178	1 506 529
<b>18. Depreciation and amortisation</b>		
Property, plant and equipment	3 053 436	2 543 383
<b>19. Impairment of assets</b>		
<b>Impairments</b>		
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>		
<b>Total impairment losses (recognised)</b>	<b>335 020</b>	<b>-</b>
<b>20. Finance costs</b>		
Interest on long term liabilities	4 415 963	4 812 114

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

	2010 R	2009 R
<b>21. Contracted services</b>		
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><b>10 228 150</b></u>	<u><b>10 807 561</b></u>
<b>22. Grants and subsidies paid</b>		
<b>Other subsidies</b>		
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><b>36 219 994</b></u>	<u><b>10 808 682</b></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
<b>23. General expenses</b>		
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
	<b><u>38 894 812</u></b>	<b><u>26 786 597</u></b>

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

	2010 R	2009 R
<b>24. Cash generated from operations</b>		
Surplus	17 161 979	28 699 419
<b>Adjustments for:</b>		
Depreciation and amortisation	3 053 436	2 543 383
Impairment deficit	335 020	-
Movements in provisions	538 248	-
Prior period error	-	(66 754)
Other	359 334	2 214
<b>Changes in working capital:</b>		
Trade and other receivables	10 790 359	(13 195 187)
Trade and other payables	7 651 679	7 427 731
VAT	(5 113 094)	4 119 910
	<b><u>34 776 961</u></b>	<b><u>29 530 716</u></b>

**25. 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.

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

2010  
R

2009  
R

**26. 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)

**27. 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.

**28. 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.

**29. 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.

**30. Irregular expenditure**

Opening balance	1 562 814	1 678 367
Add: Irregular Expenditure - current year	970 445	1 562 814
Less: Amounts condoned by council	(2 436 909)	(1 678 367)
Less: Amounts recoverable (not condoned)	(10 922)	-
	<u>85 428</u>	<u>1 562 814</u>

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

	2010	2009
	R	R

**30. Irregular expenditure (continued)**

Irregular expenditure of R970 445 (R1 551 892 :2009) were condoned by council. Irregular expenditure of R85,428 will be submitted to council for consideration

**31. In-kind donations and assistance**

No in-kind donations or assistance were received during the year.

**32. 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	(305 905)	(240 974)
	-	-

**Audit fees**

Current year fee	1 358 645	1 350 756
Amount paid - current year	(1 358 645)	(1 350 756)
	-	-

**PAYE and UIF**

Opening balance	494 289	-
Current year payroll deduction	6 988 215	6 225 548
Amount paid - current year	(7 482 504)	(5 731 259)
	-	494 289

**Pension and Medical Aid Deductions**

Current year payroll deduction	7 511 233	3 742 547
Amount paid - current year	(7 511 233)	(3 742 547)
	-	-

**VAT**

VAT receivable	6 292 936	1 179 842
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All VAT returns have been submitted by the due date throughout the year.

**33. Actual operating expenditure versus budgeted operating expenditure**

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

**34. Actual capital expenditure versus budgeted capital expenditure**

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

**35. 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**

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

	2010	2009
	R	R

**35. 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)**

**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

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

	2010	2009
	R	R

**35. 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

**36. Related parties**

No related party transactions occurred during this financial year.

**37. 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**

2010	2009
R	R

**37. 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.

**38. Events after the reporting date**

The Municipality is not aware of any events after the reporting date..

**39. 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.

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

2010  
R

2009  
R

**40. 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
	<b>3 070 474</b>	<b>149 595 455</b>	<b>152 665 929</b>

**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
	<b>14 195 853</b>	<b>122 185 769</b>	<b>136 381 622</b>

**41. 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	32 049 181	32 049 181
Current portion of Long-term Liabilities	4 241 177	4 241 177
Provisions	3 038 563	3 038 563
	<b>69 778 879</b>	<b>69 778 879</b>

**2009**

	Financial liabilities at amortised cost	Total
Annuity Loans	34 879 840	34 879 840
Trade and other payables	24 397 503	24 397 503
Current portion of Long-term Liabilities	3 611 242	3 611 242
Provisions	2 500 316	2 500 316
	<b>65 388 901</b>	<b>65 388 901</b>

