

SISONKE DISTRICT MUNICIPALITY



TOGETHER WE DELIVER AND GROW

2010/2011 ANNUAL REPORT

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Annual Performance Report

SELECTED ACRONYMS

| | |
|---------------|--|
| AFS: | Annual Financial Statements |
| AG: | Auditor General |
| AR: | Annual Report |
| DBSA: | Development Bank of Southern Africa |
| DMA: | District Management Area |
| EXCO: | Executive Committee |
| EIA: | Environmental Impact Assessment |
| GAMAP: | General Accepted Municipal Accounting Principle |
| GRAP: | General Recognized Accounting Principle |
| HR: | Human Resources |
| LED: | Local Economic Development |
| MDG: | Millennium Development Goals |
| MFMA: | Municipal Finance Management Act |
| MIG: | Municipal Infrastructure Grant |
| MSA: | Municipal Systems Act |
| SDM: | Sisonke District Municipality |
| WSDP: | Water Services Development Plan |
| WSMP: | Water Services Master Plan |

FOREWORD BY HIS WORSHIP THE MAYOR



I would like to take this opportunity to greet all the Sisonke community in the 2012 calendar year and hope that you had a great and successful 2011.

However, my message today is largely a reflection on the performance of the District, particularly on service delivery and financial position of the District in 2010-2011 financial year.

Sisonke District prides itself to have received an unqualified audit report in the 2010-2011 financial year. This means that the municipality is in a viable financial state of affairs. Therefore, an unqualified report gives us a sense of achievement and further poses a challenge to keep the current financial status of the District intact.

In as much as we appreciate unqualified audit report, of critical importance to this council is to strive for a clean audit with no matters of emphasis, and we have since made a commitment to the Auditor General Mr. T Nombembe on his visit that, as a District Municipality we are adamant that we will achieve a clean audit by 2014. As a result this Council has since given a clear directive to the administration to do the following to reverse or to correct the situation:

- Develop an action plan particularly on matters raised by the Auditor General
- Table the Action Plan to Council
- Monitor the implementation of the Action Plan

- Implement the turnaround strategy
- To strengthen the internal audit committee (appointments were made in December)
- To explore the possibility of the shared service which will assist the local municipalities since most of them are experiencing capacity constraints.

It is however worth noting that, as the new Council we were fully aware of the issues raised by Auditor General and as such most of the issues are already included in our turnaround strategy.

The previous Council has made great strides in ensuring that our people have access to sustainable basic services. As a new council we are indeed indebted to the work well done.

In as much as we appreciate the work of previous council, all of us agree that much still needs to be done. This new council has a clear vision for the Sisonke community to reach new heights. In order for the new council to get to what it has visualized, a status quo analysis had to be undertaken. This led to a strategic planning session where a turnaround strategy was developed to address the critical problem areas that were identified.

In order to successfully implement the turnaround strategy the council emphasized on the stability and cohesion in management as well as decisiveness in councilors and unity of purpose.

Sisonke District prides itself with a young and dynamic staff complement which is eager to learn and implement new mandates and I am convinced that together we can do build better communities and change the lives of our people.

We will ensure a continuous skills development to sharpen skills of both the administration and councilors. All of us need to rise to the challenge posed by the new mandate from the National Government as well as the changing socio-economic and environmental conditions.

To ensure that we realize our goals, all critical position were filled with skilled people. Clearly, the strength and the capacity of our municipality has improved immensely. We already are noticing improvements especially at the water service department which is our core function.

Our portfolio Committees will continue to quickly respond to the challenges and issues that hinder a successful service delivery.

To the people of Sisonke District, this Council is committed in delivering quality and uninterrupted basic services that will ensure an improvement in the lives of our people. I humbly request that we work together in identifying challenges and resolving them in order to advance the aspirations of the new government that of building better communities and a better South Africa. And indeed, working together we can do more.

I thank you

THE HONOURABLE MAYOR

Cllr. M E NDOBE

FOREWORD BY THE MUNICIPAL MANAGER



This report is compiled and tabled in terms of Section 127(2) of the Municipal Finance Management Act (MFMA), Act 56 of 2003(2) which requires that the performance report of the municipality and of any municipal entity under the municipality's sole or shared control be tabled at Municipal Council by the Mayor. After which, the Municipal Manager must make the report public and invite the local community to submit representation in respect to issues raised in the report.

The report covers the broad view of the Sisonke Municipal Area with information such as socio-economic profile of the area, the achievements gained in delivering services to the community, as well as the developmental and institutional aspects, including financial performance. The report also covers governance and public participation undertaken by the municipality to ensure involvement of the communities of Sisonke District in planning as well as in delivery of services that meet their needs in the period under review.

