



Sedibeng District Municipality

**Annual Financial Statements
for the year ended 30 June 2009**

Sedibeng District Municipality

Annual Financial Statements for the year ended 30 June 2009

General Information

| | |
|--|---|
| The following is included in the scope of operation | District Municipality |
| Grading of local authority | Grade 11 Local Authority |
| Accounting Officer | Mr Yunus Chamda (Acting) |
| Chief Finance Officer (CFO) | Mr Brendon Scholtz |
| Registered office | Municipal Offices Civic Centre Cnr. Beaconsfield & Leslie street Vereeniging 1930 |
| Business address | Municipal Offices Civic Centre Cnr. Beaconsfield & Leslie street Vereeniging 1930 |
| Postal address | PO Box 471 Vereeniging 1930 |
| Bankers | ABSA Bank |
| Auditors | Auditor General |

Sedibeng District Municipality

Annual Financial Statements for the year ended 30 June 2009

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Abbreviations

| | |
|-------|--|
| DBSA | Development Bank of South Africa |
| GRAP | Generally Recognised Accounting Practice |
| IAS | International Accounting Standards |
| IMFO | Institute of Municipal Finance Officers |
| IPSAS | International Public Sector Accounting Standards |
| MEC | Member of the Executive Council |
| MFMA | Municipal Finance Management Act |
| MIG | Municipal Infrastructure Grant (Previously CMIP) |
| GAMAP | Generally Accepted Municipal Accounting Practice |
| PPE | Property Plant and Equipment |
| DPLG | Department of Planning & Local Government |

Sedibeng District Municipality

Annual Financial Statements for the year ended 30 June 2009

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are responsible for reporting on the fair presentation of the annual financial statements.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practices (GRAP).

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavors to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behavior are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2010 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 19 of these financial statements are within the upper limits of the framework envisaged in section 219 of the Constitution, read with the Remuneration of the Public Office Bearers Act and the Minister of the Provincial and Local Government's determination in accordance with the act.

The annual financial statements set out on pages 4 to 40, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2009 and were signed:

Mr Yunus Chamda (Acting)

CHIEF FINANCIAL OFFICER'S REPORT - COMPARATIVE ANALYSIS OF THE ANNUAL FINANCIAL STATEMENTS FOR YEAR ENDING 30 JUNE 2009

The basic objectives of financial reporting are:

- To assist in fulfilling the municipality's duty to be publicly accountable and to enable stakeholders to assess accountability;
- To assist stakeholders in evaluating the operating performance of the municipality for the year; and
- To assist stakeholders in assessing the level of services that can be provided by the municipality and its ability to meet obligations as they become due.

The application of financial ratio analysis enables our stakeholders to inform decision making with regards to:

- Ability to meet long-term commitments;
- Ability to meet short-term commitments from liquid resources;
- Determine whether investments are yielding acceptable returns;
- Reduce risks arising from below average performance; and
- Make recommendations to address challenges.

Statement of Financial Position

The financial position of a municipality is directly measured by the number of resources controlled by the municipality from which future economic benefits are expected (assets), obligations resulting in a outflow of municipal resources (liabilities) and the residual interest of the constituents in the assets of the municipality (net assets).

At the year ending 30 June 2009 there was:

- A 52% growth in municipal assets from the previous year, and
- A 26% growth in liabilities from the previous year, resulting in
- A 60% growth in the municipal net assets from the previous year.

1. Current Ratio:

This ratio is used as an indicator of the ability to pay current debt.

(Total current assets x 100) ÷ Total current liabilities = Current ratio

| | |
|-------------------------|------------------|
| 2008 | |
| (174 270 610 x 100) ÷ | 52 678 573 = 331 |

| |
|--|
| 2009 |
| (221 201 520 x 100) ÷ 66 390 202 = 333 |

This shows improvement in 2009 from 2008 on Sedibeng District Municipality's ability to cover its current debt.

Statement of Financial Performance

Surplus or deficit is used to measure financial performance and directly related to the measurement of revenue and expenditure for the reporting period.

- For the year ending 30 June 2009, a surplus of R 9,026,591 was declared.
- Increase/ decrease per expenditure category is as listed below:

| Expenditure per Category: | 2009 | 2008 | Inc+/Dec- |
|-----------------------------|-------------|-------------|-----------|
| Employee related costs | 158 715 935 | 124 102 310 | 27.89% |
| Remuneration of councillors | 7 215 362 | 7 114 026 | 1.42% |
| Depreciation & amortisation | 6 899 086 | 5 483 078 | 25.83% |
| Finance costs | 29 623 | 68 335 | -56.65% |
| Debt impairment | 3 663 701 | 352 563 | 939.16% |
| Repairs & maintenance | 6 935 182 | 2 623 603 | 164.34% |
| Contracted services | 24 479 909 | 19 253 052 | 27.15% |
| Grants & subsidies paid | 29 724 916 | 19 001 178 | 56.44% |
| Operating expenses | 54 579 209 | 43 335 552 | 25.95% |
| | 292 242 923 | 221 333 697 | 32.04% |

1. Expenditure per Category to Total Income:

This ratio provides useful information on income and expenditure tendencies and trends as well as what portion of revenue is allocated to different types of expenditure.

(Expenditure category ÷ Total Income) x 100% = Percent allocated

| Expenditure per Category: | 2009 | % to Income |
|-----------------------------|-------------|-------------|
| Employee related costs | 158 715 996 | 52.68% |
| Remuneration of councillors | 7 215 362 | 2.39% |
| Depreciation & amortisation | 6 899 086 | 2.29% |
| Finance costs | 29 623 | 0.01% |
| Debt impairment | 3 663 701 | 1.22% |
| Repairs & maintenance | 6 935 182 | 2.30% |
| Contracted services | 24 479 909 | 8.13% |
| Grants & subsidies paid | 29 724 916 | 9.87% |
| Operating expenses | 54 579 209 | 18.12% |

2. Accumulated Surplus:

The showing of accumulated surplus against total income is used as an indicator of ability to generate additional income to inform decision-making on evaluating potential to afford future long-term commitments.

$$(\text{Accumulated Surplus} \div \text{Total Income}) \times 100\% = \text{Ratio}$$

| | | | | | | | | |
|---|-------------|---|-------------|---|---|-----|---|--------|
| (| 186,458,915 | ÷ | 301 287 201 |) | x | 100 | = | 61.89% |
|---|-------------|---|-------------|---|---|-----|---|--------|

A surplus generated of R 9,026,591 for the year ending 30 June 2009; implying an accumulated surplus of R 186,458,915 as at 30 June 2009.

Statement of Changes in Net Assets

The purpose of this statement is to disclose transactions impacting on the components of community wealth (net assets) included in the statement of financial position. These transactions may include adjustments and movements to and from funds.

Cash Flow Statement

The information within the cash flow statement informs management decision-making on how much cash is required to perform activities and how to optimally control cash.

1. Cash to Operating Income:

This ratio indicates the degree to which cash increased in relation to the operating income.

$$\text{Ratio} = (\text{Cash generated from operations}) \div (\text{Operating Income})$$

| | | | | |
|--------|---|------------|---|-------------|
| 14.36% | = | 43 259 057 | ÷ | 301 287 201 |
|--------|---|------------|---|-------------|

2. Working Capital to Net Cash Flow:

In this ratio, the percentage influence of the change in working capital on net cash flow is shown. Working capital is the difference between current assets and current liabilities. A municipality can be endowed with assets and profitability but short of liquidity if its assets cannot readily be converted into cash. Positive working capital is required to ensure that operations may continue and that there are sufficient funds to satisfy both maturing short-term debt and upcoming operational expenses. If current assets are less than current liabilities, it is a working capital deficiency, also called a working capital deficit.

Ratio = (Changes in Working Capital) ÷ (Net Cash Flow)

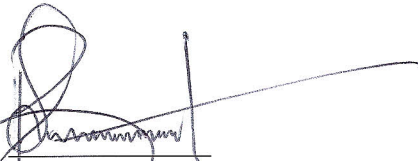
| | | | | | | | | |
|--------|---|---|-------------|---|------------|---|---|-------------|
| 89.89% | = | (| 221,201,520 | - | 66,390,202 |) | ÷ | 172 231 915 |
|--------|---|---|-------------|---|------------|---|---|-------------|

These ratios are indicators that the municipality is currently in a sound position to:

- Meet long-term commitments; and
- Meet short-term commitments from liquid resources

as well as to assist and inform any medium-term budgetary, investment and/ or policy decision-making.

Yours faithfully



BJ Scholtz
Chief Financial Officer

Sedibeng District Municipality

Annual Financial Statements for the year ended 30 June 2009

Accounting Officer's Report

The accounting officer submits his report for the year ended 30 June 2009.

1. Incorporation

The municipality was incorporated on 01 January 1988.

2. Going concern

We draw attention to the fact that at 30 June 2009, the municipality had accumulated surplus of R 186,458,915 and that the municipality's total assets exceed its liabilities by R 284,822,438.

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.

3. Accounting policies

The annual financial statements are prepared in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

4. Accounting Officer

The accounting officers of the municipality during the year and to the date of this report are as follows:

| Name | Nationality | Changes |
|--------------------------|-------------|---|
| Ms Lisa Seftel | RSA | Resigned 31 January 2009 |
| Mr Yunus Chamda (Acting) | RSA | Appointed as acting 01 February 2009 |

5. Bankers

The Current banker appointed by Council through a formal tender process is ABSA bank.

6. Auditors

The Auditor General will continue in office for the next financial period.

Sedibeng District Municipality

Annual Financial Statements for the year ended 30 June 2009

Statement of Financial Position

| Figures in Rand | Note(s) | 2009 | 2008 |
|---|---------|--------------------|--------------------|
| Assets | | | |
| Current Assets | | | |
| Cash and cash equivalents | 2 | 172,231,917 | 117,123,421 |
| Construction of Assets in progress | 5 | 33,770,414 | 25,586,584 |
| Inventories | 6 | 32,257 | - |
| Trade and other receivables from exchange transactions | 7 | 13,484,960 | 29,553,768 |
| Other receivables from non-exchange transactions, including taxes and transfers | 8 | 1,681,972 | 2,006,834 |
| | | 221,201,520 | 174,270,610 |
| Non-Current Assets | | | |
| Property, plant and equipment | 4 | 129,620,691 | 55,725,495 |
| Intangible Assets | 4 | 390,429 | 985,157 |
| | | 130,011,120 | 56,710,652 |
| Total Assets | | 351,212,640 | 230,981,262 |
| Liabilities | | | |
| Current Liabilities | | | |
| Financial lease liabilities | 10 | 60,021 | 331,156 |
| Unspent conditional grants and receipts | 11 | 26,400,030 | 20,153,769 |
| Provisions | 12 | 1,708,160 | 2,059,670 |
| Trade and other payables from exchange transactions | 13 | 38,221,991 | 30,133,978 |
| | | 66,390,202 | 52,678,573 |
| Non-Current Liabilities | | | |
| Financial lease liabilities | 10 | - | 59,754 |
| Total Liabilities | | 66,390,202 | 52,738,327 |
| Net Assets | | | |
| Reserves | | | |
| Revaluation reserve | 9 | 96,316,141 | - |
| Government grant reserve | 9 | 2,047,383 | 20,589,054 |
| Accumulated surplus | | 186,458,915 | 157,653,881 |
| Total Net Assets | | 284,822,438 | 178,242,935 |
| Total Net Assets and Liabilities | | 351,212,640 | 230,981,262 |

