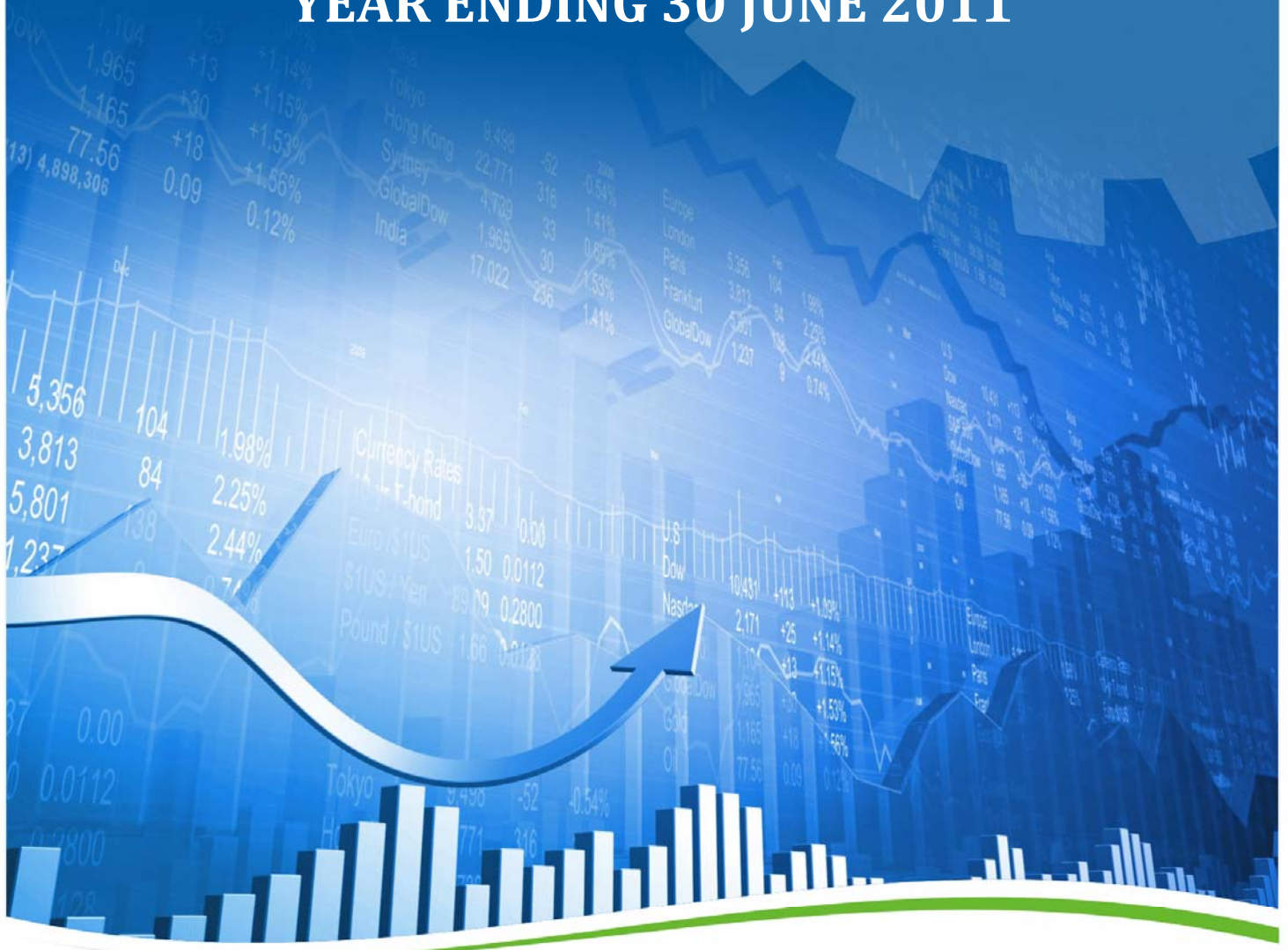




# SEDIBENG DISTRICT MUNICIPALITY

## Annual Financial Statements for the YEAR ENDING 30 JUNE 2011



# Sedibeng District Municipality

Annual Financial Statements for the year ended 30 June 2011

## General Information

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

# Sedibeng District Municipality

Annual Financial Statements for the year ended 30 June 2011

## Index

The reports and statements set out below comprise the annual financial statements presented to the members of council:

| <b>Index</b>  | <b>Page</b> |
|---|-------------|
| Accounting Officer's Responsibilities and Approval  | 3           |
| Accounting Officer's Report   | 4           |
| Statement of Financial Position   | 5           |
| Statement of Financial Performance  | 6           |
| Statement of Changes in Net Assets  | 7           |
| Cash Flow Statement   | 8           |
| Accounting Policies   | 9 - 21      |
| Notes to the Annual Financial Statements  | 22 - 34     |
| Appendixes:   |             |
| Appendix B: Analysis of Property, Plant and Equipment   | 35 - 36     |
| Appendix C: Segmental analysis of Property, Plant and Equipment                                 | 37          |
| Appendix D: Segmental Statement of Financial Performance  | 38          |
| Appendix E(1): Actual versus Budget (Revenue and Expenditure)                                   | 39          |
| Appendix E(2): Actual versus Budget (Acquisition of Property, Plant and Equipment)              | 40          |
| Appendix F: Disclosure of Grants and Subsidies in terms of the Municipal Finance Management Act | 41          |
| Appendix G: Supply Chain deviations   | 42 - 67     |

### 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                     |

# Sedibeng District Municipality

Annual Financial Statements for the year ended 30 June 2011

## 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 judgements 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 endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour 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 2012 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.

The annual financial statements set out on pages 4 to 34, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2011 and were signed on its behalf by:

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**Mr Yunus Chamda**

# Sedibeng District Municipality

Annual Financial Statements for the year ended 30 June 2011

## Accounting Officer's Report

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The accounting officer submits his report for the year ended 30 June 2011.

### 1. Incorporation

The municipality was incorporated on 01 January 1988 and obtained its certificate to commence its business as a regional services council on the same day.

### 2. Going concern

We draw attention to the fact that at 30 June 2011, the municipality had an accumulated surplus of R129,327,717 and that the municipality's total assets exceed its liabilities by 132,635,149.

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 officer of the municipality during the year and to the date of this report is as follows:

|                 |             |
|-----------------|-------------|
| Name            | Nationality |
| Mr Yunus Chamda | RSA         |

### 5. Bankers

The Current bankers appointed by Council through a formal tender process are ABSA Bank.

### 6. Auditors

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

### 6. Cost cutting measures

Following the global economic crisis of 2009 and in line with MFMA Circular 48, the executive management of Sedibeng District Municipality had taken the decision to make conscientious efforts to increase revenue and decrease operating expenses by:

| Increasing revenue through  | Cost containment measures  |
|---|--|
| <ul style="list-style-type: none"><li>– Optimizing all revenue streams;</li><li>– Reviewing billing processes;</li><li>– Rigorously applying credit control;</li><li>– Tightening internal control measures and SCM processes</li></ul> | <ul style="list-style-type: none"><li>– Educating staff to be more conscientious</li><li>– Better cash management</li><li>– Claiming discounts from creditors/ suppliers</li><li>– Institutionalising discussion on under-provision of EMS grant</li><li>– Institutionalising discussion on under-provision of equitable share</li><li>– Value-for-money spending and application of economies-of-scale procurement</li><li>– Closer monitoring of repairs &amp; maintenance will lead to reduction in productivity losses</li><li>– Reducing &amp; reviewing discretionary spending</li></ul> |

### 6. Income generation and turnaround strategies

In the attempt to explore revenue generation avenues for Council, executive management had resolved to:

- Review the progression and duration of renovation projects and as to when Council facilities will be available for external use by the public;
- Resolve on the issue of overtime and time-management for the staff at these venues;
- Formulate an income generating strategy as well as a marketing strategy for the venues;
- Develop income and tariffs policies based on the strategy above;
- Take a decision on the management of the confectionery and cafeteria stands.

# Sedibeng District Municipality

Annual Financial Statements for the year ended 30 June 2011

## Statement of Financial Position

| Figures in Rand  | Note(s) | 2011               | 2010               |
|--|---------|--------------------|--------------------|
| <b>Assets</b>  |         |                    |                    |
| <u>Current Assets</u>                                  |         |                    |                    |
| Cash and cash equivalents                              | 2       | 42,428,705         | 117,972,319        |
| Construction of Assets in Progress                     | 6       | -                  | 33,205,456         |
| Inventories  | 7       | 370,013            | 110,394            |
| Trade and other receivables from exchange transactions | 8       | 22,889,557         | 9,318,589          |
|  |         | <b>65,688,275</b>  | <b>160,606,758</b> |
| <u>Non-Current Assets</u>                              |         |                    |                    |
| Property, plant and equipment                          | 4       | 192,591,725        | 173,906,545        |
| Intangible assets                                      | 5       | 2,319,690          | 3,132,491          |
|  |         | <b>194,911,415</b> | <b>177,039,036</b> |
| <b>Total Assets</b>                                    |         | <b>260,599,690</b> | <b>337,645,794</b> |
| <b>Liabilities</b>                                     |         |                    |                    |
| <u>Current Liabilities</u>                             |         |                    |                    |
| Unspent conditional grants and receipts                | 10      | 33,326,167         | 32,838,449         |
| Provisions   | 11      | 2,026,485          | 1,827,135          |
| Trade and other payables from exchange transactions    | 12      | 80,628,803         | 43,114,801         |
| VAT Payable  | 13      | 11,983,086         | 8,659,045          |
|  |         | <b>127,964,542</b> | <b>86,439,430</b>  |
| <b>Total Liabilities</b>                               |         | <b>127,964,542</b> | <b>86,439,430</b>  |
| <b>Net Assets</b>                                      |         | <b>132,635,149</b> | <b>251,206,364</b> |
| <b>Net Assets</b>                                      |         |                    |                    |
| <u>Reserves</u>  |         |                    |                    |
| Government grant reserve                               | 9       | 3,307,432          | 3,794,388          |
| Accumulated surplus                                    |         | 129,327,717        | 247,411,976        |
| <b>Total Net Assets</b>                                |         | <b>132,635,149</b> | <b>251,206,364</b> |

# Sedibeng District Municipality

Annual Financial Statements for the year ended 30 June 2011

## Statement of Financial Performance

| Figures in Rand                                    | Note(s) | 2011                 | 2010                 |
|--|---------|----------------------|----------------------|
| <b>Revenue</b>                                     |         |                      |                      |
| Sale of goods                                      | 14      | 321,965              | 305,674              |
| Rental of facilities and equipment                 | 14      | 7,695,109            | 8,428,823            |
| Interest received (trading)                        | 14      | -                    | 141                  |
| Income from agency services                        | 14      | 6,496,536            | 5,664,190            |
| Licenses and permits                               | 14      | 43,254,275           | 37,037,748           |
| Government grants & subsidies                      | 15      | 290,229,183          | 252,453,877          |
| Other income                                       | 16      | 1,163,667            | 1,865,007            |
| Interest received - investment                     | 21      | 6,237,003            | 13,813,333           |
| <b>Total Revenue</b>                               |         | <b>355,397,738</b>   | <b>319,568,793</b>   |
| <b>Expenditure</b>                                 |         |                      |                      |
| General Expenses                                   | 17      | (86,542,894)         | (83,247,398)         |
| Employee related costs                             | 18      | (232,053,627)        | (198,345,065)        |
| Remuneration of councillors                        | 19      | (8,368,655)          | (7,709,580)          |
| Debt impairment                                    | 20      | (37,761)             | -                    |
| Depreciation and amortisation                      | 22      | (17,198,678)         | (8,749,480)          |
| Finance costs                                      | 23      | -                    | (317)                |
| Public participation                               |         | (140,129)            | (218,918)            |
| Repairs and maintenance                            |         | (7,877,686)          | (7,864,470)          |
| Contracted services                                | 25      | (36,659,023)         | (33,919,718)         |
| Grants and subsidies paid                          | 26      | (84,710,637)         | (20,151,737)         |
| <b>Total Expenditure</b>                           |         | <b>(473,589,090)</b> | <b>(360,206,683)</b> |
| Gain or loss on disposal of assets and liabilities |         | 107,092              | 90,062               |
| Revenue from non-exchange transactions             |         | -                    | 13,691,933           |
| <b>Deficit for the year</b>                        |         | <b>(118,084,260)</b> | <b>(26,855,895)</b>  |