The purpose of the report is to reflect on the work carried out in the 2010/2011 period and to provide feedback on performance against targets to various stakeholders including the community, government departments and other interested parties. The report also ensures that accountability is upheld, and the clients of the municipality are informed of the decisions that were taken in this period. We hereby present an account of our work over this period as directed by these various stakeholders through the Integrated Development Plans (IDPs).

Whilst taking into consideration to the fact that the IDP is no longer treated solely as the municipal plan but as a government plan, the following overarching national key performance areas (KPAs) were identified and accepted as key priority issues and the focus of future development initiatives in Sisonke:

- Municipal transformation and institutional development;
- Municipal financial viability;
- Service delivery and infrastructure development
- Facilitate local economic development
- Good governance and Public participation

In the period under review, the municipality guided by the organizational objectives and priorities as contained in the IDP reviewed its organisational structure to improve its agility and efficiency towards service delivery. As a result the municipality was in a position to prioritise and fill critical positions which had a tremendous positive effect on service delivery.

Over the period we have successfully implemented our community busary programme which resulted in 21 local youth being assisted in attending institutions of higher learning. We also offered experiential training and on the job-training to 23 local graduates.

This programme is in line with the vision to afford our graduates an opportunity to gain work experience thereby making them employable and create opportunities for them to enter the labour market.

We firmly believe that this intervention will go a long way in addressing the issue of scarce and critical skills, and will assist the municipality with succession and retention planning which will result to long term stability in the organisation.

Another challenge faced by the municipality was the poor IT planning, ageing infrastructure, reluctance to invest on the IT and lack of necessary skills and capacity. Moreover the IT network was not properly configured and laid out which caused poor connectivity or no connectivity at all for some satellite offices which affected the smooth running of the entire municipality and thereby impacting negatively on service delivery. As a result the municipality has over the past 12 months prioritised and invested on the ICT

environment to support service delivery. Our IT backbone is now fully operational. The wireless connectivity is underway which is aimed at securing our IT environment, the development of the IT Master Systems Plan and the Disaster Recovery Plan is also underway and will be concluded before December 2012.

The municipality is a firm believer in business development and the creation of a conducive business environment, as a result, the Sisonke Development Agency has been launched in order to expose the Sisonke Community to business services and opportunities in their locality. This shows a positive commitment of the interventions undertaken by the municipality as well as the private sector towards fighting the high levels of unemployment in Sisonke, although the municipality has financial constraints, but it has been able to meet most of its objectives and financial commitments it intended to achieve.

I trust that our performance reflects our commitment and dedication to improve the lives of communities of Sisonke and I firmly believe that our efforts over the period under review have created a strong foundation to building better communities in the future.

In the 2011-2012 financial year, we look forward in minimizing backlog on basic services, creating an enabling environment for economic development in order to encourage job creation and reduce poverty through revenue enhancement. An enabling environment will be created through upgrading of infrastructure, hence our effort and budget in the upcoming years will be channelled towards achieving just that.

I wish to express my appreciation to the sterling leadership and support of the entire political team in particular the Executive Committee. I would like to further thank all the Sisonke staff for the effort they have displayed in ensuring that service delivery becomes a success. And encourage staff to put extra effort in making a success of 2011-2012 financial year. As a developmental state we need to position ourselves to excellent service delivery, be proactive in dealing with service delivery challenges and regard ourselves as part of the whole rather than working independently.

Finally, I wish all the Sisonke community a successful 2012, particularly the school children and the job seekers, may all your wishes come true. I trust that together we will continue with our good working relations to ensure that we speed up basic service delivery targeting the most vulnerable and the previously disadvantaged sectors of our communities.

MUNICIPAL MANAGER

MR. NM MABASO

VISION, OBJECTIVES AND VALUES OF THE SISONKE DISTRICT MUNICIPALITY



Sisonke District Executive Committee

VISION

The Sisonke District Municipality strives to uplift the quality of life of its residents by providing sustainable infrastructure, water, health services, sanitation and social amenities through intergovernmental collaboration by 2010. There will be equitable distribution of land for residential, farming, investment, and sport and recreation. Sisonke will be one of the Province's viable tourist destinations characterized by sustainable, natural, social and economic environment. Its men, women, the elderly, disabled, youth and children will equally enjoy living in a safe healthy environment.

OBJECTIVES

- To uplift the socio-economic well being of Sisonke residents
- To ensure the provision of infrastructure, water, sanitation and health services in a sustainable manner

- To create a conducive environment for business opportunities for both local and foreign investors.
- To promote agricultural and tourism activities and
- To ensure a safe and healthy environment for its men, women, elderly, the disabled, youth and children.