Sedibeng District Municipality

Annual Financial Statements for the year ended 30 June 2009

Statement of Financial Performance

| Figures in Rand | Note(s) | 2009 | 2008 |
|--|---------|----------------------|----------------------|
| Revenue | | | |
| Sale of Fuel | 14 | 371,463 | - |
| Rental Income | 14 | 8,026,490 | 7,556,372 |
| Interest received – outstanding levies | 14 | 13,238 | 140,825 |
| Income from agency services | 14 | 4,057,196 | 3,652,677 |
| Licenses and permits | 14 | 38,477,430 | 36,602,220 |
| Government grants | 15 | 228,808,544 | 219,292,588 |
| Other income | 16 | 2,091,036 | 1,249,024 |
| Interest received - investment | 20 | 19,441,804 | 14,788,596 |
| Total Revenue | | 301,287,201 | 283,282,302 |
| Expenditure | | | |
| Debt impairment | 7.2 | (3,663,701) | (352,563) |
| Operating Expenditure | 17 | (54,579,209) | (43,335,552) |
| Employee related costs | 18 | (158,715,935) | (124,102,310) |
| Remuneration of councilors | 19 | (7,215,362) | (7,114,026) |
| Depreciation and amortisation | 21 | (6,899,086) | (5,483,078) |
| Finance costs | 22 | (29,623) | (68,335) |
| Repairs and maintenance | | (6,935,182) | (2,623,603) |
| Contracted services | 24 | (24,479,909) | (19,253,052) |
| Grants and subsidies paid | 25 | (29,724,916) | (19,001,178) |
| Total Expenditure | | (292,242,923) | (221,333,697) |
| Losses on disposal of assets | | (17,687) | (24,331) |
| Surplus for the year | | 9,026,591 | 61,924,274 |

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Annual Financial Statements for the year ended 30 June 2009

Statement of Changes in Net Assets

| Figures in Rand | Note(s) | Revaluation Reserve | Government grant reserve | Accumulated surplus | Total net assets |
|--|---------|---------------------|--------------------------|---------------------|--------------------|
| Balance at 01 July 2007 | | | 21,841,128 | 96,693,773 | 118,534,901 |
| Changes in net assets | | | | | |
| Offset Depreciation | 9 | | (1,260,829) | - | (1,260,829) |
| Capital Grants used to purchase PPE | 9 | | 29,897 | - | 29,897 |
| Implementation of GAMAP - GGR | 9 | | (21,143) | - | (21,143) |
| Adjustments | 40 | | - | (964,165) | (964,165) |
| Net income (expenses) recognised directly in net assets | | | (1,252,075) | (964,165) | (2,216,240) |
| Surplus for the year – previously reported | | | | 61,946,946 | 61,946,946 |
| Restatement of operating lease liability on the straight line method | 3 | | | (22,672) | (22,672) |
| Re-stated Surplus for the year | | | | - | 61,924,274 |
| Total changes | | | (1,252,075) | 60,960,109 | 59,708,034 |
| Balance at 01 July 2008 | | | 20,589,053 | 157,653,881 | 178,242,935 |
| Changes in net assets | | | | | |
| Surplus for the year | | | - | 9,026,591 | 9,026,591 |
| Capital Grants used to purchase PPE | 9 | | 124,830 | - | 124,830 |
| Asset revaluation on land & buildings | 9 | 96,523,918 | | | 96,523,918 |
| Asset Disposal | 9 | | (8,773) | | (8,773) |
| Asset Transfers | 9 | | (17,405,572) | - | (17,405,572) |
| Offset depreciation | 9 | (207,777) | (1,252,155) | - | (1,459,932) |
| Adjustments | 40 | | - | 19,778,443 | 19,778,443 |
| Total changes | | 96,316,141 | (18,541,670) | 28,805,034 | 106,579,503 |
| Balance at 30 June 2009 | | 96,316,141 | 2,047,383 | 186,458,915 | 284,822,438 |

Sedibeng District Municipality

Annual Financial Statements for the year ended 30 June 2009

Cash Flow Statement

| Figures in Rand | Note(s) | 2009 | 2008 |
|---|---------|--------------------|--------------------|
| Cash flows from operating activities | | | |
| Cash from Government Grants and other receipts | 26 | 467,557,659 | 399,246,419 |
| Cash paid to suppliers and employees | 27 | (424,298,602) | (380,951,697) |
| Cash generated from operations | 28 | 43,259,057 | 18,294,722 |
| Interest income | | 19,441,804 | 14,788,596 |
| Loss on disposal of property, plant and equipment | 4 | (121,861) | (24,331) |
| Finance lease payments | | (29,623) | (68,335) |
| Net cash from operating activities | | 62,549,377 | 32,990,652 |
| Cash flows from investing activities | | | |
| Acquisition of property, plant and equipment | 4 | (7,214,169) | (7,892,657) |
| Proceeds on disposal of property, plant and equipment | | 104,170 | |
| Net cash from investing activities | | (7,109,999) | (7,892,657) |
| Cash flows from financing activities | | | |
| Repayment of financial lease liabilities | | (330,889) | (289,464) |
| Net cash from financing activities | | (330,889) | (289,464) |
| Total cash movement for the year | | 55,108,489 | 24,808,531 |
| Cash at the beginning of the year | | 117,123,424 | 92,314,890 |
| Net increase (decrease) in cash and cash equivalents | 2 | 172,231,913 | 117,123,421 |

Sedibeng District Municipality

Annual Financial Statements for the year ended 30 June 2009

Accounting Policies

1. BASIS OF ACCOUNTING

1.1 BASIS OF PRESENTATION

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

The annual financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practice (GRAP), including any interpretations and directives issued by the Accounting Standards Board and in accordance with action 122(3) of the MFMA,(ACT No 56 of 2003).

The principal accounting policies adopted in the preparation of these annual financial statements are set out below.

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

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant accounting policy.

The Accounting Standards Board has issued Directive 4, Transitional Provisions for the Adoption of Standards of GRAP by Medium and Low Capacity Municipalities. The details of the effect of this directive on the accounting policies are explained in the relevant accounting policy.

1.2 PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.3 GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months.

1.4 COMPARATIVE INFORMATION

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.5 SIGNIFICANT ESTIMATES, JUDGEMENTS AND ASSUMPTIONS

In preparing the annual financial statements to conform with the standards of GRAP, management is required to make estimates, judgments and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgment are inherent in the formation of estimates. Actual results in the future may differ from these estimates which may be material to the annual financial statements.

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Annual Financial Statements for the year ended 30 June 2009

Accounting Policies

All significant estimates, judgments and underlying assumptions are reviewed on constant basis. All necessary revisions of significant estimates are recognised in the period during such revisions as well as in any future affected periods.

Specific areas where these significant estimation uncertainties as well as critical judgments and assumptions were made in the application of accounting policies with the most significant effect in the annual financial statements are included in the following notes:

Note 12: Provisions

Note 7.2: Debt Impairment

1.6 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following approved standards of GRAP that are not yet effective are not likely to affect the annual financial statements when they are adopted since the accounting policies have been determined based on the principles in these standards:

GRAP 18 Segment Reporting

GRAP 21 Impairment of Non-cash-generating Assets

GRAP 23 Revenue from Non-Exchange Transactions (Taxes and Transfers)

GRAP 24 Presentation of Budget Information in Financial Statements

GRAP 26 Impairment of Cash-generating Assets

GRAP 104 Financial Instruments

2. PROPERTY, PLANT AND EQUIPMENT

2.1 INITIAL RECOGNITION

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

Sedibeng District Municipality

Annual Financial Statements for the year ended 30 June 2009

Accounting Policies

2.2 SUBSEQUENT MEASUREMENT - LAND AND BUILDINGS

Subsequent to initial recognition, land and buildings are carried at a revalued amount, being its fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses.

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

A decrease in the carrying amount of an asset as a result of a revaluation is recognised in surplus or deficit, except to the extent of any credit balance existing in the revaluation reserve in respect of that asset.

Land is not depreciated as it is deemed to have an indefinite useful life.

2.3 SUBSEQUENT MEASUREMENT

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Subsequent expenditure incurred on items of property, plant and equipment is only capitalised to the extent that such expenditure enhances the value or previous capacity of these assets. Repairs and maintenance not deemed to enhance the economic benefits or service potential of items of property, plant and equipment are expensed as incurred.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

2.4 DEPRECIATION AND IMPAIRMENT

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives:

| | |
|--|---------|
| Infrastructure Assets | Years |
| Street names, signs and parking meters | 5 |
| Water reservoirs and reticulation | 15 – 20 |
| Community Assets | Years |
| Parks and gardens | 10 – 30 |
| Sport fields | 20 – 30 |
| Community halls | 30 |
| Recreation facilities | 20 – 30 |
| Other Assets | Years |
| Motor vehicles | 5 |
| Plant and equipment | 2 – 15 |
| Security measures | 3 – 10 |
| Buildings | 30 |
| IT equipment | 3 – 5 |
| Office equipment | 3 – 5 |
| Specialised vehicles | 10 |

Sedibeng District Municipality

Annual Financial Statements for the year ended 30 June 2009

Accounting Policies

The residual value, the useful life of an asset and the depreciation method is reviewed annually and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

2.5 DERECOGNITION

Items of Property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising 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.

2.6 DIRECTIVE 4 ISSUED BY THE ACCOUNTING STANDARDS BOARD

The municipality has complied with Directive 4 of February 2008 and applied the requirements of the standard of GRAP 3, Accounting policies, Changes in accounting estimates and errors on the standard on Property, Plant and Equipment, GRAP 17, on initial adoption of the standard.

On complying with Directive 4 the municipality is entitled to take advantage of the GAMAP transitional provisions on Property, plant and equipment until they expire, which is the financial year 2008/2009 for medium capacity municipalities. As a result both measurement and disclosure requirements of GRAP 17 need not be complied with.

Notwithstanding the GAMAP transitional provisions applicable, the municipality is exempt from complying with the measurement requirements of GRAP 17, per class of assets, within the three years of initially adopting GRAP 17. Accordingly (certain classes of PPE), have not been measured according to GRAP 17 after initial adoption.

3. INTANGIBLE ASSETS

3.1 INITIAL RECOGNITION

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licences, and development costs. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the municipality has the resources to complete the project; and
- it is probable that the municipality will receive future economic benefits or service potential.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

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Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

3.2 SUBSEQUENT MEASUREMENT

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

3.3 AMORTISATION AND IMPAIRMENT

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. The annual amortisation rates are based on the following estimated average asset lives:

| | |
|-------------------|---------|
| Computer software | 3 years |
|-------------------|---------|

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

3.4 DERECOGNITION

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

3.5 DIRECTIVE 4 ISSUED BY THE ACCOUNTING STANDARDS BOARD

The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in March 2009. The municipality did not recognise or measure its Computer Software in accordance with the standard.

The municipality is currently in a process of identifying all Intangible Assets and has it valued in terms of GRAP 102 and it is expected that this process will be completed for inclusion in the 2010 financial statements. It is possible that certain intangible assets are currently being recognised as Property, Plant and Equipment.

4. NON-CURRENT ASSETS HELD FOR SALE

4.1 INITIAL RECOGNITION

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the

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sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

4.2 SUBSEQUENT MEASUREMENT

Non-current assets held for sale (or disposal group) are measured at the lower of carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

4.3 DIRECTIVE 4 ISSUED BY THE ACCOUNTING STANDARDS BOARD

The municipality complied with Directive 4 of February 2008, on initial adoption of the standard of GRAP on Non-current Assets Held for Sale and Discontinued Operations, GRAP 100, and has done so prospectively, for all non-current assets (or disposal groups), that meet the criteria to be classified as held for sale.

An exception to non-recognition and non-measurement, is where items have not been recognised in accordance with other relevant GRAP standards as a result of transitional provisions, which take precedence over the requirements of GRAP 100. The following standards will have to be complied with first, or transitional provisions of these standards are to expire prior to application of GRAP 100:

GRAP 12: Inventories

GRAP 17: Property, Plant and Equipment:

GRAP 102: Intangible Assets

5. INVENTORIES

5.1 INITIAL RECOGNITION

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

5.2 SUBSEQUENT MEASUREMENT

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down in this way. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

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In general, the basis of allocating cost to inventory items is the first-in, first-out method.

5.3 DIRECTIVE 4 ISSUED BY THE ACCOUNTING STANDARDS BOARD

The municipality complied with Directive 4 of February 2008, on initial adoption of the standard of on Inventories, GRAP 12, and has done so retrospectively according to the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

The Municipality has taken advantage of the three year transitional provision period in which it has to comply with GRAP 12.

