

GERT SIBANDE DISTRICT MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009



I am responsible for the preparation of these Annual Financial Statements, which are set out on pages 3 to 24, in terms of Section 126(1) of the Municipal Finance Management Act 2003 (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 15 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 Office Bearers Act 1998 (Act 20 of 1998) and the Minister of Provincial and Local Government's determination in accordance with this Act.

M A NGCOBO, *Pr.Tech.Eng, MSAICE, IMESA, FMWISA*
MUNICIPAL MANAGER

28 August 2009

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GERT SIBANDE DISTRICT MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

1. BASIS OF PRESENTATION

The Annual Financial Statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP) and the Standards of Generally Accepted Municipal Accounting Practices (GAMAP) prescribed by the Minister of Finance in terms of General Notice 991 and 992 of 2005.

The Standards are summarised as follows:

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GAMAP 4	The Effects of Changes in Foreign Exchange Rates
GAMAP 6	Consolidated Financial Statements and Accounting for Controlled Entities
GAMAP 7	Accounting for Investments in Associates
GAMAP 8	Financial Reporting of Interests in Joint Ventures
GAMAP 9	Revenue
GAMAP 12	Inventories
GAMAP 17	Property, Plant and Equipment
GAMAP 19	Provisions, Contingent Liabilities and Contingent Asset
GAMAP 6, 7 and 8 have been complied with to the extent that the requirements in these standards relate to the municipality's separate financial statements. ³	

Accounting policies for material transactions, events or conditions not covered by the above GRAP and GAMAP 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 (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 abovementioned standards and aspects or parts of these standards. Details of the exemptions applicable to the municipality have been provided in the notes to the Annual Financial Statements.

The entity has elected to early adopt the following requirement(s) in GRAP, GAMAP or SA GAAP, which were exempted in terms of General Notice 552 of 2007:

Standard No.	Standard Title	GRAP, GAMAP and/or SA GAAP REQUIREMENTS, EXEMPTED IN TERMS OF General Notice 552 of 2007, that have been early adopted
IAS 19 (AC 116)	Employee benefits	Provision is made for medical aid contributions for the next three years for a continued member who is aged 74 and has a life expectancy of three years. Provision is also made for a 5% year on year increase in the contribution(IAS 19.29, 48 – 119 and 120A(c) – (q))
GAMAP 09	Revenue	Revenue is initially measured at fair value, after which it is discounted according to the ageing model and the effected interest rate (GAMAP 9.12 and SAICA circular 9/06)

2. PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand.

3. GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on a going concern basis.

4. PROPERTY, PLANT AND EQUIPMENT (PPE)

4.1 Fixed Assets Are Stated As Follows:

- ❖ An item of property plant and equipment which qualifies for recognition as an asset shall initially be measured at cost.
- ❖ Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at the date of acquisition.
- ❖ The cost of an item of property, plant and equipment comprises its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the asset to working condition for its intended use. Any trade discounts and rebates are deducted in arriving at the purchase price.
- ❖ Directly attributable costs include the following:
 - Cost of site preparation.
 - Initial delivery and handling costs.
 - Installation cost.
 - Professional fees.
 - Estimate cost of dismantling the asset and restoring the site to the extent that it is recognised as a provision.
- ❖ A capitalization threshold value of R5,000 has been adopted whereby all expenditure below the threshold of R5,000 is expensed when incurred. The threshold will be determined annually during the budget process.

4.2 Depreciation

Property, plant and equipment are stated at cost less accumulated depreciation.

The useful lives of property plant and equipment is reviewed periodically and, if expectations are significantly different from previous estimates, the depreciation charge from the current and future periods shall be adjusted.

Where property, plant and equipment have been impaired, the carrying amount shall be reduced to the recovery amount and the reduction shall be recognized as an expense immediately.

Depreciation is calculated on cost, using the straight-line method over the estimated useful lives of the assets. No reviewing of the depreciation method and useful lives were performed in 2007/2008. The annual depreciation rates are based on the following estimated asset lives:-

<u>Infrastructure and Other</u>	<u>Years</u>
Buildings	30
Specialist vehicles	10
Other vehicles	5
Office equipment	5
Furniture and fittings	10
Construction vehicles	15

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

4.3 Disposal of Property, Plant and Equipment

- ❖ The book values of assets are written off on disposal
- ❖ The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the net book value of assets (cost less accumulated depreciation) and the sales proceeds is reflected as a gain or loss in the Statement of Financial Performance.

4.4 Impairment

Where the carrying amount of an item of Property, Plant and Equipment is greater than the estimated recoverable amount, it should be written down immediately to its recoverable amount and an impairment loss is charged to the statement of Financial Performance. At each reporting date an assessment should be undertaken to determine there is any indication that any items of PPE may be impaired by reviewing external and internal sources of information which indicates that impairments may have occurred however the impairment of assets were not assessed in the existing financial year under review as these requirements have been exempted in terms of Government Gazette 30013 of 29 June 2007.