VALUES

- Delivering of quality services in an efficient, cost effective and economic manner.
- Transparency: by closely following and adhering to the Batho Pele Principles.
- Accountability: As a public entity we are accountable to the people we serve.

SDMs LEGISLATIVE MANDATES

SPECIFIC MANDATE

- Integrated Development Plan
- Municipal Systems Act, No 32 of 2000
- Municipal Structures Amendment Act, 2000
- Municipal Finance Management Act, 56 of 2003
- Local Government Municipal Planning and Performance Management Regulation, 2001
- Local Government Municipal Performance Regulations for Municipal Managers and Managers directly accountable to Municipal Manager, 2006

SUPPORTING MANDATE

- The Constitution of the Republic of South Africa, No. 108 of 1996
- White Paper on Transforming Public Service Delivery, 1997
- The White Paper on Service Delivery
- Basic Conditions of Employment No. 75 of 1997
- Compensation for Occupational Injuries and Health Diseases Act No. 130 of 1993
- Employment Equity Act No. 55 of 1998
- Labor Relations Act No. 66 of 1995
- Occupational Health and Safety Act No. 85 of 1993
- Skills Development Act No. 97 of 1998



Sisonke District Municipality delivers and grow



Co-operative Government is alive at Sisonke District Municipality

CHAPTER 1-

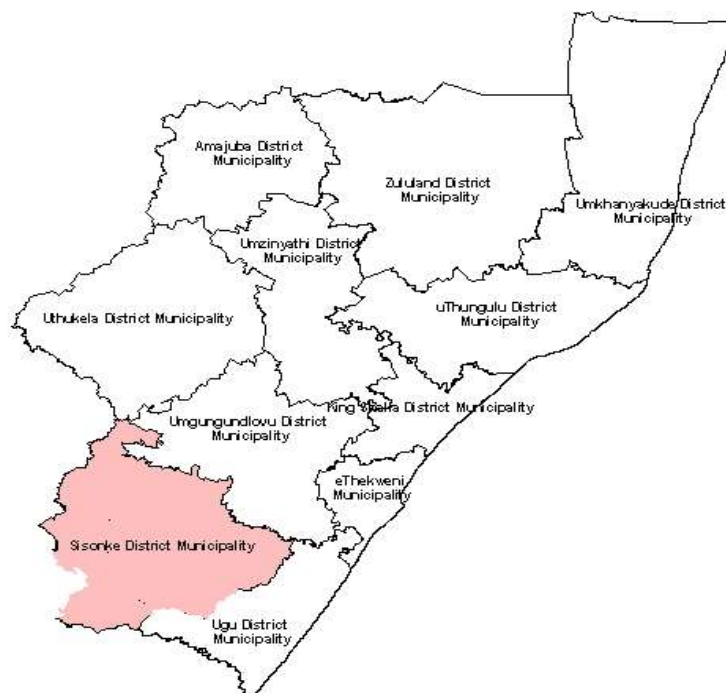
OVERVIEW OF THE MUNICIPALITY

Background of Sisonke District

Location

The Sisonke District Municipality is located to the South West of the KwaZulu-Natal province. And its population is sparsely spread throughout an area of 11 127. 9 square kilometers. The Sisonke District municipality forms part of the boarder between KwaZulu-Natal and Eastern Cape Province. The District Management Area (DMA) is located to the West of the District and it forms part of the boarder between the KwaZulu-Natal Province and Lesotho. The Sisonke District Municipality (DC43) is composed of the following five local municipalities: Ubuhlebezwe, Ingwe, Kwa-Sani, Greater Kokstad and Umzimkhulu.

Provincial Location Context



The Sisonke District Municipality is one of the ten District Municipalities that form part of the KwaZulu-Natal Province. It is located at the extreme south of the Province. The Sisonke District Municipality is

bordered by the following District Municipalities: Uthukela to the North; Umgungundlovu to the North East; Alfred Nzo and Ugu to the South East; and OR Tambo to the South.

The location of the District in relation to the aforesaid District municipalities means that, any planning and development taking place in each District will have an impact on the neighboring Districts. It is therefore imperative to align planning and development activities between the Sisonke District Municipality and the respective District Municipalities.

Demographic Analysis

This section looks at overall District demographic make up. The population projection were worked on two growth scenarios in line with generic growth parameters being applied across the country as well as taking into cognizance the effect of AIDS in population growth. The projections are based on 2.21% growth rate.

Population Distribution

The figures below are based on Census 2001 estimates. These figures indicate a population sparsely spread throughout an area of 11 127.89997 square meters.