Due to the Municipality taking advantage of the above three year transitional provisions, until expiration of these provisions the Municipality need not comply with the following:

GRAP 1: Presentation of Financial Statements to the extent that this standard requires presentation, and disclosure, of inventories not measured in accordance with GRAP 12 as a result of the transitional provision.

GRAP 101: Non-current Assets Held for Sale.

The necessary disclosures have been made for non-measurement of inventories in accordance with GRAP 12.

6. FINANCIAL INSTRUMENTS

6.1 INITIAL RECOGNITION

Financial instruments are initially recognised at fair value.

6.2 SUBSEQUENT MEASUREMENT

Financial Assets are categorised according to their nature as either financial assets at fair value through profit or loss, held-to-maturity, loans and receivables, or available for sale. Financial liabilities are categorised as either at fair value through profit or loss or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation and, in the absence of an approved GRAP Standard on Financial Instruments, is in accordance with IAS 39.

6.2.1 INVESTMENTS

Investments, which include fixed deposits and short-term deposits invested in registered commercial banks, are categorised as either held-to-maturity where the criteria for that categorisation are met, or as loans and receivables, and are measured at amortised cost. 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. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

6.2.2 TRADE AND OTHER RECEIVABLES

Trade and other receivables are categorised as financial assets: loans and receivables and are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Significant financial difficulties of the debtor, probability that

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the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. Amounts that are receivable within 12 months from the reporting date are classified as current.

An impairment of trade and other receivables is accounted for by reducing the carrying amount of trade and other receivables through the use of an allowance account, and the amount of the loss is recognised in the Statement of Financial Performance within operating expenses. When a trade and other receivable is uncollectible, it is written off. Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance.

6.2.3 TRADE AND OTHER PAYABLES

Financial liabilities consist of trade and other payables. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost which is the initial carrying amount, less repayments.

6.2.4 CASH AND CASH EQUIVALENTS

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash 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 purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

7. 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.

8. IRREGULAR EXPENDITURE

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

9. 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.

10. PROVISIONS

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and

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adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability.

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

11. 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 or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are accrued on a straight-line basis over the term of the relevant lease.

12. REVENUE

12.1 REVENUE FROM EXCHANGE TRANSACTIONS

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Interest revenue is recognised on a time proportion basis using the effective interest rate method.

Flat rate service charges relating to rental of facilities and the reporting date shall be recognised when:

It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and

The amount of the revenue can be measured reliably.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods is passed to the consumer.

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

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12.2 REVENUE FROM NON-EXCHANGE TRANSACTIONS

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality. Where public contributions have been received but the municipality has not met the related conditions, a deferred income (liability) is recognised.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality.

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.

12.3 GRANTS, TRANSFERS, DONATIONS AND FUNDING

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.

Conditional grants, donations and funding are recognised as revenue in the Statement of Financial Performance to the extent that the municipality has complied with any criteria, conditions or obligations embodied in the agreement/arrangement. To the extent that the criteria, conditions and obligations have not been met, a liability is raised in the Statement of Financial Position. Unconditional grants, donations and funding are recognised as revenue in the Statement of Financial Performance at the earlier of the date of receipt or when the amount is receivable.

Contributed assets are recognised at fair value when the risks and rewards associated with such assets are transferred to the municipality.

13. EMPLOYEE BENEFITS

13.1 SHORT-TERM EMPLOYEE BENEFITS

The cost of short-term employee benefits, which include salaries and wages, short-term compensated absences and bonus plans, are expensed in the Statement of Financial Performance in the financial year during which the payment is made.

Liabilities for short-term employee benefits that are unpaid at year-end are measured at the undiscounted amount that the municipality is expected to pay in exchange for that service that had accumulated at the reporting date.

13.2 TERMINATION BENEFITS

Termination benefits are recognised when actions have been taken that indicate that the municipality is demonstrably committed to either terminate the employment of an employee or group of employees before the normal retirement date; or provide termination benefits as a result of an offer made in order to encourage

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voluntary redundancy.

13.3 RETIREMENT BENEFITS

The municipality provides a defined contribution plan for its employees and councilors and is not liable for any actuarial losses sustained by the fund.

A defined contribution plan is a post-employment benefit plan under which the municipality pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts.

Contributions to the defined contribution retirement benefit plans are recognised as an expense when employees and councilors have rendered the employment service or served office entitling them to the contributions. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

13.4 POST EMPLOYMENT MEDICAL CARE BENEFITS

The municipality provides post employment medical care benefits to its employees and their legitimate spouses. The entitlement to post-retirement medical benefits is based on employees remaining in service up to retirement age and the completion of a minimum service period.

14. CONSTRUCTION OF ASSETS IN PROGRESS

Construction of assets in progress are capital projects that are completed on behalf of the local Municipalities from the proceeds of conditional grants received. These projects are only handed over to the local municipalities after full completion of the project, and therefore all uncompleted capital projects at the reporting date are shown as Construction of assets in progress until date of transfer.

15. IMPAIRMENT OF ASSETS

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

Irrespective of whether there is any indication of impairment, the municipality also:

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

The recoverable service amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

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

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An impairment loss is recognised for cash-generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

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A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

16. RESERVES

16.1 GOVERNMENT GRANT RESERVE

When items of property, plant and equipment are purchased from government grants, a transfer is made from the accumulated surplus/(deficit) to the Government Grants Reserve equal to the Government Grant recorded as revenue in the Statement of Financial Performance in accordance with a directive (budget circular) issued by National Treasury.

When such items of property, plant and equipment are depreciated, a transfer is made from the Government Grant Reserve to the accumulated surplus/(deficit).

The purpose of this reserve is to promote community equity and facilitate budgetary control by ensuring that sufficient funds are set aside to offset the future depreciation expenses that will be incurred over the estimated useful lives of the items of property, plant and equipment funded from government grants.

When such items of property, plant and equipment are depreciated, a transfer is made from the Government Grant Reserve to the accumulated surplus/(deficit).

When an item of property, plant and equipment financed from government grants is disposed of, the balance in the Government Grant Reserve relating to such item is transferred to the accumulated surplus/(deficit).

16.2 DONATIONS AND PUBLIC CONTRIBUTIONS RESERVE

When items of property, plant and equipment are financed from public contributions and donations, a transfer is made from the accumulated surplus/(deficit) to the Donations and Public Contributions Reserve equal to the donations and public contributions recorded as revenue in the Statement of Financial Performance in accordance with a directive (budget circular) issued by National Treasury.

The purpose of this reserve is to promote community equity and facilitate budgetary control by ensuring that sufficient funds are set aside to offset the future depreciation charges that will be incurred over the estimated useful life of the item of property, plant and equipment financed from donations and public contributions.

When such items of property, plant and equipment are depreciated, a transfer is made from the Donations and Public Contributions Reserve to the accumulated surplus/(deficit).

When an item of property, plant and equipment financed from donations and public contributions is disposed of, the balance in the Donations and Public Contributions Reserve relating to such item is transferred to the accumulated surplus/(deficit).

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16.3 REVALUATION RESERVE

(If Realised through use)

The surplus arising from the revaluation of land and buildings is credited to a revaluation reserve. The revaluation surplus is realised as revalued buildings 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.

(If Realised on disposal)

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

17. VALUE ADDED TAXATION

The municipality accounts for Value Added Taxation on the cash basis.

18. RELATED PARTIES

Emfuleni Local Municipality, Midvaal Local Municipality and Lesedi Local Municipality are category B municipalities which in terms of the Constitution of South Africa, section 155 (1) (b) means: "a Municipality that shares executive and legislative authority in its area with a category C municipality within whose area it falls." Sedibeng District Municipality is performing agency services on behalf of the Local Municipalities.

Sedibeng District Municipality performs an agency function on behalf of the Department of Health related to ambulance services as well as an agency service with the Department of Transport, Roads and Works related to motor vehicle license renewal fees.

Council does not have any other associates nor any joint ventures or any other form of association that may be defined as related party relation.

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2. Current assets – Cash and cash equivalents

2.1 Cash on hand and Cash book balances

| | | |
|--------------------|-------------------|-------------------|
| Cash on hand | 40,175 | 38,175 |
| Cash book balances | 12,968,867 | 14,571,757 |
| | 13,009,042 | 14,609,932 |

The municipality had the following bank accounts

| Account number / description | Bank statement balances | | Cash book balances | |
|--|-------------------------|-------------------|--------------------|-------------------|
| | 30 June 2009 | 30 June 2008 | 30 June 2009 | 30 June 2008 |
| ABSA BANK - Account Type - Primary Bank Account | 1,388,301 | 3,820,129 | 321,171 | 1,867,622 |
| ABSA BANK - Account Type - Licence Function Bank Account | 12,298,979 | 12,417,413 | 12,298,979 | 12,417,413 |
| ABSA BANK - Account Type - RSC Levy Bank Account | 325,612 | 236,628 | 297,010 | 235,037 |
| NEDBANK - Account Type - Theatre Bank Account | 51,707 | 51,685 | 51,707 | 51,685 |
| NEDBANK - Account Type - Airport Account | - | - | - | - |
| Total | 14,064,599 | 16,525,855 | 12,968,867 | 14,571,757 |

2.2 Current assets - Investment deposit

Investments Deposits consist of the following accounts:

| | | |
|---|--------------------|--------------------|
| ABSA Bank - Call Account - 908 579 6427 | 6,711,404 | 10,322,594 |
| STANDARD Bank - Investment account - 228499054 | 65,504,815 | - |
| ABSA Bank - Investment Account - 206 832 6856 | 85,924,288 | - |
| NEDBANK - Theatre Investment Account - 1729 365 426 | 230,740 | 314,090 |
| NEDBANK - Theatre Investment Account - 048 33192 | 851,628 | 1,159,258 |
| ABSA Bank - Investment Account - 2065 994 480 | - | 50,717,550 |
| ABSA Bank - Investment Account - 2066 673 865 | - | 40,000,000 |
| | 159,222,875 | 102,513,492 |

Cash, cash equivalents and short term investments **172,231,917** **117,123,424**

The credit quality of cash and cash equivalents that are neither past due nor impaired are assessed / monitored by reference to historical information about counterparty default rates. Furthermore the credit quality of cash and cash equivalents are ensured by only contracting with highly reputable financial institutions, as endorsed by National Treasury.

Credit quality rating

High credit grade – The counter parties have no defaults on contractual terms in prior periods. As such the counter parties included in the high credit grade category pose a low credit risk to the municipality.

Fair Value of Cash and Cash Equivalents

The maximum exposure to credit risk as a result of carrying cash and cash equivalents is limited to the carrying value of the cash as indicated above. These amounts approximate their fair value.

Impairment of cash and Cash Equivalents

No provision was raised for the ir-recoverability of cash and cash equivalents as none of these are considered to be impaired.

Restriction of the use of Cash and Cash Equivalents

Cash and cash equivalents held by the municipality may only be used in accordance with its mandate. No restriction has been placed on the use of cash and cash equivalents for the operations of the municipality. No cash has been pledge as a guarantee.

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3. Changes in accounting policy

The annual financial statements have been prepared in accordance with South African Statements of Generally Recognised Accounting Practice on a basis consistent with the prior year. Operating leases have been restated in accordance with GRAP 13 leases. The impact of the implementation of operating leases has a 0% escalation clause except the lease of one property.

The aggregate effect of the changes in accounting policy on the annual financial statements for the year ended 30 June 2008 is R 22 672. An operating lease liability has been created while lease rentals on operating leases have increased with the same amount. Council has restate the previous year's figures based on reclassifying figures in accordance with the GRAP standards

3.1 Process to comply fully with the implementation of General Recognised Accounting Practices (GRAP)

The municipality adopted a phased-in approach in order to comply fully with the implementation of GRAP. The municipality is classified by the National Treasury as a medium capacity municipality and must comply with GRAP by 30 June 2009. The municipality, however, took advantage of the transitional provisions in Directive 4 from the Accounting Standards Board and aims to comply fully with GRAP by 30 June 2011.