# Sedibeng District Municipality

Annual Financial Statements for the year ended 30 June 2011

## Statement of Changes in Net Assets

| Figures in Rand   | Note | Government grant reserve | Accumulated surplus  | Total net assets     |
|---|------|--------------------------|----------------------|----------------------|
| <b>Balance at 01 July 2009</b>                          |      | <b>2,047,382</b>         | <b>282,775,059</b>   | <b>284,822,441</b>   |
| Correction of errors                                    | 32   |                          | (7,615,803)          | (7,615,803)          |
| <b>Restated Balance at 01 July 2009</b>                 |      | <b>2,047,382</b>         | <b>275,159,256</b>   | <b>277,206,638</b>   |
| Changes in net assets                                   |      |                          |                      |                      |
| Adjustments   |      | 870,673                  | (891,385)            | (20,712)             |
| Offset Depreciation                                     |      | (413,474)                | -                    | (413,474)            |
| Capital Grants used to purchase PPE                     |      | 1,306,085                | -                    | 1,306,085            |
| Asset Disposal  |      | (16,278)                 | -                    | (16,278)             |
| Net income (expenses) recognised directly in net assets |      | 1,747,006                | (891,385)            | 855,621              |
| Surplus for the year                                    |      | -                        | (21,883,686)         | (21,883,686)         |
| Correction of errors                                    | 32   |                          | (5,185,285)          | (5,185,285)          |
| <b>Restated Surplus for the year</b>                    |      | <b>-</b>                 | <b>(26,855,895)</b>  | <b>(26,855,895)</b>  |
| Total recognised income and expenses for the year       |      | 1,747,006                | (27,747,280)         | (26,000,274)         |
| <b>Total changes</b>                                    |      | <b>1,747,006</b>         | <b>(27,747,280)</b>  | <b>(26,000,274)</b>  |
| <b>Balance at 01 July 2010</b>                          |      | <b>3,794,388</b>         | <b>247,411,977</b>   | <b>251,206,365</b>   |
| Changes in net assets                                   |      |                          |                      |                      |
| Surplus for the year                                    |      | -                        | (118,084,260)        | (118,084,260)        |
| Adjustments   |      | -                        | -                    | -                    |
| Capital Grants used to purchase PPE                     |      | 277,087                  | -                    | 277,087              |
| Asset disposals   |      | (726,995)                | -                    | (726,995)            |
| Offset depreciation                                     |      | (37,048)                 | -                    | (37,048)             |
| <b>Total changes</b>                                    |      | <b>(486,956)</b>         | <b>(118,084,260)</b> | <b>(118,571,216)</b> |
| <b>Balance at 30 June 2011</b>                          |      | <b>3,307,432</b>         | <b>129,327,717</b>   | <b>132,635,149</b>   |



# Sedibeng District Municipality

Annual Financial Statements for the year ended 30 June 2011

## Cash Flow Statement

| Figures in Rand   | Note(s) | 2011                 | 2010                 |
|---|---------|----------------------|----------------------|
| <b>Cash flows from operating activities</b>                 |         |                      |                      |
| <b>Receipts</b>   |         |                      |                      |
| Grants  |         | 278,718,934          | 243,171,376          |
| Interest income   |         | 6,237,003            | 13,813,333           |
| Other receipts  |         | 306,462,135          | 183,169,397          |
|   |         | <b>591,418,072</b>   | <b>440,154,106</b>   |
| <b>Payments</b>   |         |                      |                      |
| Employee costs  |         | (240,629,523)        | (206,054,645)        |
| Suppliers   |         | (390,641,205)        | (236,901,470)        |
|   |         | <b>(631,270,728)</b> | <b>(442,956,115)</b> |
| <b>Net cash flows from operating activities</b>             | 29      | <b>(39,852,656)</b>  | <b>(2,802,009)</b>   |
| <b>Cash flows from investing activities</b>                 |         |                      |                      |
| Purchase of property, plant and equipment                   | 4       | (35,718,666)         | (51,398,574)         |
| Proceeds from sale of property, plant and equipment         | 4       | 273,656              | 257,692              |
| Purchase of other intangible assets                         | 5       | (245,948)            | (256,369)            |
| <b>Net cash flows from investing activities</b>             |         | <b>(35,690,958)</b>  | <b>(51,397,251)</b>  |
| <b>Cash flows from financing activities</b>                 |         |                      |                      |
| Repayment of financial lease liabilities                    |         | -                    | (60,021)             |
| Finance lease payments                                      |         | -                    | (317)                |
| <b>Net cash flows from financing activities</b>             |         | <b>-</b>             | <b>(60,338)</b>      |
| <b>Net increase/(decrease) in cash and cash equivalents</b> |         | <b>(75,543,614)</b>  | <b>(54,259,598)</b>  |
| Cash and cash equivalents at the beginning of the year      |         | 117,972,319          | 172,231,917          |
| <b>Cash and cash equivalents at the end of the year</b>     | 2       | <b>42,428,705</b>    | <b>117,972,319</b>   |

# Sedibeng District Municipality

Annual Financial Statements for the year ended 30 June 2011

## Accounting Policies

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### 1. SIGNIFICANT ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS

#### 1.1 BASIS OF PRESENTATION

The Annual Financial Statements have been prepared on an accrual basis of accounting and are in accordance with the historical cost basis unless otherwise stated. Under this basis the effects of transactions and other events are recognised when they occur and are recorded in the financial statements within the period to which they relate.

The annual financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practices (GRAP) prescribed by the Minister of Finance in terms of General Notices 991 of 2005 and General Notice 516 of 2008, including any interpretations and directives issued by the Accounting Standards Board

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

The Minister of Finance has, in terms of General Notice 1290 of 2008 exempted compliance with certain of the above-mentioned standards and aspects or parts of these standards. Details of the exemptions applicable to the municipality have been provided in the notes to the annual statements.

These accounting policies are consistent with those of the previous financial year.

#### Offsets

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

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

#### 1.2 PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand and are rounded to the nearest Rand.

#### 1.3 SIGNIFICANT ESTIMATES, JUDGEMENTS AND ASSUMPTIONS

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

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.

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 11: Provisions and contingencies

Note 12: Lease classification

Note 20: Doubtful Debts

# Sedibeng District Municipality

Annual Financial Statements for the year ended 30 June 2011

## Accounting Policies

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### 1.4 RESERVES

#### 1.4.1 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).

#### 1.4.2 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).

#### 1.4.3 Revaluation Reserve

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

### 1.5 PROPERTY, PLANT & EQUIPMENT

An item of property, plant and equipment which qualifies for recognition as an asset have been initially be measured at cost except where land and buildings have been revalued at fair value at date of the revaluation less subsequent depreciation.

The cost of an item of property, plant and equipment comprises of its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the asset to working condition for its intended use.

Where an item of property, plant and equipment was donated, is initially recognised at its fair value as at the date of acquisition.

Where an asset is acquired through a non-exchange transaction, its cost shall be measured at its fair value as at date of acquisition.

# Sedibeng District Municipality

Annual Financial Statements for the year ended 30 June 2011

## Accounting Policies

---

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets was measured at its fair value. If the acquired item could not be measured at its fair value, its cost was measured at the carrying amount of the asset given up.

Subsequent expenditure is capitalised when the recognition and measurement criteria of an asset are met. If expenditure only restores the originally best estimate of the expected useful life of the asset, then it is regarded as repairs and maintenance and is expensed.

Incomplete construction work is stated at historical cost. Depreciation only commences when the assets is commissioned into use.

Properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Municipality's accounting policy, refer to note 4. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Subsequently property, plant and equipment, are stated at cost, less accumulated depreciation and accumulated impairment losses.

Land is not depreciated as it is regarded as having an infinite life.

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.

Depreciation is calculated on the asset's depreciable amount, using the straight-line method over the useful lives of the asset. The depreciable amount is determined after deducting the residual value of the asset from its cost. The depreciation charge is recognised as an expense unless it is included in the carrying amount of another asset under construction. Assets will be depreciated according to their annual depreciation rates based on the following estimated asset lives:

| <b>Infrastructure Assets</b>           | <b>Years</b> |
|--|--------------|
| Street names, signs and parking meters | 5            |
| Water reservoirs and reticulation      | 15 – 20      |

| <b>Community Assets</b> | <b>Years</b> |
|-------------------------|--------------|
| Parks and gardens       | 10 -30       |
| Sport fields            | 20 – 30      |
| Community halls         | 30           |
| Recreation facilities   | 20 – 30      |

| <b>Other Assets</b>  | <b>Years</b> |
|----------------------|--------------|
| Motor vehicles       | 5            |
| Plant and equipment  | 2 – 15       |
| Security measures    | 3 – 10       |
| Buildings            | 30           |
| IT equipment         | 3 – 5        |
| Office equipment     | 3 - 7        |
| Specialised vehicles | 10           |

# Sedibeng District Municipality

Annual Financial Statements for the year ended 30 June 2011

## Accounting Policies

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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.

### 1.6 INTANGIBLE ASSETS

Intangible assets acquired separately or internally generated are reported at cost less accumulated amortisation and accumulated impairment losses. Refer to impairment of assets accounting policy 1.7

Where an intangible asset has been acquired at no or for a nominal cost, its cost is its fair value on the date of acquisition.

Goodwill (negative goodwill) arises on the acquisition of associates and joint ventures.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands is recognised in the statement of financial performance as incurred.

Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with the development of identifiable and unique software products controlled by the Municipality and that will probably generate economic benefits exceeding costs beyond one year are recognised as intangible assets. Costs include the employee costs incurred as a result of developing software and an appropriate portion of relevant overheads.

#### 1.6.1 Research and Development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the statement of financial performance when incurred.

Development activities involve a plan or design for the production of new or substantially new improved products and processes.

Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the municipality intends to and has sufficient resources to complete development and to use or sell the asset.

The expenditure capitalised includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use.

Other development expenditure is recognised in the statement of financial performance as incurred.

#### 1.6.2 Amortisation

Amortisation is recognised in the statement of financial performance on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use. The estimated useful lives for the current and comparative periods are as follows:

| Item              | Useful Life |
|-------------------|-------------|
| Computer software | 3 Years     |

Each item of intangible asset is amortised separately.

Intangible assets that have an indefinite useful life are tested for impairment annually.

The estimated useful life, the amortisation method and the residual values are reviewed annually at the end of the financial year. Any adjustments arising from the annual review are applied prospectively.

# Sedibeng District Municipality

Annual Financial Statements for the year ended 30 June 2011

## Accounting Policies

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### 1.7 IMPAIRMENT OF FINANCIAL ASSETS

#### Impairment of Non-financial assets

Non-Financial assets, excluding investment property, biological assets and inventories, are assessed at each reporting date to determine whether there is an indication that the carrying amount of the asset may be impaired. If such an indication exists, the recoverable amount of the asset is determined. Irrespective of whether an indication of impairment exists, the recoverable amount of goodwill, indefinite-life intangible assets and intangible assets not available for use are determined annually.

The recoverable amount of an asset is the higher of its fair value less costs to sale and its value in use. In determining the value in use, the estimated future cash flows of the asset is discounted to their present value based on pre-tax discount rates that reflects current market assessments of the time value of money and the risks that are specific to the asset. If the value in use of an asset for which there is an indication of impairment cannot be determined, the recoverable amount of the cash-generating unit to which the asset belongs is determined. An asset's cash generating unit is the smallest group of identifiable assets that includes the asset and that generates cash inflows from continuing use that are largely independent from cash inflows from other assets.

An impairment loss is recognised in the statement of financial performance when the carrying amount of an individual asset or of a cash-generating unit exceeds its recoverable amount. If the loss relates to the reversal of a previous revaluation surplus, it is recognised in equity. Impairment losses recognised on cash-generating units are allocated on a pro rata basis, to the assets in the cash-generating unit.

Impairment losses are reversed if there has been a change in the estimates used to determine the recoverable amount of the asset or cash-generating unit. Reversals of impairment losses on cash-generating units are allocated on a pro rata basis to the assets in the unit. Impairment losses are reversed only to the extent that the carrying amount of the asset does not exceed the carrying amount that would have been recognised in the past. Reversals of impairment losses are recognised directly in the statement of financial performance.

#### Impairment of Monetary assets

A provision for impairment is created when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of the receivables. The carrying value is reduced through the use of a provision and is recognised as a charge to the statement of financial performance. When a receivable is uncollectible, it is written off against the provision. Any subsequent recoveries of amounts previously written off are credited directly in the statement of financial performance.

An available for sale financial asset is impaired when there is a significant or prolonged decline in the fair value of the asset below its cost price or amortised cost. At such a point, a cumulative gains or losses that have been accumulated in equity are removed from equity as a reclassification adjustment and are recognised in the statement of financial performance. Any subsequent impairment losses are recognised directly in the statement of financial performance.