5. FINANCIAL INSTRUMENTS

There are four categories of financial instruments: fair value through profit or loss (which includes trading), loans and receivables, held-to-maturity and available for sale. All financial assets that are within the scope of IAS 39 are classified into one of the four categories

Financial instruments include cash and bank balance, investments, trade receivables and borrowings. The municipality classifies its financial assets as loans and receivables.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified.

5.1 Accounts receivable

5.1.1 Trade and other receivables are recognised initially at cost and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables.

Significant financial difficulties of the debtor and default or delinquency in payments are considered indicators that the trade receivables are impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

5.2 Financial liabilities

Financial liabilities are recognised initially at fair value. After initial recognition financial liabilities are measured at amortised cost using the effective interest rate.

5.3 Gains and losses

Gains and losses arising from changes in financial assets or financial liabilities at amortised cost are recognised in profit and loss when the financial asset or liability is derecognised or impaired through the amortisation process.

5.4 Investments held-to-maturity

Subsequent to initial recognition, held-to-maturity assets are measured at amortised cost calculated using the effective interest method.

Accounting policy for the 2006/2007 and 2007/2008 financial years

The requirement of IAS 39.43, AG 64, AG 65, AG 79 and SAICA Circular 9 that financial instruments should initially be measured at fair value has been exempted in terms of Government Gazette 30013 of 29 June 2007.

6. TRADE CREDITORS

Accounting policy for the 2006/2007 and 2007/2008 financial years

Trade and other creditors including leave pay are recognised initially at cost in accordance with the exemptions in Government Gazette 30013 of 29 June 2007. Accordingly the creditors and leave pay were stated at nominal value and no discounting was accounted for.

6.1 Provisions

A provision is recognised when the Municipality has a present obligation (legal or constructive); as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations and hence a reliable estimate of the provision can be made. Provisions are reviewed at each statement of financial position, date and adjusted to reflect the current best estimate.

7. REVENUE RECOGNITION

Revenue shall be measured at the fair value of the consideration received or receivable. No settlement discount is applicable.

7.1 Government Grants:

Government Grants can be in the form of grants to acquire or construct fixed assets (capital grants), grants for the furtherance of national and provincial government policy objectives and general grants to subsidise the cost incurred by municipalities rendering services. Capital grants and general grants for the furtherance of government policy objectives are usually restricted revenue in that stipulations are imposed in their use.

7.2 Government grants are recognised as revenue when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably, and
- To the extent that there has been compliance with any restrictions associated with the grant.

7.3 Other grants and donations received:

Other grants and donations shall be recognised as revenue when:

- service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably, it is probable that the economic benefits or and
- To the extent that there has been compliance with any restrictions associated with the grant.

7.4 Levies:

Levies shall be recognised as revenue when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

7.5 Interest received:

Interest shall be recognized on a time proportionate basis that takes into account the effective yield on the asset.

8. CONDITIONAL GRANTS AND RECEIPTS

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

8.1 Unspent Conditional Grants

Unspent conditional grants are reflected on the statement of financial position as a current liability – unutilised conditional grants. These amounts represent unspent Government Grants and Subsidies. The following conditions are set for the creation and utilisation of these current liability amounts (Creditors)

- ◆ The cash which backs the creditor is invested until utilised
- ◆ Interest earned on the investment is treated in accordance with receipt practices of the Municipality and is recognised as interest earned.

9. 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 between three to six months or less and are subject to an insignificant risk of change in value.

10. 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). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

11. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy or as a direct result of inappropriate action being perpetrated. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

12. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

13. COMPARATIVE INFORMATION

13.1 Current year comparatives:

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

13.2 Prior year comparatives:

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

14. POST - RETIREMENT BENEFITS

14.1 General

Defined Contribution plans are benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. Obligations for contributions to defined contribution plans are recognised as an expense in the income statement as incurred.

14.2 Medical Aid: Continued Member

Post employment medical care benefits are provided by the municipality to a certain employee and their legitimate spouses. The entitlement to post-retirement medical benefits was based on the employee remaining in service up to retirement age and the completion of a minimum service period and in compliance with the rules and regulations of the Medical Aid Fund with which the Municipality is associated. The current Medical Aid Fund with which the Municipality is associated, does not provide for continued membership.

The amount recognised in the balance sheet represents the present value of the defined contribution obligation. The amount is discounted by using the market related interest rate at the balance sheet date.

15. BORROWING COSTS

Borrowing costs are recognised as an expense in the Statement of Financial Performance.

16. LEASES

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. The title may or may not eventually be transferred. All leases are for a period of less than three years and are deemed operating leases which are recognized as an expense in the statement of financial performance.