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4. Property, plant and equipment

| | 2009 | | | 2008 | | |
|-------------------------------------|--------------------|--------------------------|--------------------|-------------------|--------------------------|-------------------|
| | Cost / Valuation | Accumulated depreciation | Carrying value | Cost / Valuation | Accumulated depreciation | Carrying value |
| Land & Buildings | 98,204,629 | (241,961) | 97,962,668 | 28,768,112 | (4,862,102) | 23,906,010 |
| Furniture and fixtures | 6,549,435 | (3,807,108) | 2,742,327 | 5,514,000 | (3,310,727) | 2,203,273 |
| Motor vehicles | 9,322,803 | (4,674,711) | 4,648,092 | 9,018,325 | (3,083,589) | 5,934,736 |
| Electronic equipment | 12,998,425 | (6,284,352) | 6,714,073 | 8,352,521 | (4,773,599) | 3,578,922 |
| Infrastructure | 21,245,204 | (5,178,810) | 16,066,394 | 12,454,728 | (4,026,821) | 8,427,907 |
| Community | - | - | - | 11,402,532 | (1,060,035) | 10,342,497 |
| Other property, plant and equipment | 6,481,016 | (5,323,371) | 1,157,645 | 5,786,514 | (4,814,060) | 972,454 |
| Specialised vehicles | 453,091 | (123,599) | 329,492 | 453,091 | (93,393) | 359,698 |
| Medical Equipment | 1,500 | (1,500) | - | 1,500 | (1,500) | - |
| Sub Total | 155,256,103 | (25,635,412) | 129,620,691 | 81,751,323 | (26,025,826) | 55,725,497 |
| Intangible Assets | | | | | | |
| Computer software | 3,021,828 | (2,631,399) | 390,429 | 2,750,258 | (1,765,102) | 985,156 |
| Sub Total | 3,021,828 | (2,631,399) | 390,429 | 2,750,258 | (1,765,102) | 985,156 |
| Total | 158,277,931 | (28,266,811) | 130,011,120 | 84,501,581 | (27,790,928) | 56,710,653 |

The Municipal building situated at the corner of Beaconsfield and Leslie street Vereeniging, which are held under title deed T10063/1923 should have been transferred to Sedibeng District Municipality as per agreement of the sale with Emfuleni Local Municipality is still in the process of being registered at the registrar of deeds.

Revaluation on land and buildings arising on the following property:

| | Carrying amount before revaluation | Revaluation amount |
|--|------------------------------------|--------------------|
| Fresh Produce Market – Portion of 26 of Farm Leeuwkuil 596IQ | 5,968,442 | 25,355,739 |
| Vereeniging Airport - Aeroval | 769,682 | 44,334,601 |
| Municipal Offices Vereeniging – Remaining extent of ERF 1420 Vereeniging | 901,014 | 32,852,000 |
| Portion 3 and 4 of the Farm Doornkuil 369 IQ | 3,861,345 | 5,482,061 |
| Total | 11,500,483 | 108,024,401 |

A sworn appraisal, Meldane Property and Valuation services cc was appointed and the service of the evaluation was performed by G Wampach - MIV(SA) a registered professional valuer in terms of section 20(2)(A) of the Valuers Act 2000 (144/9). The evaluations were performed in December 2008. These valuation were done based on market value.

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Reconciliation of property, plant and equipment - 2009

| | Opening Balance | Additions | Revaluation | Transfers | Reclassifications | Disposals | Depreciation | Total |
|--|--------------------|------------------|-------------------|---------------------|-------------------|------------------|--------------------|--------------------|
| Land & Buildings | 23,906,009 | | 87,175,032 | (16,747,914) | 4,762,360 | - | (1,132,819) | 97,962,668 |
| Furniture and fixtures | 2,203,273 | 1,035,435 | | - | - | - | (496,381) | 2,742,327 |
| Motor vehicles | 5,934,735 | 472,481 | | - | - | (75,578) | (1,683,545) | 4,648,093 |
| Electronic equipment | 3,578,922 | 4,734,976 | | - | - | (54,106) | (1,545,719) | 6,714,073 |
| Infrastructure | 8,427,908 | | 9,348,8864 | - | - | - | (1,710,400) | 16,066,394 |
| Community | 10,342,497 | - | | (5,200,053) | (4,762,360) | - | (380,084) | - |
| Other property, plant and equipment | 972,454 | 699,707 | | - | - | (950) | (513,566) | 1,157,646 |
| Specialised vehicles | 359,698 | - | | - | - | - | (30,206) | 329,492 |
| Sub Total | 55,725,495 | 6,942,599 | 96,523,918 | (21,947,967) | - | (130,634) | (7,492,720) | 129,620,691 |
| Intangible Assets | | | | | | | | |
| Computer software | 985,157 | 271,570 | | - | - | - | (866,298) | 390,429 |
| Sub Total | 985,157 | 271,570 | | - | - | - | (866,298) | 390,429 |
| Total | 56,710,652 | 7,214,169 | 96,523,918 | (21,947,967) | - | (130,634) | (8,359,018) | 130,011,120 |

Assets were transferred as a grant to the Local Municipalities at the original cost of the asset while council has reclassify land previously shown as a community asset.

Reconciliation of property, plant and equipment - 2008

| | Opening Balance | Additions | Disposals | Depreciation | Total |
|-------------------------------------|--------------------|------------------|-----------------|--------------------|-------------------|
| Land & Buildings | 24,879,703 | - | - | (973,693) | 23,906,009 |
| Furniture and fixtures | 1,623,222 | 949,411 | (3,435) | (365,925) | 2,203,273 |
| Motor vehicles | 1,835,709 | 4,930,082 | - | (831,055) | 5,934,735 |
| Electronic equipment | 2,927,103 | 1,814,438 | (42,039) | (1,120,580) | 3,578,922 |
| Infrastructure | 10,071,397 | 21,518 | - | (1,665,008) | 8,427,908 |
| Community | 10,723,622 | - | - | (381,125) | 10,342,497 |
| Other property, plant and equipment | 1,277,432 | 157,910 | - | (462,888) | 972,454 |
| Specialised vehicles | 389,987 | - | - | (30,289) | 359,698 |
| Sub Total | 53,728,175 | 7,873,359 | (45,474) | (5,830,564) | 55,725,495 |
| Intangible Assets | | | | | |
| Computer software | 1,879,201 | 19,298 | - | (913,343) | 985,157 |
| Sub Total | 1,879,201 | 19,298 | - | (913,343) | 985,157 |
| Total | 55,607,376 | 7,892,657 | (45,474) | (6,743,907) | 56,710,652 |

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5. Construction of Assets in progress

Related Projects

| | | |
|-----------------------------------|-------------------|-------------------|
| Upgrade Matanzima Road Phase1 | 2,768,989 | 2,768,989 |
| Upgrade Matanzima Road Phase2 | 2,980,295 | 2,447,088 |
| Construction Bonatla Road Phase 2 | 157,303 | 157,303 |
| Upgrade Ring Road Phase 2 | 232,178 | 232,178 |
| Construction of Hantsi Road | 4,394,048 | 3,451,748 |
| Construction of Thorometsane road | 7,330,212 | 5,312,988 |
| Construction of Sekwati Road | 8,402,241 | 5,495,143 |
| Construction of Tea-Tea Road | 2,752,550 | 1,542,354 |
| Construction of Dlamini Road | 4,715,032 | 4,178,793 |
| MMampoi Street Zone 11 | 37,566 | - |
| | 33,770,414 | 25,586,584 |

The construction of assets in progress are assets erected/constructed on behalf of the Local Municipalities and are transferred as a grant only on date of completion. For the period under review no assets have been transferred.

6. Inventories

| | | |
|------------|--------|---|
| Fuel Avgas | 32,257 | - |
|------------|--------|---|

Council is currently selling Avgas fuel at the Vereeniging Airport as part of service delivery. The inventory is booked out on the FIFO method and lower of cost and not realisable value to the expense account.

7. Trade and other receivables from exchange transactions

| | | |
|--|-------------------|-------------------|
| Trade debtors | 728,495 | 666,034 |
| Fuel deposit | 7,905 | 44,199 |
| Prepayments | - | 1,071 |
| Government subsidies | 7,411,750 | 11,116,840 |
| Bank Error | 6,027 | 25,077 |
| Capital Project - Bridging Finance | 172,349 | 2,416,346 |
| Operating Projects - Bridging Finance | 980,937 | 2,055,499 |
| Department of Transport - Licence refund | 3,614,119 | 12,836,968 |
| Local Municipalities - Agency services | 563,380 | 391,733 |
| | 13,484,960 | 29,553,768 |

7.1 Age Analysis as at 30 June 2009

| | 0 – 30 Days | 31 – 60 Days | 61 – 90 Days | > 90 Days | Total |
|--|-------------------|---------------|---------------|-------------|--------------------|
| Trade debtors | 650,137 | 19,846 | 57,657 | 1,163,768 | 1,891,408 |
| RSC Levies | | | | 1,838,728 | 1,838,728 |
| Fuel deposit | 7,905 | | | | 7,905 |
| Prepayments (if immaterial) | | | | | - |
| Government subsidies | 7,411,750 | | | | 7,411,750 |
| Bank Error | 6,027 | | | 19,011 | 25,038 |
| Capital Project - Bridging Finance | 172,349 | | | 2,416,346 | 2,588,695 |
| Operating Projects - Bridging Finance | 980,937 | | | 1,004,283 | 1,985,220 |
| Department of Transport - Licence refund | 3,614,119 | | | | 3,614,119 |
| Local Municipalities - Agency services | 563,380 | | | | 563,380 |
| LESS: Debt impairment | | | | (6,441,282) | (6,441,282) |
| | 13,406,604 | 19,846 | 57,657 | 853 | 13,484,960 |

7.2 Reconciliation of bad debt provisions (Debt Impairment) - 2009

| | Opening Balance | Additions | Utilised during the year | Total |
|-----------------|------------------|------------------|--------------------------|------------------|
| Debt Impairment | 3,587,751 | 3,663,701 | (810,170) | 6,441,282 |
| | 3,587,751 | 3,663,701 | (810,170) | 6,441,282 |

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Debt impairment has been done on RSC levies in totality as there is very limited likelihood of recovery. Debt impairment on other trade debtors has also been done based on verifying the ability of recover those debts. The utilization of debt impairment was done based on a council resolution obtained in the write off of bad debts.

The credit quality of trade receivables which are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates. None of the financial assets that are fully performing have been renegotiated in the current financial year.

The fair value of trade receivables (at initial recognition) is equal to the invoice amounts related to these receivables. The carrying amount of trade receivables approximates their fair value. There is no foreign currency exposure at the reporting date.

8. Other receivables from non-exchange transactions, including taxes and transfers

| | | |
|-----|-----------|-----------|
| VAT | 1,681,972 | 2,006,834 |
|-----|-----------|-----------|

9. Reserves

9.1 Government grant reserve

| | | |
|---|------------------|-------------------|
| Opening balance | 20,589,053 | 21,841,128 |
| Capital grants used to obtain property, plant and equipment | 124,830 | 29,897 |
| Offset depreciation | (1,252,155) | (1,260,829) |
| Asset Transfer out | (17,405,572) | |
| Asset Disposal | (8,773) | (21,143) |
| | 2,047,383 | 20,589,053 |

9.2 Revaluation reserve

| | | |
|-------------------------------|-------------------|----------|
| Opening balance | - | - |
| Property Revaluation | 96,523,918 | - |
| Offset depreciation | (207,777) | - |
| Asset Disposal / Transfer out | - | - |
| | 96,316,141 | - |

10. Financial lease liabilities

Held at amortised cost

| | | |
|--|---------------|----------------|
| Absa Motor Vehicle Loan | 60,021 | 331,156 |
| Redeemable in July 2009 and September 2009 | | |
| Absa Motor vehicle Loan (Non-current portion) | - | 59,754 |
| | 60,021 | 390,910 |

Non-current liabilities

| | | |
|-------------------|----------|---------------|
| At amortised cost | - | 59,754 |
| | - | 59,754 |

Current liabilities

| | | |
|-------------------|---------------|----------------|
| At amortised cost | 60,021 | 331,156 |
| | 60,021 | 331,156 |

The Council has approved the financial leases of two motor vehicles in 2004. The effected interest rates negotiated were prime -1% and the lease term was set at 72 months. The leases expire in July 2009 and September 2009 respectively.