Where Held-to-maturity investments have been impaired, the carrying value is adjusted by the impairment loss and this is recognised as an expense in the period that the impairment is identified.

### 1.8 NON-CURRENT ASSETS HELD FOR SALE

Non-current assets or disposal groups are classified as non-current assets held for sale when the carrying amount of the asset or disposal group is to be recovered principally through a sale transaction rather than through continuing use.

Immediately before the classification of the asset or disposal group as held for sale, the carrying amount of the assets, or the assets and liabilities in the disposal group, are measured in accordance with applicable GRAP standards. Subsequently the asset or disposal group is measured at the lower of its carrying amount and fair value less cost to sell, with any adjustment recorded in the statement of financial performance.

# Sedibeng District Municipality

Annual Financial Statements for the year ended 30 June 2011

## Accounting Policies

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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 16: Investment property

GRAP 17: Property, Plant and Equipment:

GRAP 101: Agriculture

GRAP 102: Intangible Assets

### 1.9 LEASES

Leases that transfer substantially all the risks and rewards of ownership are classified as finance leases. All other leases are classified as operating leases.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease payments are recognised as an expense on a straight-line basis over the lease period.

#### The Municipality as Lessee

Assets leased in terms of finance lease agreements are capitalised at amounts equal at the inception of the lease to the fair value of the leased property, or lower, at the present value of the minimum lease payments. Capitalised leased assets are depreciated in accordance with the accounting policy applicable to property, plant and equipment; refer to property, plant and equipment policy 1.5. The corresponding rental obligations, net of finance charges, are included in long-term borrowings. Lease finance charges are amortised to the statement of financial performance (unless they are directly attributable to qualifying assets) over the duration of the leases so as to achieve a constant rate of interest on their remaining balance of the liability.

Obligations incurred under operating leases are charged to the statement of financial performance in equal installments over the period of the lease, except when an alternative method is more representative of the time pattern from which benefits are derived.

### 1.10 FINANCIAL INSTRUMENTS

Financial instruments are initially measured at fair value, plus, in the case of financial instruments not at fair value through profit or loss, transaction costs. The fair value of a financial instrument that is initially recognised is normally the transaction price, unless the fair value is evident from the observable market data. The municipality uses a discounted cash flow model which incorporates entity-specific variables to determine the fair value of financial instruments that are not traded in an active market. Differences may arise between the fair value initially recognised in (which in accordance with IAS 39, is generally the transaction price) and the amount initially determined using the valuation technique. Any such differences are subsequently recognised in profit or loss only to the extent that they relate to a change in the factors (including time) that market participants would consider in setting the price.

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

# Sedibeng District Municipality

Annual Financial Statements for the year ended 30 June 2011

## Accounting Policies

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### Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discount) through the expected life of the financial asset, or, where appropriate a shorter period.

### 1.10.1 FINANCIAL ASSETS

Financial assets are recognised in the municipality's statement of financial position when the municipality becomes a party to the contractual provisions of an instrument. Regular way purchases and sales of financial assets are recorded on the trade date.

The municipality classifies its financial assets in the following categories: fair value through profit or loss, loans and receivables, held-to-maturity as well as available for sale. All financial assets that are within the scope of IAS 39 are classified into one of the four categories.

#### 1.10.1.1 Financial assets at fair value through profit and loss

An instrument is at fair value through profit or loss if it is held for trading or designated as such. Purchase or sale decisions with regard to these investments are managed in accordance with the municipality's documented risk or investment strategy. Financial assets at Fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in the statement of financial performance. The net gain or loss recognised in the statement of financial performance incorporates any dividend or interest earned on the financial asset.

#### 1.10.1.2 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities in excess of 12 months. These are classified as non-current assets. They include short-term receivables, such as property rates, trade and other receivables, and long-term receivables, such as loans granted. This category may also include financial assets that would have been impaired or past due if the terms of the instrument were not renegotiated.

Loans and receivables are recognised initially at fair value, plus transaction costs. Subsequently items in this category are measured at amortised cost using the effective interest rate, and interest income is included in the statement of financial performance for the period. Net gains or losses represent; reversals of impairment losses, impairment losses, refer to impairment of assets policy XX as well as gains or losses on derecognition. These net gains and losses are included in the statement of financial performance.

#### 1.10.1.3 Held-to-maturity investments

Debt securities that the Municipality has the expressed intention and ability to hold to a fixed maturity date are recognised on a trade date basis and are initially measured at fair value plus transaction cost.

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

Investments which include listed government bonds, unlisted municipal bonds, fixed deposits and short term deposits invested in registered banks are stated at cost.

Surplus funds are invested in terms of Council's Investment Policy. Investments are only made with financial institutions registered in terms of the Deposit Taking Institutions Act of 1990 with an A1 or similar rating institution for safe investment purposes.

The investment period should be such that it will not be necessary to borrow funds against the investments at a penalty interest rate to meet commitments.



# Sedibeng District Municipality

Annual Financial Statements for the year ended 30 June 2011

## Accounting Policies

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### 1.10.1.4 Available for sale assets

Non-derivative assets that do not fall into any of the other categories are classified as available for sale. These financial instruments are stated at fair value plus transaction costs. Fair value is determined with reference to quoted market prices. Gains and losses arising from changes in fair value, with the exception of impairment losses, refer to assets management policy, are recognised directly in equity in the Mark-to-Market reserve.

Dividends on available for sale equity instruments are recognised in the surplus or deficit when the Municipality's right to receive payment is established.

### 1.10.2 FINANCIAL LIABILITIES

Financial liabilities are recognised in the municipality's statement of financial position when the municipality becomes party to the contractual provisions of the instrument.

The municipality classifies its financial liabilities in the following categories: at fair value through profit or loss and other financial liabilities. The classification depends on the purpose for which the financial liabilities were issued/obtained.

#### 1.10.2.1 Financial liabilities at fair value through profit or loss

Financial liabilities are classified as at Fair Value Through Profit or Loss where the financial liability is either held for trading or it is designated as at Fair Value Through Profit or Loss.

Financial liabilities at Fair Value Through Profit or Loss are stated at fair value, with any resultant gain or loss recognised in the statement of financial performance. Interest expense is calculated using the effective interest rate method and included as part of finance costs in the Statement of Financial Performance.

#### 1.10.3 Other financial liabilities

Other financial liabilities, including interest bearing borrowings, are initially measured at fair value, net of transaction costs.

Subsequently, other financial liabilities are measured at amortised cost using the effective rate method, with interest costs being recognised on an effective yield basis.

### 1.11 INVENTORIES

Inventories are initially measured at cost which cost of inventories comprises of all costs of purchase, costs of development, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Consumable stores, raw materials, work in progress, unused water, and finished goods are valued at the lower of cost and net realisable value. In general, the basis of determining cost is the weighted average cost of commodities.

Redundant and slow-moving stock are identified and written down with regard to their estimated economic or realisable values and sold by public auction. Consumables are written down with regard to age, condition and utility.

Unsold properties are valued at the lower of cost and net realisable value on a specific identification cost basis. Direct costs are accumulated for each separately identifiable development. Costs also include a proportion of overhead costs.

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.

# Sedibeng District Municipality

Annual Financial Statements for the year ended 30 June 2011

## Accounting Policies

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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.

### 1.12 CASH AND CASH EQUIVALENTS

Cash includes cash on hand and cash with banks.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand and cash at bank. Short term investments are included. Bank overdrafts are recorded on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

### 1.13 PROVISIONS AND CONTINGENCIES

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

Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation. The discount rate used in calculating the present value is the interest rate implicit in the transaction. Where this is impractical to determine the average interest rate cost of borrowing rate of the Municipality is used.

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

The municipality on initial adoption of the standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets has done so retrospectively according to the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

Due to the transitional provisions under the Standard of GRAP on Property, Plant and Equipment, certain assets have not been recognised as Property, Plant and Equipment. Due to the non-recognition of such assets, the requirements of the Standard on Provisions, Contingent Liabilities and Contingent assets have not been applied until the expiration the Property, Plant and Equipment transitional provisions. All necessary disclosure for those assets not recognised as Property, Plant and Equipment have been made.

The municipality complied with Directive 4 of February 2008, on initial adoption of the standard of on Provisions, Contingent Liabilities and Contingent Assets, GRAP 19, and has done so retrospectively according to the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

Where items have not been recognised in accordance with GRAP 17, Property, Plant and equipment as a result of transitional provisions, which take precedence over the requirements of GRAP 19. The GRAP 17 will have to be complied with first, or transitional provisions of this standard are to expire prior to application of GRAP 19.

The necessary disclosures have been made for non-recognition of provisions (which form part of the cost of an asset).

# Sedibeng District Municipality

Annual Financial Statements for the year ended 30 June 2011

## Accounting Policies

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### 1.14 EMPLOYEE BENEFITS

#### 1.14.1 Short-term employee benefits

The cost of short-term employee benefits, which include salaries and wages, short-term compensated absences and profit sharing 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 expected to pay in exchange for that service that had accumulated at the reporting date.

#### 1.14.2 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 voluntary redundancy.

#### 1.14.3 Retirement benefits

The municipality provides retirement benefits for its employees and councilors.

Contributions to 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.

#### 1.14.4 Defined contribution plans

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. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in the statement of financial performance when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

#### 1.14.5 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.

### 1.15 REVENUE RECOGNITION

Revenue shall be measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates, VAT and other similar allowances.

# Sedibeng District Municipality

Annual Financial Statements for the year ended 30 June 2011

## Accounting Policies

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### 1.15.1 Revenue from exchange transactions

#### Rendering of services

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.

#### Interest, royalties and dividends

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

Royalties are recognised as they are earned on a time basis is recognised on a straight-line basis over the period of the agreement. Royalty revenue that is based on production, sales and other measures is recognised in accordance with the substance of the relevant agreement; and

Dividends are recognised on the date that the Municipality becomes entitled to receive the dividend.

#### Agency Services

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified.

The income recognised is in terms of the agency agreement.

Collection charges are recognised when such amounts are incurred.

The municipality complied with Directive 4 of February 2008, on initial adoption of the standard of on Revenue from Exchange Transaction, GRAP 9, and has done so retrospectively according to the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

#### Sale of Fuel

The municipality is selling AVGAS fuel at the Vereeniging Airport as part of enhancing service delivery to a specific community group.

### 1.15.2 Revenue from non-exchange transactions

#### Grants and donations received

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 were 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

# Sedibeng District Municipality

Annual Financial Statements for the year ended 30 June 2011

## Accounting Policies

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the Municipality.

### 1.15.3 Transfer revenue

Assets and revenue recognised as a consequence of a transfer at no or nominal cost is measured at the fair value of the assets recognised as at the date of recognition. Non-monetary assets are measured at their fair value, which is determined by reference to observable market values or by independent appraisal by a member of the valuation profession.

### 1.15.4 Other

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 councilors or officials is virtually certain.

Revenue from the recovery of unauthorised irregular, fruitless and wasteful expenditure is based on legislated procedures.

### 1.16 VALUE ADDED TAX

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

### 1.17 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 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.

### 1.18 IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Act (Act 56 of 2003), the Municipal Systems Act (Act 32 of 2000), the Public Office Bearers Act (Act 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.

### 1.19 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.

### 1.20 COMPARATIVE INFORMATION

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

# Sedibeng District Municipality

Annual Financial Statements for the year ended 30 June 2011

## Accounting Policies

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### 1.21 CONSTRUCTION OF ASSETS IN PROGRESS

Construction of assets in progress is capital projects done on behalf of the Local Municipalities from the proceeds of conditional grants received and internal contributions. These projects are only handed over after full completion of the project and therefore all those uncompleted capital projects will be shown as Construction of assets in progress until date of transfer.