Operating lease rentals have not been recognized on the straight line basis over the term of the relevant lease as required by IAS 17 as these requirements have been exempted in terms of Government Gazette 30013 of 29 June 2007.

17. EVENTS AFTER BALANCE SHEET DATE

Recognised amounts in the financial statements are adjusted to reflect events arising after the balance sheet date that provide evidence of conditions that existed at the balance sheet date. Events after the balance sheet date that are indicative of conditions that arose after the balance sheet date are dealt with by way of a note to the financial statements

18. CONTINGENT LIABILITIES

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

GERT SIBANDE DISTRICT MUNICIPALITY

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2009

	Note	2009 R	2008 R
NET ASSETS AND LIABILITIES			
NET ASSETS		237 533 923	230 935 463
Accumulated Surplus		237 533 923	230 935 463
NON - CURRENT LIABILITIES			
Retirement Benefit	2	100 750	64 149
CURRENT LIABILITIES			
Creditors	3	69 404 947	36 034 274
Provisions	1	9 216 015	6 805 149
Unspent conditional Government grants	4	206 073	3 511 911
TOTAL NET ASSETS AND LIABILITIES		<u>316 461 708</u>	<u>277 350 946</u>
ASSETS			
NON - CURRENT ASSETS			
Property, plant and equipment	6	125 495 438	53 892 236
Long term receivables	7	120 859	228 365
CURRENT ASSETS			
Debtors	8	8 974 099	13 218 050
Investments	9	20 000 000	0
Irregular Expenditure - Recoupment	19	995 057	940 057
VAT	5	11 130 293	13 266 300
Bank balance and cash	17	149 495 002	195 587 311
Current portion of long term receivables	7	250 960	218 627
TOTAL ASSETS		<u>316 461 708</u>	<u>277 350 946</u>

GERT SIBANDE DISTRICT MUNICIPALITY

STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 30th JUNE 2009

		Actual 2009	Actual 2008
NOTE		R	R
<u>REVENUE</u>			
Regional Services Levies - remuneration		418 929	68 344
Regional Establishment Levies - turnover		5 478	289 285
Interest earned - external investments		24 667 993	21 621 274
Interest earned - other		3 121	602 506
Government grants and subsidies	11	205 617 350	179 508 732
Other income	12	4 162 058	1 139 593
Gains on disposal of property, plant and equipment		93 015	13 892
TOTAL REVENUE		234 967 943	203 243 624
<u>EXPENDITURE</u>			
Employee related costs	13	31 992 012	23 801 942
Remuneration of Councillors	14	5 734 861	5 052 321
Collection costs		0	45 370
Depreciation		1 766 353	1 501 287
Repairs and maintenance		1 086 418	665 058
Contracted services		905 153	708 842
Grants and subsidies paid	15	173 153 272	108 738 723
Grants and subsidies paid: Depreciation	15	2 628 264	1 658 077
General expenses - other		11 103 152	8 452 176
TOTAL EXPENDITURE		228 369 483	150 623 796
SURPLUS FOR THE YEAR		6 598 460	52 619 829

GERT SIBANDE DISTRICT MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2009

	NOTE	ACCUMULATED SURPLUS	TOTAL
		R	R
Balance at 1 July 2007		175 227 589	175 227 589
Surplus for the year		52 619 828	52 619 828
Prior year adjustment	20	3 088 045	3 088 045
Balance at 30 June 2008		230 935 463	230 935 463
Balance at 1 July 2008		230 935 463	230 935 463
Surplus for the year		6 598 460	6 598 460
Prior year adjustment			
Depreciation on Capitalized leased Assets	20	190 047	0
Provision for Finance Lease Liabilities		-190 047	0
Balance at 30 June 2009		237 533 923	237 533 923

GERT SIBANDE DISTRICT MUNICIPALITY

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2009

	Note	2009 R	2008 R
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from levy payers, government and other		723 008 438	506 171 975
Cash paid to suppliers and employees		<u>-697 737 561</u>	<u>-468 807 740</u>
Cash generated from operating activities	16	25 270 877	37 364 235
Interest received		24 671 114	21 621 274
Interest paid		0	-389 815
NET CASH FROM OPERATING ACTIVITIES		<u><u>49 941 991</u></u>	<u><u>58 595 694</u></u>
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		-76 365 551	-23 217 495
Proceeds on disposal of fixed assets		256 079	164 600
Decrease in non current receivables		75 173	42 450
NET CASH FROM INVESTING ACTIVITIES		<u><u>-76 034 299</u></u>	<u><u>-23 010 445</u></u>
CASH FLOW FROM FINANCING ACTIVITIES			
New loans repaid		0	-5 661 962
Other Capital receipts			
NET CASH FROM FINANCING ACTIVITIES		<u><u>0</u></u>	<u><u>-5 661 962</u></u>
NET INCREASE IN CASH AND CASH EQUIVALENTS		<u><u>-26 092 308</u></u>	<u><u>29 923 287</u></u>
Cash and cash equivalent at the beginning of the year		195 587 311	165 664 024
Cash and cash equivalent at the end of the year	17	169 495 002	195 587 311