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11. Unspent conditional grants and receipts

Below is a list of all unspent conditional grants and receipts.

| | | |
|--|-------------------|-------------------|
| DBSA Grant | 200,000 | - |
| MSIG | 950,845 | 781,574 |
| LED PROJECTS | 95,000 | 95,000 |
| HIV & AIDS | 1,418,712 | 526,043 |
| Implementation Tourism Inst. Framework | 150,000 | - |
| Finance Management Grant | 712,812 | 515,863 |
| Performance Management Program | 87,979 | 87,979 |
| Incentive Grant | - | 259,653 |
| IDP Grant | 270,152 | 270,152 |
| Land Transfer Informal Settlement | 46,647 | 174,137 |
| Sicelo Shiceka | 951,238 | 951,238 |
| Sharpeville Public Library and Memorial | 1,028,364 | 1,146,135 |
| Taxi Recap | 36,955 | 36,955 |
| Mpatalatsane Theatre | 2,382 | 2,382 |
| Internship grant | 141,000 | - |
| Sharpeville community hall | 10,486,725 | - |
| Lotto sport | 38,520 | 38,520 |
| PIMS & IDP grant | 554,263 | 554,263 |
| MSP Grant | 481,866 | 575,631 |
| Craft Hub Establishment | 1,300,000 | - |
| Water services Development Grant - Midvaal | 207,000 | 207,000 |
| Environmental Grant | 526,217 | 526,217 |
| Development project - Maru set work | 842 | 842 |
| Emergency water supply | 2,799,607 | 2,799,607 |
| Allan Ross Memorial | 4,750 | 4,750 |
| CCTV Project | 1,000,855 | 280,855 |
| Growth & Development Summit | 300,000 | 300,000 |
| Top 20 Roads Project | 2,607,299 | 10,018,973 |
| | 26,400,030 | 20,153,769 |

Transactions during the year on conditional grants

| | | |
|--|-------------------|-------------------|
| Balance at the beginning of the year | 20,153,769 | 35,336,480 |
| Additional Grants received | 18,452,724 | 13,978,647 |
| Income recognition during the year (conditions met transferred to support grants in note 16) | (12,206,464) | (29,161,358) |
| | 26,400,030 | 20,153,769 |

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the entity has directly benefited; and unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note 16 for reconciliation of grants from National/Provincial Government. These amounts are invested in an investment account until utilised.

12. Provisions

Reconciliation of provisions - 2009

| | Opening Balance | Additions | Utilised during the year | Total |
|-------------------|------------------|----------------|--------------------------|------------------|
| Performance Bonus | 1,601,900 | - | (460,000) | 1,141,900 |
| Retirement Bonus | 457,770 | 108,490 | - | 566,260 |
| | 2,059,670 | 108,490 | (460,000) | 1,708,160 |

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Reconciliation of provisions - 2008

| | Opening Balance | Additions | Utilised during the year | Total |
|-------------------|------------------|---------------|--------------------------|------------------|
| Performance Bonus | 1,601,900 | - | - | 1,601,900 |
| Retirement Bonus | 358,506 | 99,264 | - | 457,770 |
| | 1,960,406 | 99,264 | - | 2,059,670 |

Performance bonuses are normally paid one year in arrear as the assessment of eligible employees had not taken place at the reporting date.

The retirement bonus provision is calculated on employees entitled to early retirement and therefore entitled to a pro rata bonus payable.

13. Trade and other payables from exchange transactions

| | | |
|--|-------------------|-------------------|
| Trade payables | 6,039,399 | 2,826,678 |
| Accrued leave pay | 9,441,559 | 7,373,431 |
| Department of Transport (License fees) | 11,179,109 | 11,407,791 |
| Local Municipalities Rates Accounts | 6,725,430 | 4,512,695 |
| I - Control | 1,899,215 | 1,899,215 |
| Compensation Commissioner | 957,939 | 851,928 |
| License Intervention | 324,100 | 324,100 |
| Insurance Claims | - | 53,124 |
| Mayoral Event | 78,800 | 78,800 |
| Sanlam - Cape Trust | 73,932 | 73,932 |
| Ambulance fees in advance | 43,521 | 35,265 |
| Refundable town hall rental deposits | 38,810 | 48,112 |
| Unclaimed Salaries | 3,189 | 2,576 |
| Salaries in arrears | 775,812 | (60,364) |
| Unknown deposits | 457,936 | 455,016 |
| RSC levies | 155,448 | 229,009 |
| Sub Total | 38,194,197 | 30,111,308 |
| Operating lease liabilities | 27,794 | 22,670 |
| Total trade and other payables from exchange transactions | 38,221,991 | 30,133,978 |

Operating lease liability represent rentals payable by the municipality for building leases not negotiated on a straight line method. The operating lease liability will be phased out over the 3 year contract period. See note 31 for detail on future commitments related to leases.

14. Revenue

| | | |
|--|-------------------|-------------------|
| Sale of fuel | 371,463 | - |
| Rental Income | 8,026,490 | 7,556,372 |
| Interest received – outstanding levies | 13,238 | 140,825 |
| Income from agency services | 4,057,196 | 3,652,677 |
| Licences and permits | 38,477,430 | 36,602,220 |
| | 50,945,817 | 47,952,094 |

Classes of revenue stated above constitute revenue from exchange transactions and exclude Government grants.

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15. Government grants

| | | |
|---------------------------------|--------------------|--------------------|
| Government grants and subsidies | 186,955,080 | 161,814,997 |
| Ambulance Subsidies | 29,647,000 | 27,836,234 |
| Youth Grant | - | 480,000 |
| Support Grants | 12,206,464 | 29,161,357 |
| | 228,808,544 | 219,292,588 |

Government grants are recognised as income once the condition of the grant is met. Grants are based on the allocations set out in the Division of Revenue Act.

Detail on Government Grants

15.1 Equitable Share

| | | |
|---|---------------|---------------|
| Current-year receipts | (186,955,080) | (161,814,997) |
| Conditions met - transferred to revenue | 186,955,080 | 161,814,997 |
| | - | - |

All money received as an equitable share has been expended against operating expenses.

15.2 Ambulance Subsidy

| | | |
|---|--------------|--------------|
| Current-year receipts | (29,647,000) | (27,836,234) |
| Conditions met - transferred to revenue | 29,647,000 | 27,836,234 |
| | - | - |

Ambulance subsidies received has been spent against operating expenses relating to Emergency medical services.

15.3 Provincial Grants

| | | |
|---|---------------------|--------------------|
| Balance unspent at beginning of year | (4,003,626) | (7,707,693) |
| Current-year receipts | (15,097,725) | (2,478,647) |
| Conditions met - transferred to revenue | 2,372,592 | 6,182,714 |
| | (16,728,759) | (4,003,626) |

15.4 National Grants

| | | |
|---|------------------|------------------|
| Balance unspent at beginning of year | (786,015) | (816,173) |
| Current-year receipts | (1,700,000) | (500,000) |
| Conditions met - transferred to revenue | 1,503,051 | 530,158 |
| | (982,964) | (786,015) |

15.5 DPLG Grants

| | | |
|---|--------------------|---------------------|
| Balance unspent at beginning of year | (15,083,273) | (24,812,614) |
| Current-year receipts | (735,000) | (11,000,000) |
| Conditions met - transferred to revenue | 8,330,821 | 20,729,341 |
| | (7,487,452) | (15,083,273) |

15.6 Emfuleni Local Municipality Grant

| | | |
|---|--------------------|------------------|
| Balance unspent at beginning of year | (280,855) | (2,000,000) |
| Current-year receipts | (720,000) | - |
| Conditions met - transferred to revenue | - | 1,719,145 |
| | (1,000,855) | (280,855) |

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15.7 Youth development grant

| | | |
|---|---|-----------|
| Current-year receipts | - | (480,000) |
| Conditions met - transferred to revenue | - | 480,000 |
| | - | - |

15.8 DBSA Grant

| | | |
|-----------------------|------------------|---|
| Current-year receipts | (200,000) | - |
| | (200,000) | |

16. Other income

| | | |
|---|------------------|------------------|
| Adhoc income | 96,890 | 110,548 |
| Skills levy income | 601,619 | 324,794 |
| Ambulance fees | 566,725 | 695,728 |
| Tender income | 83,662 | 14,222 |
| Commission on salaries | 99,349 | 83,804 |
| Airport landing fees | - | 19,928 |
| Emergency Medical Services – Adhoc income | 642,791 | - |
| | 2,091,036 | 1,249,024 |

17. Operating expenditure

Operating expenditure is incurred in the normal operations of Council and are detailed below:

| | | |
|--------------------------------------|-------------------|-------------------|
| Advertising | 1,482,683 | 1,025,992 |
| Assessment rates & municipal charges | 3,064,064 | 2,313,880 |
| Auditors remuneration | 1,416,048 | 1,324,964 |
| Bank charges | 710,242 | 625,767 |
| Computer expenses | 2,380,446 | 653,593 |
| Consulting and professional fees | 3,716,570 | 5,297,553 |
| Consumables | 1,151,330 | 823,457 |
| Entertainment | 130,548 | 114,177 |
| Insurance | 1,491,672 | 1,439,389 |
| Rental | 3,794,105 | 3,398,472 |
| Operating Leases | 1,051,148 | 814,518 |
| Magazines, books and periodicals | 240,402 | 446,414 |
| Fuel and oil | 806,252 | 461,134 |
| Postage and courier | 16,562 | 13,165 |
| Printing and stationery | 2,602,353 | 2,349,663 |
| Promotions | 2,984,088 | 2,381,576 |
| Protective clothing | 1,070,690 | 501,993 |
| Software Licensing fees | 1,993,722 | 1,984,835 |
| Subscriptions and membership fees | 791,473 | 536,333 |
| Telephone and fax | 3,326,438 | 2,520,021 |
| Training | 1,818,347 | 1,625,952 |
| Travel - local | 2,332,649 | 1,544,368 |
| Office refreshments | 417,952 | 394,343 |
| Workshops | 6,453,410 | 3,126,676 |
| Congresses & Meetings | 995,303 | 958,206 |
| General Expenses from Grants | 4,669,959 | 4,024,809 |
| External Bursaries | 817,425 | 790,000 |
| Donations & Grants | 530,086 | 288,975 |
| Catering Expenses | 1,902,396 | 1,555,327 |
| Avgas fuel | 420,846 | - |
| | 54,579,209 | 43,335,552 |

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18. Employee related costs

Employee related cost exclusive of Section 57 employees

| | | |
|--|--------------------|--------------------|
| Basic | 91,549,477 | 73,127,479 |
| Medical aid - company contributions | 7,303,588 | 6,194,925 |
| UIF | 930,603 | 743,190 |
| WCA | 957,939 | 797,189 |
| SDL | 1,215,585 | 957,935 |
| Other payroll levies | 1,861,467 | 1,533,877 |
| Leave pay provision charge | 2,980,769 | 2,008,489 |
| Post-employment benefits - Pension - Defined contribution plan | 17,651,528 | 14,065,338 |
| Overtime payments | 8,955,663 | 6,181,576 |
| 13th Cheques | 10,319,089 | 5,057,950 |
| Car allowance | 8,492,067 | 7,305,768 |
| Housing benefits and allowances | 1,640,814 | 1,301,441 |
| Standby Allowance | 392,750 | 314,519 |
| | 154,251,339 | 119,589,676 |

Remuneration of Municipal Manager

| | | |
|---|----------------|----------------|
| Annual Remuneration | 547,149 | 891,985 |
| Performance Bonuses | 104,677 | - |
| Contributions to UIF, Medical and Pension Funds | 28,369 | 44,599 |
| | 680,195 | 936,584 |

The Municipal Manager resigned on 31 January 2009

Remuneration of Chief Financial Officer

| | | |
|---|----------------|----------------|
| Annual Remuneration | 512,280 | 488,852 |
| Car Allowance | 102,000 | 102,000 |
| Performance Bonuses | 71,521 | - |
| Contributions to UIF, Medical and Pension Funds | 132,266 | 124,358 |
| Housing Allowance | 4,800 | - |
| | 822,867 | 715,210 |

Remuneration of Executive Directors

| | | |
|---|--------------------|--------------------|
| Annual Remuneration | 2,076,739 | 2,072,131 |
| Car Allowance | 434,133 | 487,603 |
| Performance Bonuses | 167,840 | - |
| Contributions to UIF, Medical and Pension Funds | 282,822 | 301,106 |
| | 2,961,534 | 2,860,840 |
| Total | 158,715,935 | 124,102,310 |

19. Remuneration of councilors

| | | |
|-----------------------------------|------------------|------------------|
| Executive Mayor | 631,498 | 652,942 |
| Mayoral Committee Members | 3,624,500 | 3,175,458 |
| Speaker | 486,147 | 438,239 |
| Councillors | 1,816,974 | 2,261,144 |
| Councillors' pension contribution | 656,243 | 586,243 |
| | 7,215,362 | 7,114,026 |

The Executive Mayor, Speaker and Mayoral committee members are full time. Each is provided with an office and secretarial support at the cost of Council. The Executive Mayor has use of a Council owned vehicle for official duties. The Executive Mayor's staff compliment consists of 8 employees.