### 1.22 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 and associates nor any joint ventures or any other form of association that may be defined as related party relation.**

# Sedibeng District Municipality

Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

| Figures in Rand   | 2011              | 2010               |
|---|-------------------|--------------------|
| <b>2. Cash and cash equivalents</b>                           |                   |                    |
| Cash, cash equivalents and short term investments consist of: |                   |                    |
| Cash on hand  | 40,125            | 40,175             |
| Cash book balances  | 22,024,261        | 23,273,539         |
| Investment deposits   | 20,364,319        | 94,658,605         |
|   | <b>42,428,705</b> | <b>117,972,319</b> |
| Current assets - Bank balances and cash on hand               | 22,064,386        | 23,313,714         |
| Current assets - Investment deposit                           | 20,364,319        | 94,658,605         |
|   | <b>42,428,705</b> | <b>117,972,319</b> |

### The municipality had the following bank accounts

| Account number / description               | Bank statement balances |                   |                   | Cash book balances |                   |                   |
|--|-------------------------|-------------------|-------------------|--------------------|-------------------|-------------------|
|  | 30 June 2011            | 30 June 2010      | 30 June 2009      | 30 June 2011       | 30 June 2010      | 30 June 2009      |
| ABSA BANK<br>Primary Bank Account          | 3,583,679               | 10,603,511        | 1,388,301         | 3,503,814          | 10,306,855        | 321,171           |
| ABSA BANK<br>License Function Bank Account | 16,563,063              | 12,541,510        | 12,298,979        | 18,520,447         | 12,541,510        | 12,298,979        |
| ABSA BANK<br>RSC Levy Bank Account         | -                       | 425,174           | 325,612           | -                  | 425,174           | 297,010           |
| NEDBANK<br>Theatre Bank Account            | -                       | -                 | 51,707            | -                  | -                 | 51,707            |
| <b>Total</b>                               | <b>20,146,742</b>       | <b>23,570,195</b> | <b>14,064,599</b> | <b>22,024,261</b>  | <b>23,273,539</b> | <b>12,968,867</b> |

### Investments Deposits

|   |                   |                   |
|---|-------------------|-------------------|
| ABSA Bank - Call Account - 908 579 6427                   | 92,325            | 4,260,870         |
| STANDARD Bank - Investment account - 228499054            | 13,035            | 40,285,855        |
| ABSA Bank - Investment Account - 206 832 6856             | -                 | 30,101,195        |
| First National Bank - Investment Account - 742 724 208 67 | -                 | 20,010,685        |
| ABSA Bank - Investment Account - 207 050 6236             | 20,258,959        | -                 |
|   | <b>20,364,319</b> | <b>94,658,605</b> |

### 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. The impact of the implementation is very limited as the majority of operating leases have a 0% escalation clause except the lease of two office buildings. An operating lease liability has been created while lease rentals on operating leases have increased with the same amount.

Residual value on fixed assets has been implemented which had resulted in a change in the depreciation of fixed assets taking into account the residual value while all assets with a purchase price of less than R5,000 are being expense in the same year as acquisitions.

# Sedibeng District Municipality

Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

|                 |      |      |
|-----------------|------|------|
| Figures in Rand | 2011 | 2010 |
|-----------------|------|------|

### 4. Property, plant and equipment

|  | Cost /<br>Valuation | Accumulated<br>depreciation | Carrying value     | Cost /<br>Valuation | Accumulated<br>depreciation | Carrying value     |
|--|---------------------|-----------------------------|--------------------|---------------------|-----------------------------|--------------------|
| Land & Buildings                       | 114,560,986         | (6,347,483)                 | 108,213,503        | 113,920,574         | (3,937,567)                 | 109,983,007        |
| Furniture and fixtures                 | 15,010,431          | (10,501,683)                | 4,508,748          | 12,600,275          | (8,480,610)                 | 4,119,665          |
| Motor vehicles                         | 12,182,150          | (6,054,913)                 | 6,127,237          | 9,085,737           | (4,669,740)                 | 4,415,997          |
| Electronic equipment                   | 22,723,171          | (8,541,550)                 | 14,181,621         | 12,358,838          | (6,592,385)                 | 5,766,453          |
| Infrastructure                         | 68,796,613          | (14,763,303)                | 54,033,310         | 51,550,413          | (7,311,089)                 | 44,239,324         |
| Other property, plant and<br>equipment | 9,468,404           | (4,528,615)                 | 4,939,789          | 8,056,100           | (2,985,297)                 | 5,070,803          |
| Specialised vehicles                   | 745,973             | (158,456)                   | 587,517            | 453,091             | (141,795)                   | 311,296            |
| <b>Total</b>                           | <b>243,487,728</b>  | <b>(50,896,003)</b>         | <b>192,591,725</b> | <b>208,025,028</b>  | <b>(34,118,483)</b>         | <b>173,906,545</b> |

### Reconciliation of property, plant and equipment - 2011

|  | Opening<br>Balance | Additions         | Disposals        | Depreciation        | Total              |
|--|--------------------|-------------------|------------------|---------------------|--------------------|
| Land & Buildings                       | 109,983,007        | 640,412           | -                | (2,409,916)         | 108,213,503        |
| Furniture and fixtures                 | 4,119,665          | 2,427,801         | (12,670)         | (2,026,048)         | 4,508,748          |
| Motor vehicles                         | 4,415,997          | 3,163,648         | (32,930)         | (1,419,478)         | 6,127,237          |
| Electronic equipment                   | 5,766,453          | 10,535,418        | (120,964)        | (1,999,286)         | 14,181,621         |
| Infrastructure                         | 44,239,324         | 17,246,200        | -                | (7,452,214)         | 54,033,310         |
| Other property, plant and<br>equipment | 5,070,803          | 1,412,304         | -                | (1,543,319)         | 4,939,789          |
| Specialised vehicles                   | 311,296            | 292,882           | -                | (16,661)            | 587,517            |
|  | <b>173,906,545</b> | <b>35,718,666</b> | <b>(166,564)</b> | <b>(16,866,922)</b> | <b>192,591,725</b> |

### Reconciliation of property, plant and equipment - 2010

|                                     | Opening<br>Balance | Additions         | Disposals        | Depreciation        | Total              |
|-------------------------------------|--------------------|-------------------|------------------|---------------------|--------------------|
| Land & Buildings                    | 97,962,668         | 14,063,206        | -                | (2,042,867)         | 109,983,007        |
| Furniture and fixtures              | 5,350,203          | 1,572,645         | -                | (2,803,183)         | 4,119,665          |
| Motor vehicles                      | 5,201,608          | -                 | -                | (785,611)           | 4,415,997          |
| Electronic equipment                | 5,738,762          | 4,102,628         | (159,166)        | (3,915,771)         | 5,766,453          |
| Infrastructure                      | 16,370,240         | 30,074,384        | -                | (2,205,300)         | 44,239,324         |
| Other property, plant and equipment | 4,101,050          | 1,585,711         | (8,464)          | (607,494)           | 5,070,803          |
| Specialised vehicles                | 329,492            | -                 | -                | (18,196)            | 311,296            |
|                                     | <b>135,054,023</b> | <b>51,398,574</b> | <b>(167,630)</b> | <b>(12,378,422)</b> | <b>173,906,545</b> |

### 5. Intangible assets

|                          | Cost /<br>Valuation | Accumulated<br>amortisation | Carrying value | Cost /<br>Valuation | Accumulated<br>amortisation | Carrying value |
|--------------------------|---------------------|-----------------------------|----------------|---------------------|-----------------------------|----------------|
| Computer software, other | 3,524,145           | (1,204,455)                 | 2,319,690      | 3,278,197           | (145,706)                   | 3,132,491      |

### Reconciliation of intangible assets - 2011

|                          | Opening<br>Balance | Additions | Amortisation | Total     |
|--------------------------|--------------------|-----------|--------------|-----------|
| Computer software, other | 3,132,491          | 245,948   | (1,058,749)  | 2,319,690 |

### Reconciliation of intangible assets - 2010

|                          | Opening<br>Balance | Additions | Amortisation | Total     |
|--------------------------|--------------------|-----------|--------------|-----------|
| Computer software, other | 2,999,335          | 256,369   | (123,213)    | 3,132,491 |



# Sedibeng District Municipality

Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

| Figures in Rand   | 2011              | 2010              |
|---|-------------------|-------------------|
| <b>6. Construction of Assets in Progress</b>  |                   |                   |
| <b>Related Projects</b>   |                   |                   |
| Upgrade Matanzima Road Phase1   | -                 | 2,980,295         |
| Construction Bonatla Road Phase 2   | -                 | 137,985           |
| Upgrade Ring Road Phase 2   | -                 | 1,906,396         |
| Construction of Thorometsane road   | -                 | 7,330,212         |
| Construction of Sekwati Road  | -                 | 10,279,620        |
| Construction of Tea-Tree Road   | -                 | 3,208,496         |
| Evaton Pedestrian Sidewalk  | -                 | 431,530           |
| Road Signage  | -                 | 541,878           |
| Sharpeville Community Hall  | -                 | 1,439,170         |
| Sharpeville Police Station  | -                 | 346,050           |
| Sharpeville Cemetery  | -                 | 4,603,825         |
|   | -                 | <b>33,205,457</b> |
| <b>7. Inventories</b>   |                   |                   |
| Fuel - Airport  | 370,013           | 110,394           |
| <b>8. Trade and other receivables from exchange transactions</b>                                      |                   |                   |
| Trade debtors   | 640,932           | 692,383           |
| Prepayments (if immaterial)   | 107,089           | -                 |
| VAT on Accruals   | 1,464,614         | 562,471           |
| Government subsidies  | 16,985,000        | -                 |
| Bank Error  | -                 | 49,351            |
| Operating Projects - Bridging Finance   | -                 | 3,397,542         |
| Department of Transport - License refund  | -                 | 3,617,828         |
| Local Municipalities - Agency services  | 2,959,591         | 999,014           |
| Salaries Advanced   | 85,392            | -                 |
| HIV & AIDS Bridging Finance   | 646,939           | -                 |
|   | <b>22,889,557</b> | <b>9,318,589</b>  |
| <b>9. Government grant reserve</b>  |                   |                   |
| Opening balance   | 3,794,388         | 2,047,382         |
| Capital grants used to obtain property, plant and equipment   | 277,087           | 1,306,085         |
| Offset depreciation   | (726,994)         | (413,475)         |
| Asset Lifespan adjustment   | -                 | 870,673           |
| Asset Disposal  | (37,049)          | (16,277)          |
|   | <b>3,307,432</b>  | <b>3,794,388</b>  |
| <b>10. Unspent conditional grants and receipts</b>  |                   |                   |
| Below is a list of all grants where all the conditions were not yet met during the year under review. |                   |                   |
| <b>Unspent conditional grants and receipts comprises of:</b>  |                   |                   |
| <b>Unspent conditional grants and receipts</b>  |                   |                   |
| Provincial Grants   | 9,908,233         | 10,654,036        |
| National Grants   | 21,575,280        | 19,349,833        |
| DPLG Grants   | 1,842,654         | 2,834,580         |
|   | <b>33,326,167</b> | <b>32,838,449</b> |
| <b>Movement during the year</b>   |                   |                   |
| Balance at the beginning of the year  | 32,838,449        | 26,400,030        |
| Additions during the year   | 43,525,900        | 26,273,000        |
| Income recognition during the year  | (43,038,182)      | (19,834,581)      |
|   | <b>33,326,167</b> | <b>32,838,449</b> |

# Sedibeng District Municipality

Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

Figures in Rand

2011

2010

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 15 for reconciliation of grants from National/Provincial Government.

These amounts are invested in an investment account until utilised.