GERT SIBANDE DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	2009	2008	
	R	R	
1 PROVISIONS			
Provision for construction	9 216 015	6 805 149	
	<u>9 216 015</u>	<u>6 805 149</u>	
Provision has been made in terms of Legal/Constructive obligations as a result of past events.			
2 RETIREMENT BENEFIT			
Contribution: Medical aid	100 750	64 149	
	<u>100 750</u>	<u>64 149</u>	
Provision has been made for contribution to the medical aid for a previously retired employee in compliance with the medical aid rulings at that point of time.			
3 CREDITORS			
Trade creditors	45 718 899	19 613 970	
Retention	18 001 179	13 011 139	
Other	2 344 839	2 371 881	
Capitalised Finance Lease Liabilities - Refer 3.1 below	331 302	0	
Staff leave pay	3 008 728	1 037 284	
Total	<u>69 404 947</u>	<u>36 034 274</u>	
3.1 Capitalised finance lease agreements are repayable in monthly installments over the ensuing two financial years and the total commitment in this regard is R324,213			
4 UNSPENT CONDITIONAL GOVERNMENT GRANTS			
MIG Grant	206 073	375 221	
MSIG Grant	0	155 501	
FMG Grant	0	1 757	
CBPWP	0	2 979 432	
Total	<u>206 073</u>	<u>3 511 911</u>	
5 VAT			
VAT receivable	11 130 293	13 266 300	
VAT is payable on the receipts basis.			
	<u>11 130 293</u>	<u>13 266 300</u>	
6 PROPERTY, PLANT AND EQUIPMENT			
30 June 2009	Cost	Accumulated Depreciation	Carrying Value
PROPERTY, PLANT AND EQUIPMENT			
Buildings	89 089 116	2 574 126	86 514 990
Other Assets	49 759 413	10 778 965	38 980 448
Total	<u>138 848 529</u>	<u>13 353 091</u>	<u>125 495 438</u>
Total fixed assets			
30 June 2008	Cost	Accumulated Depreciation	Carrying Value
PROPERTY, PLANT AND EQUIPMENT			
Buildings	26 802 397	2 161 359	24 641 038
Other Assets	36 050 558	6 799 360	29 251 198
Total	<u>62 852 955</u>	<u>8 960 719</u>	<u>53 892 236</u>
Refer Appendix B & C for more detail on property, plant and equipment			
7 LONG TERM RECEIVABLES			
Study Bursaries	120 859	152 166	
Motor Loans	250 960	294 825	
Total	<u>371 819</u>	<u>446 992</u>	
Less : Short Term Portion	-250 960	-218 627	
Total: Long Term Portion	<u>120 859</u>	<u>228 365</u>	
MOTOR LOANS			
Senior staff were entitled to motor loans which attracted interest at 8.5% per annum and which were repayable over a maximum period of 6 years. As from 1 July 2004 no new loans were approved in compliance with the MFMA.			

GERT SIBANDE DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	2009	2008
	R	R
8 DEBTORS		
Current debtors	0	6 658 754
Other Debtors	250 865	302 743
Local authorities	8 723 234	12 915 307
	<u>8 974 099</u>	<u>19 876 804</u>
Less: Provision for bad debts	0	-6 658 754
Total	<u>8 974 099</u>	<u>13 218 050</u>
Regional Services Levies: Ageing		
Current (0-30 days)	0	-20 760
31-60 Days	0	7 140
61-90 Days	0	1 984
91-120 Days	0	54 923
Over 120 Days	0	6 615 467
Total	<u>0</u>	<u>6 658 754</u>
Reconciliation of the bad debt provision		
Balance at beginning of the year	6 658 754	7 198 210
Bad Debts written off against provision	-6 658 754	0
Reversal of provision	0	-539 456
Balance at end of year	<u>0</u>	<u>6 658 754</u>
9 INVESTMENTS		
Fixed Deposits - Banking Institutions	20 000 000	0
Total	<u>20 000 000</u>	<u>0</u>
10 BANK BALANCES AND CASH		
The primary bank account is as follows:		
ABSA BANK- Secunda Account no 01053971462 Branch code - 630244		
Cashbook balance at beginning of the year	195 583 211	153 659 924
Cashbook balance at end of the year	<u>149 284 230</u>	<u>195 583 211</u>
Bank statement balance at beginning of the year	181 500 434	153 714 212
Bank statement balance at end of the year	<u>149 435 621</u>	<u>181 500 434</u>
11 GOVERNMENT GRANTS AND SUBSIDIES		
Equitable share	8 673 981	3 457 041
Revenue Replacemnet Grant	189 203 983	168 181 318
MIG Grant	169 148	3 987 040
CBPWP	2 979 432	972 668
MSIG Grant	890 501	2 064 265
FMG Grant	501 756	846 401
DWAF	3 198 548	0
Total	<u>205 617 349</u>	<u>179 508 732</u>
11.1 Equitable share		
In terms of the Constitution, this grant is utilised to subsidise basic services for the indigent community. Due to the fact that the District Municipality is not providing for basic services this grant is included in income.		
11.2 MIG Grant		
Balance unspent at the beginning of the year	375 221	5 101 968
Correction from previous year	0	-739 707
Conditions met - transfer to revenue	-169 148	-3 987 040
Conditions still to be met - transfer to liabilities (see note 4)	<u>206 073</u>	<u>375 221</u>
This grant is being used for several project with-in the Category B Municipalities in the Gert Sibande region. This project is being implemented by the District Municipality.		
11.3 MSIG Grant		
Balance unspent at the beginning of the year	155 501	1 219 766
Current year receipts	735 000	1 000 000
Conditions met - transfer to revenue	-890 501	-2 064 265
Conditions still to be met - transfer to liabilities (see note 4)	<u>0</u>	<u>155 501</u>