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**

<b>Loan Number</b>	<b>Redeemable</b>	<b>Balance at 30 June 2009</b>	<b>Received during the period</b>	<b>Redeemed written off during the period</b>	<b>Balance at 30 June 2010</b>	<b>Carrying Value of Property, Plant &amp; Equip</b>	<b>Other Costs in accordance with the MFMA</b>
		<b>Rand</b>	<b>Rand</b>	<b>Rand</b>	<b>Rand</b>	<b>Rand</b>	<b>Rand</b>
<b>DEVELOPMENT BANK OF SOUTH AFRICA</b>							
Stock loan @ 10%-TUMAHOLE-PARYS	10055	3 249 495	-	418 693	2 830 802	-	-
Stock loan @ 10%-MAOKENG	10054/1	3 204 639	-	412 913	2 791 726	-	-
Stock loan @ 12%-MAOKENG	10054/2	1 664 567	-	147 445	1 517 122	-	-
Stock loan @ 12%-MAOKENG-BRENT PARK	10057	4 914 987	-	536 556	4 378 431	-	-
Stock loan @ 12%-MOKWALLO-VREDEFORT	10056	4 527 400	-	494 244	4 033 156	-	-
Stock loan @ 10%-PHIRITONA-HEILBRON	10058	11 869 954	-	1 128 383	10 741 571	-	-
Stock loan @ 10%-VILJOENSKROON	10066	575 263	-	66 610	508 653	-	-
Stock loan @ 10%-ZAMDELA	10076/1	333 212	-	42 934	290 278	-	-
Stock loan @ 10%-ZAMDELA	10076/2	585 238	-	75 407	509 831	-	-
Stock loan @ 15.25%-SASOLBURG	10243	1 447 283	-	114 087	1 333 196	-	-
Stock loan @ 16.50%-SASOLBURG	13304/1	2 336 385	-	114 651	2 221 734	-	-
Stock loan @ 15.25%-SASOLBURG	13304/2	1 685 465	-	82 709	1 602 756	-	-
Stock loan @ 15.25%-SASOLBURG-KROONSTAD	10243	2 097 195	-	165 319	1 931 876	-	-
		<b>38 491 083</b>	<b>-</b>	<b>3 799 951</b>	<b>34 691 132</b>	<b>-</b>	<b>-</b>
<b>TOTAL EXTERNAL LOANS</b>		<b>38 491 083</b>	<b>-</b>	<b>3 799 951</b>	<b>34 691 132</b>	<b>-</b>	<b>-</b>

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			
Opening Balance	Additions	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	Additions through business combinations
Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand

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

**Supplementary Information**

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			
	Cost							
	Opening Balance Rand	Additions Rand	Additions - Under Construction Rand	Closing Balance Rand	Opening Balance Rand	Depreciation Rand	Closing Balance Rand	Carrying value Rand
<b>Municipality</b>								
Executive & Council	17 252 266	-	-	17 252 266	(2 038 412)	(1 071 693)	(3 110 105)	14 142 161
Corporate Support Services	771 483	52 663	-	824 146	(410 768)	(92 928)	(503 696)	320 450
Municipal Manager	313 445	45 800	-	359 245	(179 043)	(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	931 957	125 127	-	1 057 084	(388 627)	(153 400)	(542 027)	515 057
Disaster management	121 195	12 499	-	133 694	(4 760)	(25 250)	(30 010)	103 684
LED	342 860	2 605	-	345 465	(246 635)	(22 100)	(268 735)	76 730
PIMMS	255 135	-	-	255 135	(211 388)	211 388	-	255 135
Fire & Emergency Services	-	1 268 511	943 690	2 212 201	-	(243 786)	(243 786)	1 968 415
	<b>31 056 584</b>	<b>2 538 877</b>	<b>1 028 451</b>	<b>34 623 912</b>	<b>(8 749 751)</b>	<b>(3 053 437)</b>	<b>(11 803 188)</b>	<b>22 820 724</b>

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

**Supplementary Information**

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**

<b>Actual Income Rand</b>	<b>Actual Expenditure Rand</b>	<b>Surplus /(Deficit) Rand</b>	<b>Actual Income Rand</b>	<b>Actual Expenditure Rand</b>	<b>Surplus /(Deficit) Rand</b>
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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)

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APPENDIX E(1) for the ended 30 June 2010

**ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2008**

Current year 2009 Act. Bal.	Current year 2009 Bud. Amt	Variance		Prior Year # 1 2008 Forecast Amt R'000	Variance	
R'000	R'000	R'000	Var	R'000	R'000	Var

Prior Year # 1 2008 Act. Bal.	Prior Year # 1 2008 Bud. Amt	Variance		Current year 2009 Forecast Amt R'000	Variance		Budget Remaining R'000	Current year 2009 Bud. Amt R'000
R'000	R'000	R'000	Var	R'000	R'000	Var	R'000	R'000

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	Original Budget	Revised Budget	Variance	Variance	Explanation of significant variances from budget
Rand	Rand	Rand	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	Mar	Jun	Sep	Dec	Mar	Mar	Jun	Sep	Dec	Mar			