### 11. Provisions

#### Reconciliation of provisions - 2011

|                   | Opening Balance  | Additions      | Total            |
|-------------------|------------------|----------------|------------------|
| Performance Bonus | 1,141,900        | -              | 1,141,900        |
| Retirement Bonus  | 685,235          | 199,350        | 884,585          |
|                   | <b>1,827,135</b> | <b>199,350</b> | <b>2,026,485</b> |

#### Reconciliation of provisions - 2010

|                   | Opening Balance  | Additions      | Total            |
|-------------------|------------------|----------------|------------------|
| Performance Bonus | 1,141,900        | -              | 1,141,900        |
| Retirement Bonus  | 566,260          | 118,975        | 685,235          |
|                   | <b>1,708,160</b> | <b>118,975</b> | <b>1,827,135</b> |

### 12. Trade and other payables from exchange transactions

|  |                   |                   |
|--|-------------------|-------------------|
| Trade payables                         | 14,740,485        | 19,356,490        |
| Accrued leave pay                      | 16,739,201        | 13,613,807        |
| Operating lease liabilities            | 84,217            | 63,185            |
| Department of Transport (License fees) | 39,767,852        | 2,551,303         |
| Local Municipalities Accounts          | 5,564,666         | 7,270,120         |
| Retention on Capital Projects          | 1,618,832         |                   |
| Compensation Commissioner              | 1,330,307         | -                 |
| Insurance Claims                       | -                 | 7,885             |
| Mayoral Event                          | 98,800            | 78,800            |
| Ambulance fees in advance              | 87,122            | 66,197            |
| Refundable town hall rental deposits   | 71,749            | 40,181            |
| Unclaimed Salaries                     | 25,199            | 5,574             |
| Salaries in arrears                    | -                 | 54,645            |
| Unknown deposits                       | 134,598           | -                 |
| VAT on Debtors                         | 365,774           | 6,614             |
|  | <b>80,628,803</b> | <b>43,114,801</b> |

### 13. VAT Payable

|             |            |           |
|-------------|------------|-----------|
| VAT payable | 11,983,086 | 8,659,045 |
|-------------|------------|-----------|

### 14. Revenue

|                               |                    |                    |
|-------------------------------|--------------------|--------------------|
| Sale of goods                 | 321,965            | 305,674            |
| Income from agency services   | 6,496,536          | 5,664,190          |
| Licenses and permits          | 43,254,275         | 37,037,748         |
| Government grants & subsidies | 290,229,183        | 252,453,877        |
|                               | <b>340,301,959</b> | <b>295,461,489</b> |

#### The amount included in revenue arising from exchanges of goods or services are as follows:

|                                  |                   |                   |
|----------------------------------|-------------------|-------------------|
| Sale of goods                    | 321,965           | 305,674           |
| Rental of facilities & equipment | 7,695,109         | 8,428,823         |
| Income from agency services      | 6,496,536         | 5,664,190         |
| Licenses and permits             | 43,254,275        | 37,037,748        |
|                                  | <b>57,767,885</b> | <b>51,436,435</b> |

# Sedibeng District Municipality

Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

| Figures in Rand | 2011 | 2010 |
|-----------------|------|------|
|-----------------|------|------|

**The amount included in revenue arising from non-exchange transactions is as follows:**

|                               |             |             |
|-------------------------------|-------------|-------------|
| Government grants & subsidies | 290,229,183 | 252,453,877 |
|-------------------------------|-------------|-------------|

### 15. Government grants and subsidies

|                     |                    |                    |
|---------------------|--------------------|--------------------|
| Equitable share     | 213,221,000        | 201,582,745        |
| Ambulance Subsidies | 33,970,000         | 31,120,000         |
| Youth Grant         | -                  | 1,000,000          |
| Support Grants      | 43,038,183         | 18,751,132         |
|                     | <b>290,229,183</b> | <b>252,453,877</b> |

#### Equitable Share

|   |               |               |
|---|---------------|---------------|
| Current year receipts                   | (213,221,000) | (201,582,745) |
| Conditions met - transferred to revenue | 213,221,000   | 201,582,745   |
|   | -             | -             |

Conditions still to be met - remain liabilities (see note 10)

#### Ambulance Subsidies

|   |              |              |
|---|--------------|--------------|
| Current year receipts                   | (33,970,000) | (31,120,000) |
| Conditions met - transferred to revenue | 33,970,000   | 31,120,000   |
|   | -            | -            |

Conditions still to be met - remain liabilities (see note 10)

#### Provincial Grants

|   |                  |                   |
|---|------------------|-------------------|
| Balance unspent at beginning of year    | 10,654,036       | 16,973,519        |
| Current year receipts                   | 4,427,900        | 650,000           |
| Conditions met - transferred to revenue | (5,173,703)      | (6,969,483)       |
|   | <b>9,908,233</b> | <b>10,654,036</b> |

Conditions still to be met - remain liabilities (see note 10)

#### National Grants

|   |                   |                   |
|---|-------------------|-------------------|
| Balance unspent at beginning of year    | 19,349,833        | 1,933,809         |
| Current year receipts                   | 39,098,000        | 24,623,000        |
| Conditions met - transferred to revenue | (36,872,553)      | (7,017,976)       |
| Transfer back to Grant Authority        | -                 | (189,000)         |
|   | <b>21,575,280</b> | <b>19,349,833</b> |

Conditions still to be met - remain liabilities (see note 10)

*The Outstanding amount consist of the following Grants:*

|                                  |                   |                   |
|----------------------------------|-------------------|-------------------|
| NDPG                             | 21,405,923        | 19,269,175        |
| Finance Management Grant         | 38,256            | 42,005            |
| MSIG                             | -                 | 38,653            |
| Danida – Urban Environment Grant | 131,101           |                   |
|                                  | <b>21,575,280</b> | <b>19,349,833</b> |

#### DPLG Grants

|   |                  |                  |
|---|------------------|------------------|
| Balance unspent at beginning of year    | 2,834,580        | 6,291,847        |
| Conditions met - transferred to revenue | (991,926)        | (3,457,267)      |
|   | <b>1,842,654</b> | <b>2,834,580</b> |

Conditions still to be met - remain liabilities (see note 10)

# Sedibeng District Municipality

Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

| Figures in Rand   | 2011             | 2010             |
|---|------------------|------------------|
| <b>Local Municipality Grants</b>                              |                  |                  |
| Balance unspent at beginning of year                          | -                | 1,000,855        |
| Conditions met - transferred to revenue                       | -                | (1,000,855)      |
|   | -                | -                |
| Conditions still to be met - remain liabilities (see note 10) |                  |                  |
| <b>Youth Development Grant</b>                                |                  |                  |
| Current year receipts   | -                | 1,000,000        |
| Conditions met - transferred to revenue                       | -                | (1,000,000)      |
|   | -                | -                |
| Conditions still to be met - remain liabilities (see note 10) |                  |                  |
| <b>DBSA Grant</b>   |                  |                  |
| Balance unspent at beginning of year                          | -                | 200,000          |
| Conditions met - transferred to revenue                       | -                | (200,000)        |
|   | -                | -                |
| Conditions still to be met - remain liabilities (see note 10) |                  |                  |
| <b>16. Other revenue</b>                                      |                  |                  |
| Ad-hoc income   | 139,037          | 151,252          |
| Skills levy income  | 124,046          | 708,746          |
| Ambulance fees  | 442,017          | 657,892          |
| Tender income   | 153,246          | 221,323          |
| Commission on salaries  | 147,347          | 125,794          |
| Telephone cost recovered                                      | 157,974          | -                |
|   | <b>1,163,667</b> | <b>1,865,007</b> |

# Sedibeng District Municipality

Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

| Figures in Rand  | 2011               | 2010               |
|--|--------------------|--------------------|
| <b>17. General expenses</b>                                    |                    |                    |
| Advertising  | 1,091,628          | 1,746,412          |
| Assessment rates & municipal charges                           | 7,017,932          | 4,651,187          |
| Auditors remuneration  | 2,018,762          | 2,756,648          |
| Bank charges   | 662,276            | 652,426            |
| Computer expenses  | 2,363,111          | 2,258,991          |
| Consulting and professional fees                               | 6,008,145          | 4,721,138          |
| Consumables  | 1,061,427          | 1,095,509          |
| Debt collection  | 2,743,294          | -                  |
| Entertainment  | 505,997            | 432,485            |
| Insurance  | 2,453,864          | 1,975,483          |
| Lease rentals on operating lease                               | 6,970,888          | 5,131,935          |
| Marketing  | 2,841,587          | 15,316,450         |
| Magazines, books and periodicals                               | 261,805            | 265,741            |
| Fuel and oil   | 826,722            | 799,895            |
| Postage and courier  | 13,449             | 21,388             |
| Printing and stationery  | 2,594,941          | 2,763,085          |
| Promotions   | 3,392,160          | 2,245,130          |
| Protective clothing  | 912,952            | 1,073,129          |
| Royalties and license fees                                     | 2,276,190          | 2,208,363          |
| Staff welfare  | 187,478            | 1,332,219          |
| Subscriptions and membership fees                              | 1,296,466          | 1,094,718          |
| Telephone and fax  | 4,167,686          | 4,196,116          |
| Training   | 1,970,722          | 2,706,301          |
| Travel   | 2,131,845          | 2,976,041          |
| Campaigns  | 681,430            | 1,008,054          |
| Office refreshments  | 486,061            | 424,843            |
| Workshops  | 8,867,245          | 8,573,437          |
| Congresses & Meetings  | 504,009            | 636,527            |
| Expenses from Grants   | 16,777,565         | 6,446,896          |
| External Bursaries   | 492,000            | 948,000            |
| Donations & Grants   | 992,462            | 588,908            |
| Catering Expenses  | 1,556,819          | 1,944,076          |
| Sale of goods - Aircraft fuel                                  | 413,976            | 255,867            |
|  | <b>86,542,894</b>  | <b>83,247,398</b>  |
| <b>18. Employee related costs</b>                              |                    |                    |
| <b>Employee related cost exclusive of Section 57 employees</b> |                    |                    |
| Basic  | 138,410,255        | 118,521,882        |
| Medical aid - company contributions                            | 11,510,204         | 9,607,846          |
| UIF  | 1,188,621          | 1,094,137          |
| WCA  | 1,330,307          | 1,223,265          |
| SDL  | 1,774,466          | 1,501,338          |
| Other payroll levies   | 2,731,895          | 2,325,220          |
| Leave pay provision charge                                     | 4,142,851          | 5,780,814          |
| Post-employment benefits - Pension - Defined contribution plan | 27,306,816         | 23,223,200         |
| Overtime payments  | 9,073,410          | 8,817,512          |
| 13th Cheques   | 14,833,168         | 8,633,816          |
| Car allowance  | 10,890,088         | 9,978,257          |
| Housing benefits and allowances                                | 1,133,404          | 1,432,175          |
| Telephone Allowances   | 500                | 1,061              |
| Standby Allowance  | 1,904,083          | 1,911,726          |
|  | <b>226,230,068</b> | <b>194,052,249</b> |
| <b>Remuneration of municipal manager</b>                       |                    |                    |
| Annual Remuneration  | 897,906            | 859,807            |
| Car Allowance  | 119,784            | 119,784            |
| Contributions to UIF, Medical and Pension Funds                | 83,666             | 78,870             |
|  | <b>1,101,356</b>   | <b>1,058,461</b>   |

# Sedibeng District Municipality

Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

| Figures in Rand  | 2011               | 2010               |
|--|--------------------|--------------------|
| <b>Remuneration of chief operating officer</b>   |                    |                    |
| Annual Remuneration  | 894,007            | -                  |
| Contributions to UIF, Medical and Pension Funds  | 43,746             | -                  |
|  | <b>937,753</b>     | -                  |
| <b>Remuneration of chief finance officer</b>   |                    |                    |
| Annual Remuneration  | 556,417            | 539,033            |
| Car Allowance  | 120,000            | 120,000            |
| Contributions to UIF, Medical and Pension Funds  | 159,772            | 144,756            |
| Housing Allowance  | 4,800              | 4,800              |
|  | <b>840,989</b>     | <b>808,589</b>     |
| <b>Remuneration of executive directors</b>   |                    |                    |
| Annual Remuneration  | 2,277,043          | 1,769,456          |
| Car Allowance  | 372,348            | 372,348            |
| Contributions to UIF, Medical and Pension Funds  | 294,070            | 283,962            |
|  | <b>2,943,461</b>   | <b>2,425,766</b>   |
| The Executive Director for Strategic Planning and Economic Development (SPED) was appointed on 5 January 2011. |                    |                    |
| <b>Total</b>   | <b>232,053,627</b> | <b>198,345,065</b> |

### 19. Remuneration of councillors

|                                   |                  |                  |
|-----------------------------------|------------------|------------------|
| Executive Major                   | 656,507          | 628,199          |
| Mayoral Committee Members         | 3,963,438        | 3,708,175        |
| Speaker                           | 527,510          | 501,855          |
| Councillors                       | 2,449,887        | 2,163,893        |
| Councillors' pension contribution | 771,313          | 707,458          |
|                                   | <b>8,368,655</b> | <b>7,709,580</b> |

### Benefits-in-kind

The Executive Mayor, Speaker, Chief Whip and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.

The Executive Mayor has use of a Council owned vehicle for official duties.

The Executive Mayor and Speaker have full-time bodyguards.