GERT SIBANDE DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	2009	2008
	R	R
11.4 FMG Grant		
Balance unspent at the beginning of the year	1 756	348 157
Current year receipts	500 000	500 000
Conditions met - transfer to revenue	-501 756	-846 401
Conditions still to be met - transfer to liabilities (see note 4)	<u>0</u>	<u>1 756</u>
11.5 CBPWP		
Balance unspent at the beginning of the year	2 979 432	2 952 100
Correction during the year	0	1 000 000
Conditions met - transfer to revenue	-2 979 432	-972 668
Conditions still to be met - transfer to liabilities (see note 4)	<u>0</u>	<u>2 979 432</u>
11.6 DWAF		
Balance unspent at the beginning of the year	0	0
Current year receipts	3 198 548	0
Conditions met - transfer to revenue	3 198 548	0
Conditions still to be met - transfer to liabilities (see note 4)	<u>0</u>	<u>0</u>
12 OTHER INCOME		
Tender Deposits	119 649	117 050
LGSeta allocations	117 410	353 519
Dwaf allocation	0	539 994
Other income	270 893	129 030
Donation - CIDA	3 654 107	0
Total other income	<u>4 162 058</u>	<u>1 139 593</u>
13 EMPLOYEE RELATED COSTS		
Employee related cost - Salaries and wages	23 323 353	17 277 378
Employee related cost - Contributions for UIF, pensions and medical aids	5 095 573	3 769 501
Travel and other allowances	2 740 628	2 067 640
Housing benefits and allowances	224 318	191 692
Overtime payment	240 691	211 542
Annual bonus	367 449	284 189
Total Employee related costs	<u>31 992 012</u>	<u>23 801 942</u>
There were no advances to employees. No new loans was approved. Current loans are set out in note 7.		
Remuneration of the Municipal Manager		
Annual Remuneration	651 611	627 030
Annual bonus - Provision	89 889	69 167
Car allowances	152 116	132 652
Contributions to UIF, Medical and pension funds.	136 094	151 004
Total	<u>1 029 710</u>	<u>979 853</u>
Remuneration of the Chief Financial Officer		
Annual Remuneration	474 587	466 472
Annual bonus - Provision	70 200	48 217
Car allowances	118 647	102 870
Contributions to UIF, Medical and pension funds.	57 919	10 401
Total	<u>721 353</u>	<u>627 960</u>
Remuneration of Individual Executive Directors		
30 June 2009		
	Corporate Services	MIS
	R	R
Annual Remuneration	255 013	473 125
Annual bonus - Provision		70 200
Car allowances	50 541	113 367
Contributions to UIF, Medical and pension funds.	57 045	132 396
Total	<u>362 599</u>	<u>789 089</u>
30 June 2009		
	IGR	Mayor's Office
	R	R
Annual Remuneration	452 636	521 591
Annual bonus - Provision	66 960	70 200
Car allowances	113 159	62 105
Contributions to UIF, Medical and pension funds.	55 433	140 860
Total	<u>688 188</u>	<u>794 756</u>
30 June 2008		
	Corporate Services	MIS
	R	R
Annual Remuneration	496 467	460 333
Annual bonus - Provision	54 167	54 167
Car allowances	91 574	102 880
Contributions to UIF, Medical and pension funds.	103 784	119 246
Total	<u>745 992</u>	<u>736 626</u>
30 June 2008		
	IGR	Mayor's Office
	R	R
Annual Remuneration	273 810	459 946
Annual bonus - Provision	4 306	54 167
Car allowances	68 812	55 895
Contributions to UIF, Medical and pension funds.	4 589	126 657
Total	<u>351 517</u>	<u>696 666</u>

For 2009 an amount of R367,449 is provided as annual bonus for management, and

included as a creditor in note 3.