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20. Investment revenue

Interest revenue

| | | |
|------|------------|------------|
| Bank | 19,441,804 | 14,788,596 |
|------|------------|------------|

21. Depreciation/Amortisation

| | | |
|---|-------------|-------------|
| Property, plant and equipment | 8,359,018 | 6,743,907 |
| Less : Offset Depreciation against Reserves | (1,459,932) | (1,260,829) |
| Nett: Depreciation / Amortisation | 6,899,086 | 5,483,078 |

22. Finance costs

| | | |
|----------------|--------|--------|
| Finance leases | 29,623 | 68,335 |
|----------------|--------|--------|

Capitalisation rates used during the period were 11% on specific borrowings for capital projects and 11% being the weighted average cost of funds borrowed generally by the municipality.

23. Auditors' remuneration

| | | |
|------|-----------|-----------|
| Fees | 1,416,048 | 1,324,964 |
|------|-----------|-----------|

24. Contracted Services

| | | |
|--------------------|-------------------|-------------------|
| Ad-hoc Contractors | 14,420,809 | 10,929,406 |
| Agency Services | 10,059,100 | 8,323,646 |
| | 24,479,909 | 19,253,052 |

25. Grants and subsidies paid

Other subsidies

| | | |
|-------------------------------------|-------------------|-------------------|
| Grants paid for capital acquisition | 124,830 | 29,897 |
| Grants paid to Local Municipalities | 29,600,086 | 18,971,281 |
| | 29,724,916 | 19,001,178 |

26. Cash receipts from Government grants and other receipts

| | | |
|-------------------|--------------------|--------------------|
| Receipts | | |
| Government grants | 228,808,544 | 219,292,588 |
| Other Receipts | 238,749,115 | 179,953,831 |
| | 467,557,659 | 399,246,419 |

27. Cash paid to suppliers and employees

| | | |
|----------------------------------|--------------------|--------------------|
| Expenses | | |
| Employee & Council related costs | 165,931,297 | 131,216,336 |
| Suppliers | 258,367,305 | 249,735,361 |
| | 424,298,602 | 380,951,697 |

28. Cash generated from operations

| | | |
|-------------------------------|--------------|--------------|
| Surplus before taxation | 9,026,591 | 61,924,274 |
| Adjustments for: | | |
| Depreciation | 6,899,086 | 5,483,078 |
| Deficit on disposal of assets | 17,687 | 24,331 |
| Interest received | (19,441,804) | (14,788,596) |
| Finance costs | 29,623 | 68,335 |
| Movements in provisions | (351,510) | 99,265 |

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| Figures in Rand | 2009 | 2008 |
|--|-------------------|-------------------|
| Surplus/Deficit account adjustments | 19,778,443 | (964,165) |
| Assets Adjustments | 4,789,085 | 54,224 |
| Changes in working capital: | | |
| Inventories | (32,257) | - |
| Trade and other receivables from exchange transactions | 16,068,808 | (12,598,318) |
| Construction of Assets in progress | (8,183,830) | (12,699,537) |
| Trade and other payables from exchange transactions | 8,088,012 | 6,693,597 |
| VAT | 324,862 | (867,879) |
| Unspent conditional grants and receipts | 6,246,261 | (14,133,887) |
| | 43,259,057 | 18,294,722 |

29. Operating leases – as lessee (expense)

Operating lease payments represent rentals payable by the municipality for certain of its office properties. Leases are negotiated for an average term of three years and rentals are normally fixed for an average of three years. No contingent rent is payable.

| | | |
|---|----------------|----------------|
| Minimum lease payments due | | |
| Not later than one year | | |
| Later than one year and not later than five years | 456,347 | 712,275 |
| Later than 5 years | - | - |
| Less: future finance charges | (27,794) | (22,670) |
| Present Value of minimum lease payments | <u>428,553</u> | <u>689,605</u> |

30. Contingencies

The municipality might be liable for claims instituted against the municipality from employees with disputes against Council. The amount is uncertain as an arbitration award has not yet being issued against those claims.

The municipality might also be liable for a claim instituted against the municipality from SALA pension fund which are with the high court while the liability amounts to R 617,359.

The municipality might be liable for a claim instituted against the municipality from Easy-Veg and the liability amounts to R 100,000.

There might be a liability from a pending legal case against the municipality from Vanippa and the liability amounts to R 5,761,360.

31. Risk management

Financial risk management

The 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.

The municipality's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance. The municipality uses derivative financial instruments to hedge certain risk exposures. Risk management is carried out by a central treasury department (municipality treasury) under policies approved by the accounting officer. Municipality treasury identifies, evaluates and hedges financial risks in close co-operation with the municipality's operating units. The accounting officer provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

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Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

The municipality analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the municipality calculates the impact on surplus and deficit of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies.

Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on financial instruments exposure to interest rates at reporting date. For floating rate instruments, the analysis is prepared assuming the amount of the instrument outstanding at the reporting date, was outstanding for the whole year.

The basis points increases or decreases, as detailed below, were determined by management and represent management's assessment of the reasonably possible change in interest rates.

A positive number below indicates an increase in surplus. A negative number below indicates a decrease in surplus.

The sensitivity analysis shows reasonable expected change in the interest rate, either an increase or decrease in the interest percentage. The equal but opposite % adjustment to the interest rate would result in an equal but opposite effect on surplus and therefore has not been separately disclosed below.

As Council does not have any instruments that affect net assets directly, the disclosure only indicates the effect of the change in interest rates on surplus. There were no changes in the methods and assumptions used in preparing the sensitivity analysis from one year to the next.

Increase/(Decrease) in interest rates

| | | |
|--|-----------|-----------|
| The estimate increase/(decrease) in basis points | 100 | 100 |
| Effect on Net surplus | 1,722,319 | 1,171,234 |

Cash flow interest rate risk

| Financial Instruments | Current interest rate | Due in less than a year | Due in 2 to 5 years |
|---|-----------------------|-------------------------|---------------------|
| Trade and other receivables from exchange transactions | - | 13,484,960 | - |
| Other receivables from non-exchange transactions, including taxes and transfers | - | 1,681,972 | - |
| Trade and other payables from exchange transactions | - | (38,221,991) | - |
| Cash and cash equivalents | 7.35% | 13,009,042 | - |
| Call Investments Deposits | 9% | 159,222,875 | - |
| Financial lease liabilities | 11% | (60,021) | - |

Price risk

As the Sedibeng District Municipality has no significant interest bearing assets, the Sedibeng District Municipalities income and operating cash flow are substantially independent of charges in market interest rates.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

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Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

No credit limits were exceeded during the reporting period, and management does not expect any surplus from non-performance by these counterparties.

Categories of Financial Instruments

Financial Assets

| | | |
|---|--------------------|--------------------|
| Cash and cash equivalents | 172,231,917 | 117,123,421 |
| Inventories | 32,257 | - |
| Trade and other receivables from exchange transactions | 13,484,960 | 29,553,768 |
| Other receivables from non-exchange transactions, including taxes and transfers | 1,681,972 | 2,006,834 |
| | 187,431,106 | 148,684,023 |

Financial Liabilities

| | | |
|---|-------------------|-------------------|
| Financial lease liabilities | 60,021 | 390,910 |
| Unspent conditional grants and receipts | 26,400,030 | 20,153,769 |
| Provisions | 1,708,160 | 2,059,670 |
| Trade and other payables from exchange transactions | 38,221,991 | 30,133,978 |
| Total Liabilities | 66,390,202 | 52,738,327 |

If the interest rates received on investments increase or decrease by 100 basis points, the effect on the Statement of Financial performance would be as follows:

| | 2009 | | 2008 | |
|---|--------|-------------------|--------|-------------------|
| Floating Rate Financial Assets | Rate % | Effect on Surplus | Rate % | Effect on Surplus |
| Cash and cash equivalents | 1% | 1,722,319 | 1% | 1,171,234 |
| Construction of Assets in progress | 1% | 337,704 | 1% | 255,865 |
| Inventories | 1% | 322 | 1% | - |
| Trade and other receivables from exchange transactions | 1% | 134,849 | 1% | 295,553 |
| Other receivables from non-exchange transactions, including taxes and transfers | 1% | 16,819 | 1% | 20,068 |
| Floating Rate Financial Liabilities | | | | |
| Financial lease liabilities | 1% | (600) | 1% | (3,909) |
| Unspent conditional grants and receipts | 1% | (264,000) | 1% | (201,537) |
| Provisions | 1% | (17,081) | 1% | (20,596) |
| Trade and other payables from exchange transactions | 1% | (382,219) | 1% | (301,339) |

Operational Risk

Operational risk is the risk of loss arising from system failure, human error or external events. When controls fail to perform operational risk can cause damage to reputation, have legal or regulatory implications or can lead to financial loss. Council cannot expect to eliminate all operational risks, but by initiating a rigorous control framework and by monitoring and responding to potential risk, Council is able to manage the risk. Controls include effective segregation of duties, access control, authorization and reconciliation procedures, staff education and assessment processes.

32. 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.

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33. Events after the reporting date

A forensic investigation on supply chain catering started in the 2008/2009 financial year. Management through the Acting Municipal Manager has requested the ED-Corporate Services to provide a Legal Opinion on the Forensic Audit report on Catering services to establish the materiality and possible disciplinary charge against the alleged offenders. After which until the case has been completed a final report will be tabled before the Audit Committee and Council upon which the resolution of the case will be forwarded to the AG and the MEC for Local Government and Traditional Affairs office. It is anticipated that the case will be completed with reporting by no later than the 30th June 2010.

The remaining extent of Portion 26, Leeukuil 5961Q as well as Portion 2 of Erf 1420 Vereeniging belongs to Emfuleni Local Municipality but has been registered in the name of Sedibeng District Municipality. These assets are not taken up in the municipalities asset register as the transfer will be rectified at the deeds office in the 2009/2010 financial year.

The Council is not aware of any other matter or circumstance arising since the end of the financial year to the date of this report in respect of matters which would require adjustments to the disclosure in the Annual Financial Statements.

34. Additional disclosure in terms of Municipal Finance Management Act

PAYE and UIF

| | | |
|---------------------------------|--------------|--------------|
| Current year subscription / fee | 22,191,934 | 18,712,637 |
| Amount paid - current year | (22,191,934) | (18,712,637) |
| Amount Outstanding | - | - |

Pension and Medical Aid Deductions

| | | |
|---------------------------------|--------------|--------------|
| Current year subscription / fee | 37,034,883 | 30,370,353 |
| Amount paid - current year | (37,034,883) | (30,370,353) |
| Amount Outstanding | - | - |

VAT

| | | |
|----------------|-----------|-----------|
| VAT receivable | 1,681,972 | 2,006,834 |
|----------------|-----------|-----------|

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

35. Utilisation of Non-current liabilities reconciliation

| | | |
|------------------------------|---|--------|
| Long-term liabilities raised | - | 59,754 |
|------------------------------|---|--------|

Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act. Sufficient cash has been set aside to ensure that long-term liabilities can be repaid on redemption date.