### 20. Debt impairment

|                 |        |   |
|-----------------|--------|---|
| Debt impairment | 37,761 | - |
|-----------------|--------|---|

### 21. Investment revenue

#### Interest revenue

|      |           |            |
|------|-----------|------------|
| Bank | 6,237,003 | 13,813,333 |
|------|-----------|------------|

### 22. Depreciation

|                               |                   |                  |
|-------------------------------|-------------------|------------------|
| Property, plant and equipment | 16,139,929        | 8,504,213        |
| Intangible assets             | 1,058,749         | 245,267          |
|                               | <b>17,198,678</b> | <b>8,749,480</b> |

# Sedibeng District Municipality

Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

| Figures in Rand  | 2011                | 2010               |
|--|---------------------|--------------------|
| <b>23. Finance costs</b>                               |                     |                    |
| Finance leases   | -                   | 317                |
| <b>24. Auditors' remuneration</b>                      |                     |                    |
| Fees   | 2,018,762           | 2,756,648          |
| <b>25. Contracted Services</b>                         |                     |                    |
| Specialist Services                                    | 11,747,604          | 11,714,383         |
| Other Contractors                                      | 24,911,419          | 22,205,335         |
|  | <b>36,659,023</b>   | <b>33,919,718</b>  |
| <b>26. Grants and subsidies paid</b>                   |                     |                    |
| <b>Other subsidies</b>                                 |                     |                    |
| Grants paid to Local Municipalities                    | 84,710,637          | 20,151,737         |
| <b>27. Cash receipts from customers</b>                |                     |                    |
| Income   | 355,397,738         | 319,568,793        |
| Inventories  | (259,619)           | (78,137)           |
| Trade and other receivables from exchange transactions | (13,570,968)        | 4,166,371          |
| VAT  | 3,324,041           | (3,067,720)        |
|  | <b>344,891,192</b>  | <b>320,589,307</b> |
| <b>28. Cash paid to suppliers and employees</b>        |                     |                    |
| Expenses   | 473,589,090         | 360,419,759        |
| Movements in provisions                                | (199,350)           | (118,975)          |
| Construction of Assets in Progress                     | (33,205,456)        | (564,958)          |
| Trade and other payables from exchange transactions    | (37,514,002)        | (3,514,185)        |
| Unspent conditional grants and receipts                | (487,718)           | (6,438,419)        |
| Depreciation   | (17,198,678)        | (8,962,556)        |
| Finance costs  | -                   | (317)              |
| Surplus/Deficit account adjustments                    | -                   | 891,385            |
| Assets Adjustments                                     | (240,038)           | (18,320,418)       |
|  | <b>384,743,848</b>  | <b>323,391,316</b> |
| <b>29. Cash used in operations</b>                     |                     |                    |
| Deficit  | (118,084,260)       | (26,855,895)       |
| <b>Adjustments for:</b>                                |                     |                    |
| Depreciation   | 17,198,678          | 8,749,480          |
| Loss / (Gain) on sale of assets and liabilities        | (107,092)           | (90,062)           |
| Initial recognition of fixed asset at fair value       | -                   | (13,691,933)       |
| Finance costs - Finance leases                         | -                   | 317                |
| Debt impairment  | 37,761              | -                  |
| Movements in provisions                                | 199,350             | 118,975            |
| Asset movement   | 240,038             | 18,320,418         |
| Surplus/Deficit account adjustments                    | -                   | (891,385)          |
| <b>Changes in working capital:</b>                     |                     |                    |
| Inventories  | (259,619)           | (78,137)           |
| Trade and other receivables from exchange transactions | (13,570,968)        | 4,166,371          |
| Consumer debtors                                       | (37,761)            | -                  |
| Construction of Assets in Progress                     | 33,205,456          | 564,958            |
| Trade and other payables from exchange transactions    | 37,514,002          | 3,514,185          |
| VAT  | 3,324,041           | (3,067,720)        |
| Unspent conditional grants and receipts                | 487,718             | 6,438,419          |
|  | <b>(39,852,656)</b> | <b>(2,802,009)</b> |

# Sedibeng District Municipality

Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

Figures in Rand

2011

2010

### 30. Commitments

#### Authorised capital expenditure

This committed expenditure relates to property and will be financed by available bank facilities, retained surpluses, rights issue of shares, issue of debentures, mortgage facilities, existing cash resources, funds internally generated, etc.

#### Operating leases – as lessee (expense)

##### Minimum lease payments due

|   |                  |                  |
|---|------------------|------------------|
| - Later than one year and not later than five years | 7,323,949        | 7,736,839        |
| - Later than 5 years                                | 1,120,720        | 2,241,441        |
| Less: Future Finance charges                        | (21,031)         | (63,185)         |
|   | <b>8,423,638</b> | <b>9,915,095</b> |

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.

### 31. Contingencies

#### Contingent Liability

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 been issued against those claims.

Council might be held liable for interest and/or penalties relating to VAT disclosure on Agency Licensing fees for the past four years based on a VAT audit conducted. We have disclosed the R18,594,021 through the voluntary disclosure program run at SARS.

#### Contingent assets

A VAT audit was conducted and a potential revenue of R 22,239,420 might arise after SARS has completed their reconciliation.

Emergency Medical Services is the process of being transferred to the Department of Health whereby unfunded expenditure related to the previous years might be recoverable which amounts to R 33,441,815.

### 32. Prior year restatements

#### Statement of changes in net assets

|   |                    |
|---|--------------------|
| <b>Opening Balance 1 July 2009</b>          | <b>282,775,059</b> |
| License revenue overstated                  | -13,408,737        |
| Creditor on taxi ranks not created          | -1,378,632         |
| Assets lifespan extended                    | 7,171,565          |
| <b>Restated Closing balance 1 July 2009</b> | <b>275,159,255</b> |
| <b>Surplus for the year</b>                 | <b>-21,883,686</b> |
| License revenue overstated                  | -5,185,285         |
| Depreciation of fixed assets                | 213,076            |
| <b>Restated Surplus for the year</b>        | <b>-26,855,895</b> |



# Sedibeng District Municipality

Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

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Figures in Rand

2011

2010

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### 33. 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, and 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.

#### 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.

#### 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.

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 deficits from non-performance by these counterparties.

### 34. Going concern

We draw attention to the fact that at 30 June 2011, the municipality had an accumulated surplus of R129,327,717 and that the municipality's total assets exceed its liabilities by R132,635,149.

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.

Council incurred a net loss of R118,084,260 during the year ended 30 June 2011 and the current liabilities exceeded its current asset by R 62,276,267.

### 35. Events after the reporting date

A decision was made by the Provincial Department of Health that Emergency Medical Services will be Provincialise with the target date being March 2012. This will resolve the unfunded portion currently in dispute with the Department of Health.

# Sedibeng District Municipality

Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

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Figures in Rand 2011 2010

It has been identified that land is incorrectly registered at the Deeds Office in the name of Sedibeng District Municipality. These properties need to be transferred to their rightful owner, Emfuleni Local Municipality.

### 36. Unauthorised, fruitless & wasteful expenditure and irregular expenditure

#### Unauthorised expenditure

Council does have an over expenditure on Employee related cost which resulted mainly from additional provision on leave days accumulated and the Compensation commissioner tariff which increased without making the necessary provision on the budget. This amount to R3,36 million

Grants and subsidies paid has an over expenditure of R 84,5 million due to assets being done on behalf of the Local Municipalities being transferred as a grant. These expenses were budgeted for under capital projects in the current and previous financial years.

#### Fruitless & wasteful expenditure

1. Fruitless and wasteful expenditure to the sum of R140,000 to Khaprop Properties Pty Ltd was detected, duly reported and condoned by the Municipal Manager.
2. Reference is made to a disclosure in the 2009/ 2010 Annual Financial Statements whereby the former Speaker of Council received a motor vehicle allowance as well as council had rented a vehicle for the execution of the former Speaker's duties thereby causing the municipality to incur fruitless and wasteful expenditure. An approximate amount of R322,000 was discovered and an investigation prompted. The matter has been reported to the MEC: DLGH for condonement.

### 37. Additional disclosure in terms of Municipal Finance Management Act

#### PAYE, UIF & SDL

|                                 |              |              |
|---------------------------------|--------------|--------------|
| Current year subscription / fee | 32,270,670   | 27,404,132   |
| Amount paid - current year      | (32,270,670) | (27,404,132) |
|                                 | -            | -            |

#### Pension and Medical Aid Deductions

|                                 |              |              |
|---------------------------------|--------------|--------------|
| Current year subscription / fee | 57,431,587   | 48,905,770   |
| Amount paid - current year      | (57,431,587) | (48,905,770) |
|                                 | -            | -            |

#### VAT

|             |            |           |
|-------------|------------|-----------|
| VAT Payable | 11,983,086 | 8,659,045 |
|-------------|------------|-----------|

All VAT returns have been submitted by the due date throughout the year. A Vat review has been conducted and the exercise is not yet finalized.

#### Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the Municipal Manager and noted by Council. The expenses incurred as listed hereunder as Appendix G have been condoned.

### 38. Utilisation of Long-term liabilities reconciliation

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.

### 39. Actual operating expenditure versus budgeted operating expenditure

Refer to Appendix E1 for the comparison of actual operating expenditure versus budgeted expenditure.

# Sedibeng District Municipality

Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

Figures in Rand

2011

2010

### 40. Actual capital expenditure versus budgeted capital expenditure

Refer to Appendix B for the comparison of actual capital expenditure versus budgeted expenditure.

### 41. 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 at the next meeting of the accounting officer and includes a note to the annual financial statements.

Refer to Appendix G for detail.

### 42. Additional Note

Appendix B: Analysis of Property, plant and equipment

### 43. 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 entity's possession   |
|-----------------------------------|----------------|--|
| Owned television sets             | 32             | 24 sets were used for the full year;<br>8 sets were procured during the financial year |
| Rented or leased television sets  | -              |  |
| Number of sets donated/ alienated | -              |  |
| <b>TOTAL</b>                      | <b>32</b>      |  |

### 44. Related party transactions

The Council is rendering information technology services to both Emfuleni and Midvaal local municipalities. Claims towards actual salary expenses have been lodged on a monthly basis whereby the cost incurred for the year was as follow:

|                             |             |
|-----------------------------|-------------|
| Emfuleni Local Municipality | R 6,044,516 |
| Midvaal Local Municipality  | R 1,451,034 |

# Sedibeng District Municipality

Annual Financial Statements for the year ended 30 June 2011

## Supplementary Information

### Sedibeng District Municipality

APPENDIX B for the period ended 30 June 2011

#### GOVERNMENT TEMPLATE: ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2011

|                          | Cost/Revaluation   |                   |                |                    | Accumulated Depreciation |                  |               |                   | Carrying Value     | Budget Additions  |
|--------------------------|--------------------|-------------------|----------------|--------------------|--------------------------|------------------|---------------|-------------------|--------------------|-------------------|
|                          | Opening Balance    | Additions         | Disposals      | Closing Balance    | Opening Balance          | Additions        | Disposals     | Closing Balance   |                    |                   |
|                          | Rand               | Rand              | Rand           | Rand               | Rand                     | Rand             | Rand          | Rand              | Rand               | Rand              |
| <b>Buildings</b>         |                    |                   |                |                    |                          |                  |               |                   |                    |                   |
| Land                     | 41,907,735         | -                 | -              | 41,907,735         | 608,655                  | -                | -             | 608,655           | 41,299,080         | -                 |
| Buildings                | 72,012,839         | 640,412           | -              | 72,653,251         | 3,328,912                | 2,409,916        | -             | 5,738,828         | 66,914,423         | 11,335,000        |
|                          | <b>113,920,574</b> | <b>640,412</b>    | <b>-</b>       | <b>114,560,986</b> | <b>3,937,567</b>         | <b>2,409,916</b> | <b>-</b>      | <b>6,347,483</b>  | <b>108,213,503</b> | <b>11,335,000</b> |
| <b>Motor vehicles</b>    |                    |                   |                |                    |                          |                  |               |                   |                    |                   |
| Vehicles                 | 9,085,737          | 3,163,647         | 67,234         | 12,182,150         | 4,669,739                | 1,419,478        | 34,303        | 6,054,914         | 6,127,236          | 3,275,000         |
|                          | <b>9,085,737</b>   | <b>3,163,647</b>  | <b>67,234</b>  | <b>12,182,150</b>  | <b>4,669,739</b>         | <b>1,419,478</b> | <b>34,303</b> | <b>6,054,914</b>  | <b>6,127,236</b>   | <b>3,275,000</b>  |
| <b>IT equipment</b>      |                    |                   |                |                    |                          |                  |               |                   |                    |                   |
| Computer Equipment       | 12,360,038         | 10,535,418        | 171,085        | 22,724,371         | 6,593,585                | 1,999,286        | 50,121        | 8,542,750         | 14,181,621         | 12,101,036        |
|                          | <b>12,360,038</b>  | <b>10,535,418</b> | <b>171,085</b> | <b>22,724,371</b>  | <b>6,593,585</b>         | <b>1,999,286</b> | <b>50,121</b> | <b>8,542,750</b>  | <b>14,181,621</b>  | <b>12,101,036</b> |
| <b>Computer software</b> |                    |                   |                |                    |                          |                  |               |                   |                    |                   |
| Intangible Asset         | 3,278,197          | 245,948           | -              | 3,524,145          | 145,706                  | 1,058,749        | -             | 1,204,455         | 2,319,690          | 260,000           |
|                          | <b>3,278,197</b>   | <b>245,948</b>    | <b>-</b>       | <b>3,524,145</b>   | <b>145,706</b>           | <b>1,058,749</b> | <b>-</b>      | <b>1,204,455</b>  | <b>2,319,690</b>   | <b>260,000</b>    |
| <b>Infrastructure</b>    |                    |                   |                |                    |                          |                  |               |                   |                    |                   |
| Security                 | 37,755,290         | 17,246,200        | -              | 55,001,490         | 5,592,559                | 6,762,341        | -             | 12,354,900        | 42,646,590         | 17,560,000        |
| Airport                  | 9,921,064          | -                 | -              | 9,921,064          | 766,580                  | 496,334          | -             | 1,262,914         | 8,658,150          | -                 |
| Electricity              | 100,974            | -                 | -              | 100,974            | 5,460                    | 5,045            | -             | 10,505            | 90,469             | -                 |
| Water                    | 3,773,085          | -                 | -              | 3,773,085          | 946,489                  | 188,494          | -             | 1,134,983         | 2,638,102          | -                 |
|                          | <b>51,550,413</b>  | <b>17,246,200</b> | <b>-</b>       | <b>68,796,613</b>  | <b>7,311,088</b>         | <b>7,452,214</b> | <b>-</b>      | <b>14,763,302</b> | <b>54,033,311</b>  | <b>17,560,000</b> |