GERT SIBANDE DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	2009	2008
	R	R
14 COUNCILLORS REMUNERATION		
Executive Mayor	485 544	438 816
Speaker	388 367	351 268
Mayoral Committee's allowance	1 800 235	1 546 744
Councillor's	2 347 944	2 124 239
Councillor's pension fund	500 813	438 905
Medical aid contribution	199 106	140 334
UJF Contribution	12 852	12 016
Total Councillors Remuneration	<u>5 734 861</u>	<u>5 052 321</u>
IN-KIND BENEFITS		
The Executive Mayor, Speaker and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council. The Mayor is staying in a house of Council.		
15 GRANTS AND SUBSIDIES PAID		
Grants paid to local Municipalities	172 962 433	108 639 183
Grants paid to charities	190 839	99 540
	<u>173 153 272</u>	<u>108 738 723</u>
Grants applied to local Municipalities for GSDM vehicles utilised: Depreciation	2 628 264	1 658 077
Total Grants and Subsidies	<u>175 781 536</u>	<u>110 396 800</u>
16 CASH GENERATED BY OPERATIONS		
Surplus for the year	6 598 460	52 619 828
Adjustments for:-		
Depreciation	4 584 664	3 159 365
Contribution to provisions	2 410 866	6 805 149
Gain on disposal of property, plant and equipment	-78 394	-13 892
Assets adjustment		816 906
Prior year adjustment		3 088 045
Interest income	-24 671 114	-21 621 274
Interest paid		389 815
Operating surplus before working capital charges	<u>-11 155 518</u>	<u>45 243 943</u>
(Increase)/decrease in Debtors	4 188 951	-242 409
Increase/ (decrease) in unspent conditional grant and receipts	-3 305 838	-6 110 080
Increase/ (decrease) on VAT receivable	2 136 007	2 798 142
Increase/(decrease) in Creditors	<u>33 407 274</u>	<u>-4 325 361</u>
Cash generated by operations	25 270 877	37 364 235
17 CASH AND CASH EQUIVALENTS		
Cash and cash equivalents included in the cash flow statement comprise the following statement of amounts indicating financial position:		
Bank balance - ABSA	149 284 230	195 583 211
Bank balance - Nedbank	204 673	
Petty cash	6 100	4 100
Investments	20 000 000	
Total	<u>169 495 002</u>	<u>195 587 311</u>
18 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT		
18.1 Contributions to organized local government		
Opening balance	0	0
Council subscriptions	213 459	158 459
Amount paid - current year	213 459	158 459
Balance unpaid	<u>0</u>	<u>0</u>
18.2 Audit fees		
Opening balance	0	0
Current year audit fees	1 029 847	882 277
Amount paid - current year	1 029 847	882 277
Balance unpaid	<u>0</u>	<u>0</u>

GERT SIBANDE DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	2009	2008
	R	R
18.3 VAT		
All VAT returns have been submitted by the due date throughout the year. The VAT receivables are shown in note 5.		
18.4 Payee and UIF		
Opening balance	0	0
Current year payroll deduction and Council Contributions	5 478 101	4 378 955
Amount paid - current year	5 478 101	4 378 955
Balance unpaid	<u>0</u>	<u>0</u>
18.5 Pension and Medical Aid Deductions		
Opening balance	0	0
Current year payroll deduction and Council Contributions	7 801 037	6 342 583
Amount paid - current year	7 801 037	6 342 583
Amount paid - previous year	0	0
Balance unpaid	<u>0</u>	<u>0</u>
19 IRREGULAR EXPENDITURE - RECOURPMENT		
Forged cheque	<u>995 057</u>	<u>940 057</u>
A factual findings report was undertaken by a reputed firm of Forensic Auditors and this document was tabled with GSDM's Insurance company as the potential loss shall be further reduced with an insurance compensation. Legal processes are currently in place to recover any outstanding loss from perpetrators who have been identified by the SAPS.		
Incorrect payment - SARS		
In addition during 2008/2009 an amount of R120,000.35 was inadvertently paid to an individual who misrepresented himself as a SARS employee. A forensic/legal and other processes are currently being undertaken to ensure full recovery of loss is achieved.		
20 PRIOR YEAR ADJUSTMENT		
Non Realisation - creditors for Short term	0	3 088 045
Depreciation on capitalized leased Assets - Prior year	190 047	0
Provision for finance lease liability	<u>-190 047</u>	<u>0</u>
	<u>0</u>	<u>3 088 045</u>
21 CHANGES OF ACCOUNTING POLICIES		
During the current financial year and in order to comply with GRAP standard no 13 the operating leases were reclassified as capitalised leased assets.		
22 CAPITAL AND OTHER COMMITMENTS		
Commitment in respect of capital and other expenditure		
- Approved and contracted for Capital Projects	230 044 846	264 820 421
Total	<u>230 044 846</u>	<u>264 820 421</u>
This expenditure will be financed from:		
-Own Resources	230 044 846	264 820 421
Total	<u>230 044 846</u>	<u>264 820 421</u>