36. Actual operating expenditure versus budgeted operating expenditure

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

37. 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 accounting officer and includes a note to the annual financial statements.

See Appendix G for more detail.

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38. Future Commitments

Commitments in respect of future expenditure will be as follow:

38.1 Conditional Grants not yet spent

Operational Expenditure:

| | | |
|--|------------------|------------------|
| DBSA Grant | 200,000 | |
| MSIG | 950,845 | 781,574 |
| LED PROJECTS | 95,000 | 95,000 |
| HIV & AIDS | 1,418,712 | 526,043 |
| Implimentation Tourism Inst. Framework | 150,000 | - |
| Finance Management Grant | 712,812 | 515,863 |
| Performance Management Program | 87,979 | 87,979 |
| Incentive Grant | - | 259,653 |
| IDP Grant | 270,152 | 270,152 |
| Internship grant | 141,000 | - |
| Growth & Development Summit | 300,000 | 300,000 |
| Allan Ross Memorial | 4,750 | 4,750 |
| Land Transfer Informal Settlement | 46,647 | 174,137 |
| PIMS & IDP grant | 554,263 | 554,263 |
| Lotto sport | 38,520 | 38,520 |
| Development project - Maru set work | 842 | 842 |
| | 4,971,522 | 3,608,776 |

Capital expenditure

| | | |
|--|-------------------|-------------------|
| Sicelo Shiceka | 951,238 | 951,238 |
| Sharpeville Public Library and Memorial | 1,028,364 | 1,146,135 |
| Taxi Recap | 36,955 | 36,955 |
| Mphatalatsane Theatre | 2,382 | 2,382 |
| Sharpeville community hall | 10,486,725 | - |
| MSP Grant | 481,866 | 575,631 |
| Craft Hub Establishment | 1,300,000 | - |
| Water services Development Grant - Midvaal | 207,000 | 207,000 |
| Environmental Grant | 526,217 | 526,217 |
| Emergency water supply | 2,799,607 | 2,799,607 |
| CCTV Project | 1,000,855 | 280,855 |
| Top 20 Roads Project | 2,607,299 | 10,018,973 |
| | 21,428,508 | 16,544,993 |

38.2 Capital Expenditure from own funding

| | |
|----------------------|------------------|
| Top 20 Roads Project | 3,000,000 |
| | 3,000,000 |

38.3 Operating Expenditure from own funding

| | |
|---|------------------|
| Simeka TWS Communications (Pty)Ltd -Marketing Strategy | 1,645,228 |
| Blue Square Advisory Services (Pty) Ltd – Market turnaround strategy | 1,276,356 |
| Gobodo Forensic and Investigative Accounting (PTY) LTD – Internal Audit function estimation based on AG Rates | 1,463,022 |
| | 4,384,606 |

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39. Unauthorised, Irregular, Fruitless and Wasteful Expenditure disallowed

39.1 Irregular Expenditure

| | | |
|----------------|-----------|-----------|
| Current | 239,520 | 881,102 |
| Less: Condoned | (239,520) | (881,102) |
| | - | - |

See appendix G

39.2 Fruitless Expenditure

There was a workshop that was scheduled to start on the 13th November 2008 at 9:30, but a Director demanded to stay at the hotel the night before the workshop and the amount of the invoice is R2017.60 which can be seen as fruitless expenditure although the Executive Director did approve the expense.

An Employee was attending the Batho Pele Learning Network Conference in Port Elizabeth and wanted to stay another night at the hotel which resulted in an extra cost of R735.80 which can be seen as fruitless expenditure although the Executive Director did approve the expense.

A booking was made for Executive directors, Directors and Assistant Managers at the Protea hotel for a conference for 60 people @ R315 per person and an amount of R19 900.00 was paid on the 4th of November 2008 for the 60 attendees. Only 41 delegates attended the conference, hence the total invoice amount of R19 900 has included in it a payment R6 985 that is fruitless expenditure as it represents the cost of delegates who did not attend the conference.

A meeting that had to take place on the 12th of May 2008 was cancelled and Sedibeng District Municipality still paid an amount of R118 240.80 to the supplier. No refund has been obtained from the supplier for the cancellation of the meeting although a subsequent meeting was arranged to cover certain cost.

39.2 Wasteful Expenditure

The Council entered into a maintenance contract relating to the close circuit television infrastructure. Repairs were done on the infrastructure related to damages incurred as a result of third parties. These repairs were not claimed from the insurance due to past correspondence from the insurers. The amount paid amounts to R 1,367,868.

40. Adjustments

| | | |
|--|-------------------|------------------|
| Rates and taxes to Emfuleni Local Municipality prior to 2007 not previously recorded | | (1,798,435) |
| RSC Levies related to prior years | 3,097 | 834,270 |
| Creditors not provided | (186,384) | |
| Debtor not provided | 54,230 | |
| Assets transfers and reclassified | 23,307,500 | |
| Licensing Creditor not realised | (3,400,000) | |
| | 19,778,443 | (964,165) |

41. Related Parties

41.1 Emfuleni Local Municipality, Midvaal Local Municipality and Lesedi Local Municipality

Emfuleni Local Municipality, Midvaal Local Municipality and Lesedi Local Municipality are a category B municipality which in terms of the Constitution of South Africa, section 155 (1) (b) means: "a Municipality that shares executive and legislative authority in its area with a category C municipality within whose area it falls."

A Land audit has been performed in order to establish ownership of land and buildings and where necessary entered into service level agreements with the locals. The land on which the taxi ranks, Licensing offices and Vaal Technorama have been constructed belongs to the Local Municipalities. The managing of these is however, a function resorting with the Sedibeng District Municipality, according to sections 84(1), (2), (3) and 85(1) of the Municipal Structures Act, (Act No 117 of 1998).

Related party balances

Amounts included in Trade receivable regarding related parties

Midvaal Local Municipality

107,093

-

Sedibeng District Municipality

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| | | |
|--|-------------|-------------|
| Figures in Rand | 2009 | 2008 |
| Emfuleni Local Municipality | 456,287 | 391,733 |
| Amounts included in Trade payables regarding related parties | | |
| Emfuleni Local Municipality | (6,725,430) | (4,422,269) |
| Lesedi Local Municipality | - | (90,426) |
| Related party transactions | | |
| IT services rendered to related parties | | |
| Midvaal Local Municipality | (1,350,546) | (1,201,763) |
| Emfuleni Local Municipality | (2,706,650) | (2,450,914) |
| Rates & taxes and contractual obligations paid to related parties | | |
| Midvaal Local Municipality | 4,480,519 | 4,260,996 |
| Emfuleni Local Municipality | 6,487,465 | 8,050,327 |
| Lesedi Local Municipality | 3,668,579 | 6,783,162 |

41.2 Department of Transport, Roads and Works

The Sedibeng District Municipality is performing an agency function on behalf of the Department of Transport, Roads and Works relating to drivers license applications and renewals. An agency fees is payable based on the income received. During the 2008/2009 financial year an amount of R 38,477,430 was received from the Department for services rendered.

41.3 Department of Health

The Sedibeng District Municipality is performing an agency function on behalf of the Department of Health for Emergency Medical Services. The Department of Health is paying a subsidy for the services rendered. The total amount of subsidies received as per the Division of Revenue act for the 2008/2009 financial year amounts to R 29,647,000.

42. Television sets in terms of the Television License Regulations under the Broadcasting act no 4 of 1999, as amended

| Description | Number of sets | Period that sets were in the entity's possession |
|------------------------------------|----------------|--|
| Owned television sets | 17 | 12 sets were used for the full year while 5 sets were procured during the 2008/09 financial year as follow: 29 January 2008 21 September 2008 07 October 2008 14 November 2008 22 June 2009 |
| Rented or leased television sets | - | |
| Number of sets donated / alienated | - | |
| TOTAL | 17 | |

43. Corresponding figures

The corresponding figures have been restated in certain instances.

**APPENDIX B
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT**

| | Cost | | | | | | Accumulated Depreciation | | | | | Carrying Value |
|-----------------------------|-------------------|------------------|---------------------|------------------|-------------------|--------------------|--------------------------|--------------------|------------------|------------------|---------------------|--------------------|
| | Opening Balance | Additions | Disposals | Reclassification | Revaluation | Closing Balance | Opening Balance | Depreciation | Disposals | Reclassification | Closing Balance | |
| Land & Buildings | | | | | | | | | | | | |
| Land | - | | | 4,470,000 | 34,501,285 | 38,971,285 | - | - | | | - | 38,971,285 |
| Buildings | 28,768,112 | | (21,499,116) | 979,643 | 52,673,747 | 60,922,386 | (4,862,102) | (1,132,819) | 4,751,202 | -687,283 | (1,931,003) | 58,991,383 |
| | 28,768,112 | - | (21,499,116) | 5,449,643 | 87,175,032 | 99,893,671 | (4,862,102) | (1,132,819) | 4,751,202 | (687,283) | (1,931,003) | 97,962,668 |
| Infrastructure | | | | | | | | | | | | |
| Electricity | - | - | - | | 100,974 | 100,974 | - | (415) | - | | (415) | 100,559 |
| Water | 3,773,085 | - | - | | - | 3,773,085 | (569,315) | (188,654) | | | (757,969) | 3,015,116 |
| Airport | 846,850 | - | | | 9,027,912 | 9,874,762 | (152,180) | (82,165) | | | (234,345) | 9,640,417 |
| Security | 7,834,793 | - | (363,888) | | 210,000 | 7,680,905 | (3,305,326) | (1,439,165) | 363,888 | | (4,380,604) | 3,300,301 |
| | 12,454,728 | - | (363,888) | - | 9,338,886 | 21,429,726 | (4,026,821) | (1,710,400) | 363,888 | - | (5,373,332) | 16,056,394 |
| Community Assets | | | | | | | | | | | | |
| Community | 11,402,532 | | (5,952,889) | (5,449,643) | | - | (1,060,035) | (380,084) | 752,837 | 687,283 | - | - |
| | 11,402,532 | - | (5,952,889) | (5,449,643) | - | - | (1,060,035) | (380,084) | 752,837 | 687,283 | - | - |
| Other Assets | | | | | | | | | | | | |
| Office Equipment | 5,514,000 | 1,035,435 | - | | | 6,549,435 | (3,310,727) | (496,381) | | | (3,807,108) | 2,742,327 |
| Medical | 1,500 | | | | | 1,500 | (1,500) | | | | (1,500) | - |
| Plant & Equipment | 5,786,514 | 699,707 | (5,205) | | | 6,481,017 | (4,814,060) | (513,566) | 4,255 | | (5,323,371) | 1,157,646 |
| Motor vehicles | 7,657,724 | 472,481 | (168,002) | | - | 7,962,203 | (2,017,400) | (1,411,851) | 92,424 | | (3,336,827) | 4,625,377 |
| Aircraft | 384,211 | - | - | | | 384,211 | (53,404) | (25,614) | | | (79,018) | 305,193 |
| Watercraft | 68,880 | - | - | | | 68,880 | (39,989) | (4,592) | | | (44,581) | 24,299 |
| Computer Equipment | 8,352,521 | 4,734,976 | (89,072) | | | 12,998,425 | (4,773,599) | (1,545,719) | 34,966 | | (6,284,352) | 6,714,073 |
| Computer Software | 2,750,258 | 271,570 | | | | 3,021,828 | (1,765,102) | (866,298) | | | (2,631,399) | 390,429 |
| Other Assets | | | | | | - | | | | | - | - |
| | 30,515,609 | 7,214,169 | (262,279) | - | - | 37,467,499 | (16,775,781) | (4,864,020) | 131,646 | - | (21,508,156) | 15,959,343 |
| Finance Lease Assets | | | | | | | | | | | | |
| Office Equipment | | | | | | | | | | | | - |
| Motor vehicles | 1,360,600 | | | | | 1,360,600 | (1,066,190) | (271,694) | | | (1,337,884) | 22,716 |
| | 1,360,600 | - | - | - | - | 1,360,600 | (1,066,190) | (271,694) | - | - | (1,337,884) | 22,716 |
| Total | 84,501,581 | 7,214,169 | (28,078,173) | - | 96,513,918 | 160,151,495 | (27,790,929) | (8,359,018) | 5,999,572 | - | (30,150,375) | 130,001,120 |