# Sedibeng District Municipality

Annual Financial Statements for the year ended 30 June 2011

## Supplementary Information

|  | Cost/Revaluation   |                          |                |                    | Accumulated Depreciation |                          |               |                   | Carrying Value     | Budget Additions  |
|--|--------------------|--------------------------|----------------|--------------------|--------------------------|--------------------------|---------------|-------------------|--------------------|-------------------|
|  | Opening Balance    | Additions / Revaluations | Disposals      | Closing Balance    | Opening Balance          | Additions / Revaluations | Disposals     | Closing Balance   |                    |                   |
|  | Rand               | Rand                     | Rand           | Rand               | Rand                     | Rand                     | Rand          | Rand              |                    |                   |
| <b>Other property, plant and equipment</b> |                    |                          |                |                    |                          |                          |               |                   |                    |                   |
| Office Equipment                           | 12,613,258         | 2,427,800                | 17,645         | <b>15,023,413</b>  | 8,493,592                | 2,026,049                | 4,975         | <b>10,514,666</b> | <b>4,508,747</b>   | <b>3,083,626</b>  |
| Furniture & Fittings                       | 8,055,600          | 1,412,303                | -              | <b>9,467,903</b>   | 2,984,896                | 1,543,319                | -             | <b>4,528,215</b>  | <b>4,939,688</b>   | <b>3,050,000</b>  |
| Emergency Equipment                        | 1,500              | -                        | -              | <b>1,500</b>       | 1,400                    | -                        | -             | <b>1,400</b>      | <b>100</b>         | -                 |
| Aircraft                                   | 384,211            | -                        | -              | <b>384,211</b>     | 96,231                   | 15,808                   | -             | <b>112,039</b>    | <b>272,172</b>     | -                 |
| Watercraft                                 | 68,880             | 292,882                  | -              | <b>361,762</b>     | 45,564                   | 853                      | -             | <b>46,417</b>     | <b>315,345</b>     | <b>350,000</b>    |
|  | <b>21,123,449</b>  | <b>4,132,985</b>         | <b>17,645</b>  | <b>25,238,789</b>  | <b>11,621,683</b>        | <b>3,586,029</b>         | <b>4,975</b>  | <b>15,202,737</b> | <b>10,036,052</b>  | <b>6,483,626</b>  |
| <b>Total</b>                               |                    |                          |                |                    |                          |                          |               |                   |                    |                   |
| Buildings                                  | 113,920,574        | 640,412                  | -              | <b>114,560,986</b> | 3,937,567                | 2,409,916                | -             | <b>6,347,483</b>  | <b>108,213,503</b> | <b>11,335,000</b> |
| Motor vehicles                             | 9,085,737          | 3,163,647                | 67,234         | <b>12,182,150</b>  | 4,669,739                | 1,419,478                | 34,303        | <b>6,054,914</b>  | <b>6,127,236</b>   | <b>3,275,000</b>  |
| IT equipment                               | 12,360,038         | 10,535,418               | 171,085        | <b>22,724,371</b>  | 6,593,585                | 1,999,286                | 50,121        | <b>8,542,750</b>  | <b>14,181,621</b>  | <b>12,101,036</b> |
| Computer software                          | 3,278,197          | 245,948                  | -              | <b>3,524,145</b>   | 145,706                  | 1,058,749                | -             | <b>1,204,455</b>  | <b>2,319,690</b>   | <b>260,000</b>    |
| Infrastructure                             | 51,550,413         | 17,246,200               | -              | <b>68,796,613</b>  | 7,311,088                | 7,452,214                | -             | <b>14,763,302</b> | <b>54,033,311</b>  | <b>17,560,000</b> |
| Other property, plant and equipment        | 21,123,449         | 4,132,985                | 17,645         | <b>25,238,789</b>  | 11,621,683               | 3,586,029                | 4,975         | <b>15,202,737</b> | <b>10,036,052</b>  | <b>6,483,626</b>  |
|  | <b>211,318,408</b> | <b>35,964,610</b>        | <b>255,964</b> | <b>247,027,054</b> | <b>34,279,368</b>        | <b>17,925,672</b>        | <b>89,399</b> | <b>52,115,641</b> | <b>194,911,413</b> | <b>51,014,662</b> |

# Sedibeng District Municipality

Annual Financial Statements for the year ended 30 June 2011

## Supplementary Information

### Sedibeng District Municipality

APPENDIX C for the period ended 30 June 2011

#### GOVERNMENT TEMPLATE: SEGMENTAL ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2011

|                             | Cost/Revaluation   |                   |                    |                |                    | Accumulated Depreciation |                   |               | Closing Balance   | Carrying Value     |
|-----------------------------|--------------------|-------------------|--------------------|----------------|--------------------|--------------------------|-------------------|---------------|-------------------|--------------------|
|                             | Opening Balance    | Additions         | Under Construction | Disposals      | Closing Balance    | Opening Balance          | Additions         | Disposals     |                   |                    |
|                             | Rand               | Rand              | Rand               | Rand           | Rand               | Rand                     | Rand              | Rand          |                   |                    |
| Executive & Council         | 2,590,225          | 854,578           | -                  | 113,110        | <b>3,331,693</b>   | 1,402,357                | 489,068           | 42,046        | <b>1,849,379</b>  | <b>1,482,314</b>   |
| Finance & Admin             | 55,066,068         | 13,315,582        | -                  | 87,102         | <b>68,294,548</b>  | 13,441,352               | 5,797,658         | 32,316        | <b>19,206,694</b> | <b>49,087,854</b>  |
| Planning & Development      | 5,767,035          | 1,226,738         | -                  | 38,365         | <b>6,955,408</b>   | 1,572,105                | 846,254           | 7,112         | <b>2,411,247</b>  | <b>4,544,161</b>   |
| Health                      | 1,027,438          | 470,153           | -                  | -              | <b>1,497,591</b>   | 668,134                  | 164,398           | -             | <b>832,532</b>    | <b>665,059</b>     |
| Community & Social Services | 2,631,964          | 451,921           | -                  | -              | <b>3,083,885</b>   | 1,561,483                | 479,626           | -             | <b>2,041,109</b>  | <b>1,042,776</b>   |
| Housing                     | 200,687            | 15,194            | -                  | -              | <b>215,881</b>     | 102,758                  | 32,508            | -             | <b>135,266</b>    | <b>80,615</b>      |
| Public Safety               | 40,364,984         | 16,944,864        | -                  | -              | <b>57,309,848</b>  | 7,403,809                | 6,935,174         | -             | <b>14,338,983</b> | <b>42,970,865</b>  |
| Sport & Recreation          | -                  | -                 | -                  | -              | -                  | -                        | -                 | -             | -                 | -                  |
| Environmental Protection    | 1,826,683          | 11,622            | -                  | -              | <b>1,838,305</b>   | 877,813                  | 302,808           | -             | <b>1,180,621</b>  | <b>657,684</b>     |
| Waste Management            | 84,704             | -                 | -                  | -              | <b>84,704</b>      | 55,847                   | 6,129             | -             | <b>61,976</b>     | <b>22,728</b>      |
| Road Transport              | 74,929,376         | 2,237,232         | -                  | 17,386         | <b>77,149,222</b>  | 5,365,040                | 1,875,123         | 7,726         | <b>7,232,437</b>  | <b>69,916,785</b>  |
| Water                       | -                  | -                 | -                  | -              | -                  | -                        | -                 | -             | -                 | -                  |
| Electricity                 | -                  | -                 | -                  | -              | -                  | -                        | -                 | -             | -                 | -                  |
| Other                       | 26,899,934         | 436,725           | -                  | -              | <b>27,336,659</b>  | 1,899,361                | 996,926           | -             | <b>2,896,287</b>  | <b>24,440,372</b>  |
|                             | <b>211,389,098</b> | <b>35,964,609</b> | -                  | <b>255,963</b> | <b>247,097,744</b> | <b>34,350,059</b>        | <b>17,925,672</b> | <b>89,200</b> | <b>52,186,531</b> | <b>194,911,213</b> |

# Sedibeng District Municipality

Annual Financial Statements for the year ended 30 June 2011

## Supplementary Information

Sedibeng District Municipality

APPENDIX D for the period ended 30 June 2011

### SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED

| Prior year         |                    |                     |                                       | Current year       |                    |                      |
|--------------------|--------------------|---------------------|---------------------------------------|--------------------|--------------------|----------------------|
| Actual Income      | Actual Expenditure | Surplus / (Deficit) |                                       | Actual Income      | Actual Expenditure | Surplus / (Deficit)  |
| (000's)            | (000's)            | (000's)             |                                       | (000's)            | (000's)            | (000's)              |
|                    |                    |                     | <b>Sedibeng District Municipality</b> |                    |                    |                      |
| -                  | 24,656,488         | (24,656,488)        | Executive & Council                   | 9,462              | 29,423,872         | (29,414,410)         |
| 254,712,582        | 162,551,352        | 92,161,230          | Finance & Administration              | 277,331,698        | 227,626,219        | 49,705,479           |
| -                  | 23,322,881         | (23,322,881)        | Planning & Development                | 19,886             | 19,844,612         | (19,824,726)         |
| 31,781,880         | 49,244,337         | (17,462,457)        | Health                                | 34,419,101         | 53,038,581         | (18,619,480)         |
| 1,587,630          | 21,680,046         | (20,092,416)        | Community & Social Services           | 115,065            | 57,466,656         | (57,351,591)         |
| -                  | 2,321,431          | (2,321,431)         | Housing                               | 10,284             | 3,115,624          | (3,105,340)          |
| -                  | 19,517,716         | (19,517,716)        | Public Safety                         | 1,953              | 19,854,532         | (19,852,579)         |
| -                  | -                  | -                   | Sport and Recreation                  | -                  | -                  | -                    |
| -                  | 15,626,797         | (15,626,797)        | Environmental Protection              | 930                | 15,848,965         | (15,848,035)         |
| -                  | -                  | -                   | Waste Water Management                | -                  | -                  | -                    |
| 37,121,829         | 36,151,287         | 970,542             | Road Transport                        | 43,268,762         | 42,258,993         | 1,009,769            |
| -                  | -                  | -                   | Water                                 | -                  | -                  | -                    |
| -                  | -                  | -                   | Electricity                           | -                  | -                  | -                    |
| 8,146,867          | 5,134,348          | 3,012,519           | Other                                 | 327,689            | 5,111,036          | (4,783,347)          |
| <b>333,350,788</b> | <b>360,206,683</b> | <b>(26,855,895)</b> |                                       | <b>355,504,830</b> | <b>473,589,090</b> | <b>(118,084,260)</b> |