GERT SIBANDE DISTRICT MUNICIPALITY

APPENDIX B

ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2009

	COST					ACCUMULATED DEPRECIATION				CARRYING VALUE	BUDGET 2009
	OPENING BALANCE	ADDITIONS	WORK IN PROGRESS	DISPOSALS / TRANSFERS	CLOSING BALANCE	OPENING BALANCE	ADDITIONS	DISPOSALS / TRANSFERS	CLOSING BALANCE		
	R	R	R	R	R	R	R	R	R		
LAND AND BUILDINGS											
Building	26 802 397	905 064	61 381 655	0	89 089 116	2 161 359	412 767	0	2 574 126	86 514 990	60 831 693
	26 802 397	905 064	61 381 655	0	89 089 116	2 161 359	412 767	0	2 574 126	86 514 990	60 831 693
OTHER ASSETS											
Equipment	4 698 403	382 809	0	32 704	5 048 508	3 332 340	579 611	10 849	3 901 102	1 147 406	562 036
Furniture	392 815	10 250	0	0	403 065	157 254	40 306	0	197 560	205 505	10 250
Vehicles	30 959 340	12 923 304	0	337 273	43 545 371	3 309 766	3 120 813	181 443	6 249 136	37 296 235	11 390 724
Capitalised Lease Assets	-	762 469	0	0	762 469	0	431 167	0	431 167	331 302	-
	36 050 558	14 078 832	0	369 977	49 759 413	6 799 360	4 171 897	192 292	10 778 965	38 980 448	11 963 010
TOTAL	62 852 955	14 983 896	61 381 655	369 977	138 848 529	8 960 719	4 584 664	192 292	13 353 091	125 495 438	72 794 703

GERT SIBANDE DISTRICT MUNICIPALITY

APPENDIX C

SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT

30 JUNE 2009

	COST					ACCUMULATED DEPRECIATION				CARRYING VALUE
	OPENING BALANCE 1/7/2008	ADDITIONS	WORK IN PROGRESS	DISPOSALS / TRANSFERS	CLOSING BALANCE 30/6/2009	OPENING BALANCE 1/7/2008	ADDITIONS	DISPOSALS / TRANSFERS	CLOSING BALANCE 30/6/2009	
	R	R		R	R	R	R	R	R	
Executive and Council	18 913 350	2 381 455	61 381 655	0	82 676 460	501 571	607 400	0	1 108 971	81 567 489
Finance and admin	17 332 253	955 133	0	355 977	17 931 409	6 090 287	1 255 119	190 420	7 154 986	10 776 423
Planning and development	549 088	55 470	0	14 000	590 558	169 270	93 881	1 872	261 279	329 279
Local Authorities	26 058 264	11 591 838	0	0	37 650 102	2 199 591	2 628 264	0	4 827 855	32 822 247
TOTAL	62 852 955	14 983 896	61 381 655	369 977	138 848 529	8 960 719	4 584 664	192 292	13 353 091	125 495 438

GERT SIBANDE DISTRICT MUNICIPALITY

APPENDIX D

SEGMENTAL STATEMENT OF PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2009

2008	2008	2008		2009	2009	2009
Actual Income	Actual Expenditure	Surplus		Actual Income	Actual Expenditure	Surplus
R	R	R		R	R	R
4 959 707	110 297 260	-105 337 553		6 347 128	175 590 696	-169 243 568
4 959 707	110 297 260	-105 337 553	Contribution to Local Authorities	6 347 128	175 590 696	-169 243 568
198 283 917	40 226 996	158 056 919		228 620 815	52 587 948	176 032 867
404 673	22 301 073	-21 896 401	Corporate Services	3 684 517	25 098 165	-21 413 648
195 254 501	6 309 547	188 944 953	Budget & Treasury	224 727 797	8 219 106	216 508 691
2 608	1 868 647	-1 866 038	Health	174	2 036 877	-2 036 703
2 620 695	9 746 289	-7 125 595	MIS & IGR	205 840	13 759 309	-13 553 469
847	847	0	Municipal Buildings	1 232	1 752 109	-1 750 877
593	593	0	Computer Services	1 256	1 722 383	-1 721 127
0	99 540	-99 540		0	190 839	-190 839
0	99 540	-99 540	Donations	0	190 839	-190 839
203 243 624	150 623 797	52 619 826		234 967 943	228 369 484	6 598 460

GERT SIBANDE DISTRICT MUNICIPALITY

APPENDIX E(2)