SEDIBENG DISTRICT MUNICIPALITY: ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2009

| | 2009 Actual (R) | 2009 Budget (R) | 2009 Variance (R) | 2009 Variance (%) | Explanation of Significant Variances greater than 10% versus Budget |
|---|--------------------|--------------------|----------------------|----------------------|--|
| REVENUE | | | | | |
| Rental of facilities and equipment | 8,026,490 | 6,601,406 | 1,425,084 | 22% | Income higher than anticipated due to increase in Fresh Produce Market sales |
| Interest earned - external investments | 19,441,804 | 11,460,722 | 7,981,082 | 70% | Additional income due to interest increases and equitable share allocations received in advance. Spending patterns not done based on cash flow projections. |
| Interest earned - outstanding debtors | 13,238 | 12,880 | 358 | 3% | |
| Sale of goods | 371,463 | 239,394 | 132,069 | 55% | Newly established function in selling of fuel at the Vereeniging Airport. Demand under estimated |
| Licenses and permits | 38,477,430 | 35,500,001 | 2,977,429 | 8% | |
| Income for agency services | 4,057,196 | 3,980,865 | 76,331 | 2% | |
| Government grants and subsidies | 228,808,544 | 220,798,000 | 8,010,544 | 4% | |
| Other income | 2,091,036 | 1,820,219 | 270,817 | 15% | Additional income as a result of sundry income received during the year. |
| Total Revenue | 301,287,201 | 280,413,487 | 20,873,714 | 7% | |
| EXPENDITURE | | | | | |
| Employee related costs | 158,715,935 | 154,383,247 | 4,332,688 | 3% | |
| Remuneration of Councillors | 7,215,362 | 6,816,788 | 398,574 | 6% | |
| Bad debts | 3,663,701 | 318,300 | 3,345,401 | 1051% | Increase as a result of addition provision made for bridging finance on capital and operational expenses not secured |
| Depreciation | 6,899,086 | 6,345,269 | 553,817 | 9% | |
| Repairs and maintenance | 6,935,182 | 11,837,875 | -4,902,693 | -41% | Anticipated repair and maintenance programmes not completed as a result of a the repairs at the Theatres not yet being awarded. |
| Financing cost | 29,623 | 53,240 | -23,617 | -44% | Decrease in interest rates had an impact on interest payable |
| Contracted services | 24,479,909 | 28,325,201 | -3,845,292 | -14% | Contracted services lower than anticipated as a result of identified programmes being performed inhouse and/or postponed. Municipal Health services also lower than estimated as a result of vacancies at Local Municipality level |
| Grants and subsidies paid | 29,724,916 | 0 | 29,724,916 | 0% | No budget, as a result of the land audit being conducted these amounts were transferred to the Local Municipalities |
| General expenses - other | 54,579,209 | 70,426,375 | -15,847,166 | -23% | Under spending as a result of programmes not being finalized according to SDBIP which had an impact on the alignment of the budget |
| Loss on disposal of property, plant and equipment | 17,687 | 0 | 17,687 | 0% | |
| Total Expenditure | 292,260,610 | 278,506,295 | 13,754,315 | 5% | |
| NET SURPLUS/(DEFICIT) FOR THE YEAR | 9,026,591 | 1,907,192 | 7,119,399 | 373% | |

SEDIBENG DISTRICT MUNICIPALITY

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

| Name of Grants | Name of organ of state or municipal entity | Total Receipts for the Year | Total Expenditure for the Year | Delay \ withheld | Gazette amount Municipal year | 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 |
|--------------------------------------|--|-----------------------------|--------------------------------|------------------|-------------------------------|---|--|---------------------------|
| | | Total | Total | Total | Total | | Yes / No | |
| Equitable Share | DPLG | 186,955,080 | 186,955,080 | 0 | 186,955,080 | None | Not Applicable | None |
| Emergency Medical Services Grant | Dept of Health | 29,647,000 | 29,647,000 | | 29,647,000 | R7 411 750 Paid in July 2009 relating to prior year | Not Applicable | None |
| Youth Centre Grant | Provincial | | 0 | | 0 | None | Not Applicable | None |
| Urban renewal | DANIDA | 1,200,000 | 1,200,000 | | 1,200,000 | None | Yes | None |
| DBSA Grant | DBSA | 200,000 | | 0 | 0 | None | Yes | None |
| Local Economic Development | Dept of Health | | | 0 | 0 | None | Yes | None |
| Health Subsidy | Dept of Health | | | 0 | 0 | None | Yes | None |
| Roads Infrastructure | Dept. of Transport | 0 | | 2,416,346 | 0 | None | Yes | None |
| MSP grant | DPLG | | 93,765 | 0 | | None | Yes | None |
| DLG grant | DPLG | | 7,411,675 | 0 | 0 | None | Yes | None |
| Incentive Grant | DPLG | | 259,653 | 0 | 0 | None | Yes | None |
| Municipal Systems Improvement | DPLG | 735,000 | 565,728 | 0 | 735,000 | None | Yes | None |
| DPTRW grant | DPTRW | 10,486,725 | | 0 | | None | Yes | None |
| Dwarf | DWARF | | | 0 | 0 | None | Yes | None |
| CCTV Project | Emfuleni Local Municipality | 720,000 | | | n/a | None | Yes | None |
| FM Grant | National Treasury | 500,000 | 303,051 | 0 | 500,000 | None | Yes | None |
| IDP Grant | National Treasury | | | 0 | 0 | None | Yes | None |
| Capacity Building | Provincial | 141,000 | | | 141,000 | None | Yes | None |
| HIV & AIDS grant | Provincial | 3,020,000 | 2,127,331 | 0 | 0 | None | Yes | None |
| Sports, recreation, arts and culture | Provincial | 1,300,000 | 117,772 | 0 | 1,300,000 | None | Yes | None |
| Department of Housing Implementation | Provincial | | 127,490 | 0 | 0 | None | Yes | None |
| Tourism Institution | Provincial | 150,000 | | 0 | 0 | None | Yes | None |
| Totals | | 235,054,805 | 228,808,544 | 2,416,346 | 220,478,080 | | | |

Equitable Share, Emergency medical services grant and Youth centre grant shown as expended in order that total grant expenditure recognised as revenue balance

The expenditure more than the receipted amounts is as a result of grants received in the previous years and allocated as unspent conditional grants.

Sedibeng District Municipality

Annual Financial Statements for the year ended 30 June 2009

DEVIATION FROM SUPPLY CHAIN MANAGEMENT REGULATIONS

Appendix G

| <i>Nature of deviation</i> | <i>Reasons for deviation</i> | <i>Amount</i> |
|--|---|---------------|
| REPAIRS OF A COPIER MACHINE | Due to the nature of the emergency a single quote was sourced and it was awarded to JS Support Service | R 3,062.48 |
| REPAIRS OF A COPIER MACHINE | It was urgent request of copier machine at Heidelberg LSC which is required for TD Copies | R 5,773.80 |
| Electricity | Emergency upgrading of electrical Distribution at the fuel Supply point Vereeniging airfield | R 8892.00 |
| Catering for Sect 80 Com | Own quotes were sourced and the order was awarded to Emalini | R 1,800.00 |
| Catering for interview panel 7 May 2009 | Halaal catering requested | R 480.00 |
| Catering for Ex-combatons Meet 13 May 2009 | Due to short notice given for the catering SC was unable to procure the services through the normal process and Distinctive Choice was requested to supply a quote | R 2,431.00 |
| MM requested the mobilization of residents in Midvaal to participate in the election | Procured loud hailer systems from Segatlahamelamasisi | R 4,200.00 |
| Making & installation of curtains in the office of the MMC Finance & Admin Asst | E C Chenia TA Bargain Stores were appointed with only one quote obtained | R 29,007.00 |
| Emergency electrical repair at the Fresh Produce Market | Due to the nature of the emergency a single quote was sourced and it was awarded to Yimofu Trading Enterprises | R 25,277.00 |
| Catering | Catering was required for the Task Team meet with Prov Office re Womens Month Programme Order awarded to Distinctive Choice | R 692.00 |
| Procurement of medical supplies | Protea Chemist the only pharmacy where Sedibeng District Municipality has a 30 day account | R 961.72 |
| Printing of receipts | Quote was sourced from Vereeniging New Printers and the order was awarded as they have printed these receipts in the past and have the templates of the printing required | R 1,493.40 |
| Transport for Sec 80 TIE to travel to RW in Glenvista for a site inspection | Sourced own quotes Order was awarded to Jeremia Mahlango | R 2,500.00 |

Sedibeng District Municipality

Annual Financial Statements for the year ended 30 June 2009

DEVIATION FROM SUPPLY CHAIN MANAGEMENT REGULATIONS

Appendix G

| <i>Nature of deviation</i> | <i>Reasons for deviation</i> | <i>Amount</i> |
|---|--|---------------|
| Printing of log books for fleet management | Quote was sourced from Vereeniging New Printers and the order was awarded as they have printed these documents in the past and have the templates of the printing required | R 6,897.00 |
| Printing of K53 Drivers License Report for license dept | Quote was sourced from Variprint and the order was awarded as they have printed these documents in the past and have the templates of the printing required | R 4,788.00 |
| Printing of Trading Sheets for license dept | Quote was sourced from Graphic Imprint and the order was awarded as they have printed these documents in the past and have the templates of the printing required | R 4,634.10 |
| Printing of Theory Test for license dept | Quote was sourced from Graphic Imprint and the order was awarded as they have printed these documents in the past and have the templates of the printing required | R 1,523.03 |
| Printing of Lost Documentation Form for license dept | Quote was sourced from Graphic Imprint and the order was awarded as they have printed these documents in the past and have the templates of the printing required | R 641.82 |
| Printing of Application for LL for license dept | Quote was sourced from Graphic Imprint and the order was awarded as they have printed these documents in the past and have the templates of the printing required | R 2,986.80 |
| Catering for the Women in prayer meeting | Speaker's Office sourced their own quotation and Ntswaki's Events was awarded the order | R 20,000.00 |
| Catering for the Women in prayer meeting | Speaker's Office sourced their own quotation and Bonny & Clide Fun Foods was awarded the order | R 22,500.00 |
| Advert for Womens month programme | LED sourced their own quotation and Nomithi Construction t/a Transition Times was awarded the order on the basis of being sole supplier | R 6,000.00 |
| Catering for the LOC meeting | Speaker's Office sourced their own quotations and Ntswaki's Events was awarded the order | R 3,500.00 |

Sedibeng District Municipality

Annual Financial Statements for the year ended 30 June 2009

DEVIATION FROM SUPPLY CHAIN MANAGEMENT REGULATIONS

Appendix G

| <i>Nature of deviation</i> | <i>Reasons for deviation</i> | <i>Amount</i> |
|--|---|---------------------|
| Procurement of a fire wire cable for a Apple Mac video editing machine | Communications sourced their own quotation and Mardo Photos was awarded the order | R 550.00 |
| Printing of Theory test for Learners Licence | Quote was sourced from Graphic Imprint and the order was awarded as they have printed these documents in the past and have the templates of the printing required | R 5,192.70 |
| Upgrading of data voice recorder | Quote was sourced from Gijma and the order was awarded | R 55,200.60 |
| Printing of document tracking sheet | Quote was sourced from Graphic Imprint and the order was awarded as they have printed these documents in the past and have the templates of the printing required | R 1,317.84 |
| Printing of document tracking sheet | Quote was sourced from Graphic Imprint and the order was awarded as they have printed these documents in the past and have the templates of the printing required | R 4,500.60 |
| Procurement of a computer equipment | IM sourced their own quotations Order was awarded to Rzarectors | R 12,717.43 |
| Total amount | | R 239,520.32 |