# Sedibeng District Municipality

Annual Financial Statements for the year ended 30 June 2011

## Supplementary Information

### Sedibeng District Municipality

APPENDIX E(1) for the ended 30 June 2011

#### GOVERNMENT TEMPLATE: ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2011

|  | Actual<br>Balance | Budget<br>Amount | Variance         | Explanation of Significant<br>Variances greater than 10% versus<br>Budget |
|--|-------------------|------------------|------------------|---|
|  | (000's)           | (000's)          | (000's)          | %   |
| <b>Revenue</b>                               |                   |                  |                  |   |
| Rental of facilities and equipment           | 7,695             | 9,708            | (2,013)          | (20.7) Theatres closed temporary for maintenance                          |
| Licenses and permits                         | 43,254            | 42,000           | 1,254            | 3.0   |
| Income from agency services                  | 6,497             | 6,297            | 200              | 3.2   |
| Government grants & subsidies                | 290,229           | 287,757          | 2,472            | 0.9   |
| Trading and general                          | 322               | 504              | (182)            | (36.1) Less fuel sales than anticipated                                   |
|  | <b>347,997</b>    | <b>346,266</b>   | <b>1,731</b>     | <b>0.5</b>  |
| <b>Other income</b>                          |                   |                  |                  |   |
| Other income                                 | 1,164             | 23,236           | (22,072)         | (95.0) Budget for income related to prior years                           |
| Interest received - investment               | 6,237             | 9,946            | (3,709)          | (37.3) Investments interest decreased                                     |
| Property, plant and equipment                | 107               | 112              | (5)              | (4.5) More PPE lost than anticipated                                      |
| Profit and loss on exchange differences      | -                 | -                | -                | -   |
|  | <b>7,508</b>      | <b>33,294</b>    | <b>(25,786)</b>  | <b>(77.4)</b>   |
| <b>Cost of sales</b>                         |                   |                  |                  |   |
| Sale of goods                                | (414)             | (500)            | 86               | (17.2) Fuel sales less than anticipated                                   |
| Manufacturing - Depreciation and impairments | (16,154)          | (7,069)          | (9,085)          | 128.5 Assets less than R5000 depreciated in year of acquisition.          |
|  | <b>(16,568)</b>   | <b>(7,569)</b>   | <b>(8,999)</b>   | <b>118.9</b>  |
| <b>Total Revenue</b>                         | <b>338,937</b>    | <b>371,991</b>   | <b>(33,054)</b>  | <b>(2.4)</b>  |
| <b>Expenses</b>                              |                   |                  |                  |   |
| Employee related costs                       | (232,054)         | (228,694)        | (3,360)          | 1.5   |
| Remuneration of councillors                  | (8,369)           | (8,422)          | 53               | (0.6)   |
| Debt impairment                              | (38)              | -                | (38)             | -   |
| Public Participation                         | (140)             | (140)            | -                | -   |
| Amortisation                                 | (1,045)           | -                | (1,045)          | -   |
| Repairs and maintenance                      | (7,878)           | (7,756)          | (122)            | 1.6   |
| Contracted Services                          | (36,659)          | (38,166)         | 1,507            | (3.9)   |
| Grants and subsidies paid                    | (84,711)          | (200)            | (84,511)         | 42,255.5 Assets completed on behalf of Locals transferred                 |
| General expenses                             | (86,128)          | (70,271)         | (15,857)         | 22.6 Expenditure from grants received not originally budgeted             |
|  | <b>(457,022)</b>  | <b>(353,649)</b> | <b>(103,373)</b> | <b>29.2</b>   |
| <b>Operating profit</b>                      | <b>(118,085)</b>  | <b>18,342</b>    | <b>(136,427)</b> | <b>(612.6)</b>  |
| Other revenue and costs                      |                   |                  |                  |   |
| <b>Net surplus/ (deficit) for the year</b>   | <b>(118,085)</b>  | <b>18,342</b>    | <b>(136,427)</b> | <b>(612.6)</b>  |



# Sedibeng District Municipality

Annual Financial Statements for the year ended 30 June 2011

## Supplementary Information

Sedibeng District Municipality

APPENDIX E(2) for the period ended 30 June 2011

### GOVERNMENT TEMPLATE: ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2011

|  | Additions         | Under Construction | Closing Balance   | Budget            | Variance            |                | Explanation of Significant Variances greater than 5% versus Budget |
|--|-------------------|--------------------|-------------------|-------------------|---------------------|----------------|--|
|  | Rand              | Rand               | Rand              | Rand              | Rand                | %              |  |
| <b>Buildings</b>                           |                   |                    |                   |                   |                     |                |  |
| Land                                       | -                 | -                  | -                 | -                 | -                   | -              |  |
| Buildings                                  | 640,412           | -                  | <b>640,412</b>    | 11,335,000        | (10,694,588)        | (1,670)        | Part of cost cutting – needs re-aligned                            |
|  | <b>640,412</b>    | -                  | <b>640,412</b>    | <b>11,335,000</b> | <b>(10,694,588)</b> | <b>(1,670)</b> |  |
| <b>Motor vehicles</b>                      |                   |                    |                   |                   |                     |                |  |
| Vehicles                                   | 3,163,647         | -                  | <b>3,163,647</b>  | 3,275,000         | (111,353)           | (4)            |  |
|  | <b>3,163,647</b>  | -                  | <b>3,163,647</b>  | <b>3,275,000</b>  | <b>(111,353)</b>    | <b>(4)</b>     |  |
| Office equipment                           | -                 | -                  | -                 | -                 | -                   | -              |  |
| <b>IT equipment</b>                        |                   |                    |                   |                   |                     |                |  |
| Computer Equipment                         | 10,535,418        | -                  | <b>10,535,418</b> | 12,101,036        | (1,565,618)         | (15)           | Part of cost cutting – needs re-aligned                            |
|  | <b>10,535,418</b> | -                  | <b>10,535,418</b> | <b>12,101,036</b> | <b>(1,565,618)</b>  | <b>(15)</b>    |  |
| <b>Computer software</b>                   |                   |                    |                   |                   |                     |                |  |
| Intangible Assets                          | 245,948           | -                  | <b>245,948</b>    | 260,000           | (14,052)            | (6)            |  |
|  | <b>245,948</b>    | -                  | <b>245,948</b>    | <b>260,000</b>    | <b>(14,052)</b>     | <b>(6)</b>     |  |
| <b>Infrastructure</b>                      |                   |                    |                   |                   |                     |                |  |
| Security                                   | 17,246,200        | -                  | <b>17,246,200</b> | 17,560,000        | (313,800)           | (2)            |  |
| Airport                                    | -                 | -                  | -                 | -                 | -                   | -              |  |
| Electricity                                | -                 | -                  | -                 | -                 | -                   | -              |  |
| Water                                      | -                 | -                  | -                 | -                 | -                   | -              |  |
|  | <b>17,246,200</b> | -                  | <b>17,246,200</b> | <b>17,560,000</b> | <b>(313,800)</b>    | <b>(2)</b>     |  |
| <b>Other property, plant and equipment</b> |                   |                    |                   |                   |                     |                |  |
| Landfill sites                             | -                 | -                  | -                 | -                 | -                   | -              |  |
| Office Equipment                           | 2,427,800         | -                  | <b>2,427,800</b>  | 3,083,626         | (655,826)           | (27)           |  |
| Furniture & Fittings                       | 1,412,303         | -                  | <b>1,412,303</b>  | 3,050,000         | (1,637,697)         | (116)          | Part of cost cutting – needs re-aligned                            |
| Bins and Containers                        | -                 | -                  | -                 | -                 | -                   | -              |  |
| Emergency Equipment                        | -                 | -                  | -                 | -                 | -                   | -              |  |
| Motor vehicles                             | -                 | -                  | -                 | -                 | -                   | -              |  |
| Fire engines                               | -                 | -                  | -                 | -                 | -                   | -              |  |
| Refuse tankers                             | -                 | -                  | -                 | -                 | -                   | -              |  |
| Computer equipment                         | -                 | -                  | -                 | -                 | -                   | -              |  |
| Councillors Regalia                        | -                 | -                  | -                 | -                 | -                   | -              |  |
| Conservancy tankers                        | -                 | -                  | -                 | -                 | -                   | -              |  |
| Watercraft                                 | 292,882           | -                  | <b>292,882</b>    | 350,000           | (57,118)            | (20)           | Saving on purchase   |
| Land                                       | -                 | -                  | -                 | -                 | -                   | -              |  |
| Buildings                                  | -                 | -                  | -                 | -                 | -                   | -              |  |
|  | <b>4,146,968</b>  | -                  | <b>4,146,968</b>  | <b>6,483,626</b>  | <b>(2,336,658)</b>  | <b>(56)</b>    |  |
| <b>Total</b>                               |                   |                    |                   |                   |                     |                |  |
| Buildings                                  | 640,412           | -                  | <b>640,412</b>    | 11,335,000        | (10,694,588)        | (1,670)        |  |
| Leasehold property                         | -                 | -                  | -                 | -                 | -                   | -              |  |
| Plant and machinery                        | -                 | -                  | -                 | -                 | -                   | -              |  |
| Furniture and fixtures                     | -                 | -                  | -                 | -                 | -                   | -              |  |
| Motor vehicles                             | 3,163,647         | -                  | <b>3,163,647</b>  | 3,275,000         | (111,353)           | (4)            |  |
| Office equipment                           | -                 | -                  | -                 | -                 | -                   | -              |  |
| IT equipment                               | 10,535,418        | -                  | <b>10,535,418</b> | 12,101,036        | (1,565,618)         | (15)           |  |
| Computer software                          | 245,948           | -                  | <b>245,948</b>    | 260,000           | (14,052)            | (6)            |  |
| Housing Develop Fund                       | -                 | -                  | -                 | -                 | -                   | -              |  |
| Infrastructure                             | 17,246,200        | -                  | <b>17,246,200</b> | 17,560,000        | (313,800)           | (2)            |  |
| Community                                  | -                 | -                  | -                 | -                 | -                   | -              |  |
| Other property, plant and equipment        | 4,132,985         | -                  | <b>4,132,985</b>  | 6,483,626         | (2,350,641)         | (56)           |  |
|  | <b>35,964,610</b> | -                  | <b>35,964,610</b> | <b>51,014,662</b> | <b>(15,050,052)</b> | <b>(42)</b>    |  |

# Sedibeng District Municipality

Annual Financial Statements for the year ended 30 June 2011

## Supplementary Information

### Sedibeng District Municipality

APPENDIX F for the ended 30 June 2011

#### DISCLOSURES 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 | Quarterly Receipts |            |            |           |   | Quarterly Expenditure |            |            |            |   | Grants and Subsidies delayed / withheld |     |           |           |   | Reason for delay/withholding of funds    | Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act | Reason for noncompliance |
|-------------------|--|--------------------|------------|------------|-----------|---|-----------------------|------------|------------|------------|---|---|-----|-----------|-----------|---|--|--|--------------------------|
|                   |  | Sep                | Dec        | Mar        | Jun       |   | Sep                   | Dec        | Mar        | Jun        |   | Sep                                     | Dec | Mar       | Jun       |   |  |  |                          |
| Equitable Share   | National Treasury                          | 73,242,000         | 71,073,000 | 68,906,000 | -         | - | 53,305,250            | 53,305,250 | 53,305,250 | 53,305,250 | - | -                                       | -   | -         | -         | - | -  | Yes  |                          |
| Youth Grant       | NYDA                                       | -                  | -          | -          | -         | - | -                     | -          | -          | -          | - | -                                       | -   | -         | -         | - | -  | Yes  |                          |
| Ambulance Subsidy | Dept of Health                             | 8,492,500          | -          | -          | 8,492,500 | - | 12,564,000            | 12,369,106 | 11,766,792 | 13,102,753 | - | -                                       | -   | 8,492,500 | 8,492,500 | - | Cash shortages at Provincial Department. | Yes  |                          |
| NDPG Grant        | National Treasury                          | -                  | -          | 23,000,000 | -         | - | 3,950,795             | 8,415,477  | 5,213,804  | 5,392,636  | - | -                                       | -   | -         | -         | - | -  | Yes  |                          |
| Operational Grant | National treasury                          | 1,000,000          | 15,098,000 | -          | -         | - | 4,239,081             | 3,209,234  | 5,947,480  | 2,613,507  | - | -                                       | -   | -         | -         | - | -  | Yes  |                          |
| DLG Grants        | DLG Grants                                 | -                  | -          | -          | -         | - | 510,846               | 73,189     | 42,664     | 165,227    | - | -                                       | -   | -         | -         | - | -  | Yes  |                          |
| Provincial grants | Provincial Treasury                        | -                  | 2,147,900  | 1,980,000  | 300,000   | - | 189,101               | 422,609    | 1,232,231  | 2,063,635  | - | -                                       | -   | -         | 908,000   | - | -  | Yes  |                          |
|                   |  | 82,734,500         | 88,318,900 | 93,886,000 | 8,792,500 | - | 74,759,073            | 77,794,865 | 77,508,221 | 74,533,548 | - | -                                       | -   | 8,492,500 | 9,400,500 | - |  |  |                          |