ACTUAL CAPITAL EXPENDITURE VERSUS BUDGET FOR THE YEAR 30JUNE 2009

	2009 ACTUAL	2009 WORK IN PROGRESS	2009 TOTAL ADDITIONS	2009 BUDGET	2009 VARIANCE	2009 VARIANCE	EXPLANATION OF SIGNIFICANT VARIANCES GREATER THAN 5% VERSUS BUDGET
	R	R	R	R	R	%	
LAND AND BUILDINGS							
Building	905 064	61 381 655	62 286 719	60 831 693	(1 455 026)	-2.39%	Refer to Section 31(a) of the MFMA regarding expenditure on capital projects
	905 064	61 381 655	62 286 719	60 831 693	(1 455 026)	0	
OTHER ASSETS							
Equipment	382 809	-	382 809	562 036	179 227	31.89%	Less equipment was procured than anticipated due to restriction of office space
Furniture	10 250	-	10 250	10 250	0	0.00%	
Vehicles	12 923 304	-	12 923 304	11 390 724	(1 532 580)	-13.45%	2 additional disaster management vehicles had to be procured
Capitalised Lease assets	762 469	-	762 469	-	-	0.00%	Change in accounting policy regarding lease assets
	14 078 832	-	14 078 832	11 963 010	(1 353 353)		
TOTAL	14 983 896	61 381 655	76 365 551	72 794 703	(2 808 379)	0	

GERT SIBANDE DISTRICT MUNICIPALITY

APPENDIX E (1)

ACTUAL OPERATING REVENUE AND EXPENDITURE VERSUS BUDGET FOR THE YEAR ENDED 30 JUNE 2009

	Actual 2009	Budget 2009	Variance 2009	Variance 2009	Explanation of variances greater than 10%
	R	R	R	%	
REVENUE					
Regional Services Levies - remuneration	418 929	394 640	24 289	6%	
Regional Services Levies - turnover	5 478	3 840	1 638	43%	Recoupment of Levypayers debts previously written off
Interest earned - external investments	24 667 993	17 998 080	6 669 913	37%	Due to projects late implementation, more funds were available for investment.
Interest earned - outstanding debtors	3 121	1 920	1 201	63%	Interest received on outstanding motorloan which was not budgeted
Government grants and subsidies	205 617 350	207 833 672	-2 216 322	-1%	
Other income	4 255 073	5 305 150	-1 050 077	-20%	The donation from the Canadian International Development agency(CIDA) was less than budgeted.
TOTAL REVENUE	234 967 943	231 537 302	3 430 641	1%	
EXPENDITURE					
Employee related cost	31 992 012	34 643 983	-2 651 971	-8%	Not all positions were filled on the organigram, resulting in less expenditure than budgtd for
Remuneration of Councillors	5 734 861	6 027 970	-293 109	-5%	
Depreciation	1 766 353	1 419 690	346 663	24%	Depreciation on leases was not budgeted for
Repairs and maintenance	1 086 418	1 122 576	-36 159	-3%	
Contracted services	905 153	910 000	-4 847	-1%	
Grants and subsidies paid	175 781 535	183 466 747	-7 685 211	-4%	
General expenses - other	11 103 152	12 614 381	-1 511 229	-12%	Less was spent on general expenditure than budgeted for
TOTAL EXPENDITURE	228 369 484	240 205 347	-11 835 863	-5%	
SURPLUS FOR THE YEAR	6 598 460	-8 668 045	15 266 504		

GERT SIBANDE DISTRICT MUNICIPALITY

APPENDIX F

DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

GRANTS AND SUBSIDIES RECEIVED

Name of Grants	Opening balance	Quarterly Receipts				Total	Quarterly Expenditure				Total	Closing balance	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 non-compliance
		Sept	Dec	March	June		Sept	Dec	March	June						
Equitable share		2 891 327	2 891 327	2 891 327		8 673 981	2 168 495	2 168 495	2 168 495	2 168 495	8 673 981	0	2009	N/A	YES	N/A
MIG Grant	375 221					375 221			43 913	125 236	169 148	206 073		N/A	YES	N/A
MSIG Grant	155 501	735 000				890 501	155 501	182 923	111 490	440 587	890 501	0		N/A	YES	N/A
FMG Grant	1 756	500 000				501 756	161 218	163 080	125 969	51 489	501 756	0		N/A	YES	N/A
Revenue Replacement Grant		63 067 994	46 578 164	79 557 825		189 203 983	47 300 996	47 300 996	47 300 996	47 300 996	189 203 983	0		N/A	YES	N/A
CBPWP	2 979 432					2 979 432	287 988	740 110	433 967	1 517 368	2 979 432	0		N/A	YES	N/A
DWAF		1 441 000		1 757 548		3 198 548		832 972	440 246	1 925 330	3 198 548	0		N/A	YES	N/A
TOTAL	3 511 910	68 635 321	49 469 491	84 206 700	0	205 823 422	50 074 198	51 388 575	50 625 077	53 529 501	205 617 350	206 073				