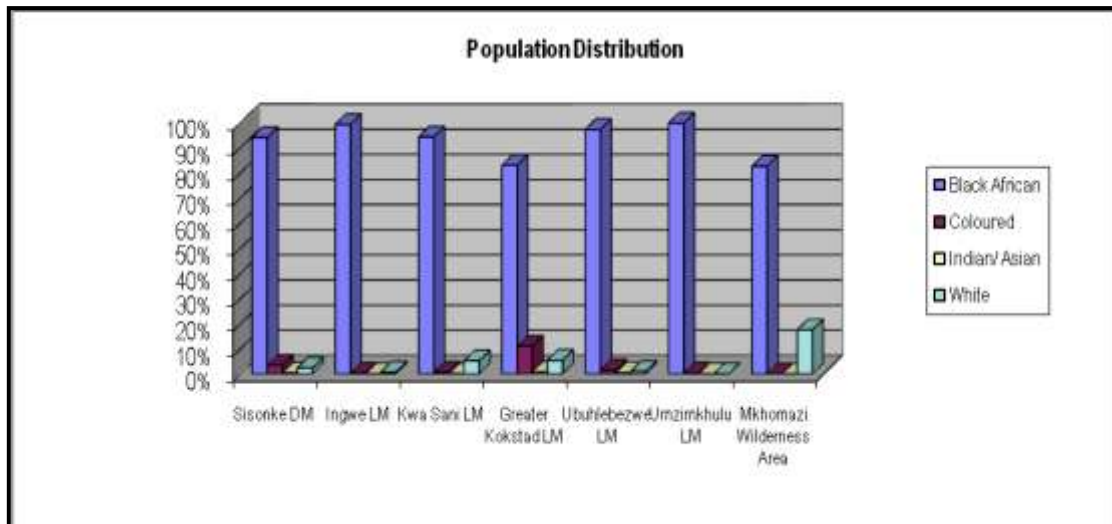
Sisonke

| Municipality | Population | Percentage* |
|-----------------|----------------|-------------------------|
| Sisonke | 500,082 | 4.9% of province |
| Ingwe | 114,116 | 23% of district |
| Kwa Sani | 14,281 | 3% of district |
| Greater Kokstad | 46,724 | 9% of district |
| Ubuhlebezwe | 80,905 | 16% of district |
| Umzimkhulu | 243,242 | 49% of district |

| Households | Percentage* |
|----------------|-------------------------|
| 105,659 | 4.7% of province |
| 22,289 | 21% of district |
| 4,420 | 4% of district |
| 14,321 | 14% of district |
| 21,084 | 20% of district |
| 43,545 | 41% of district |

The rural settlements are spatially disintegrated and monofunctional in nature. The District Municipality has prepared a Spatial Development Framework which aims at integrating rural settlements to the regional economy. The Spatial Development Framework outlines hierarchy of nodes in terms of primary, secondary, tertiary nodes and hubs. The above table indicates that Umzimkhulu, Ingwe and Ubuhlebezwe Local Municipalities are the most populated respectively, within the District. Greater Kokstad is the fourth populated after the mentioned three local municipalities followed by Kwa-Sani and DMA/ Umkhomazi Wilderness Area.

The following figure however indicates a graphical representation of population/ racial distribution within Sisonke District:



The above figure reflects the Black African dominance across all the Municipalities. This is an indication or confirmation of the racial demographics across the country. One notices the second dominant group of Whites across the entire district except in Greater Kokstad where the Coloured population is the second dominant within the Municipality. The rural nature of the District and the dominance of Black African may indicate the plight of all rural communities that are characterised by huge service backlogs, abject poverty, unemployment and other social development challenges.



Taking the Sisonke District to its people is at the heart of its Council

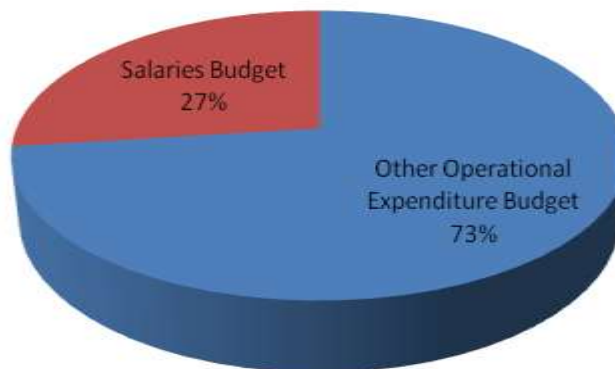
CHAPTER 2

HUMAN RESOURCE DEVELOPMENT

The purpose of this function is to render a professional support service that is well aligned to the municipality's Integrated Development Plan (IDP) as well as to the needs of the municipality's stakeholders and customers.

SALARIES BUDGET vs OPERATING EXPENDITURE

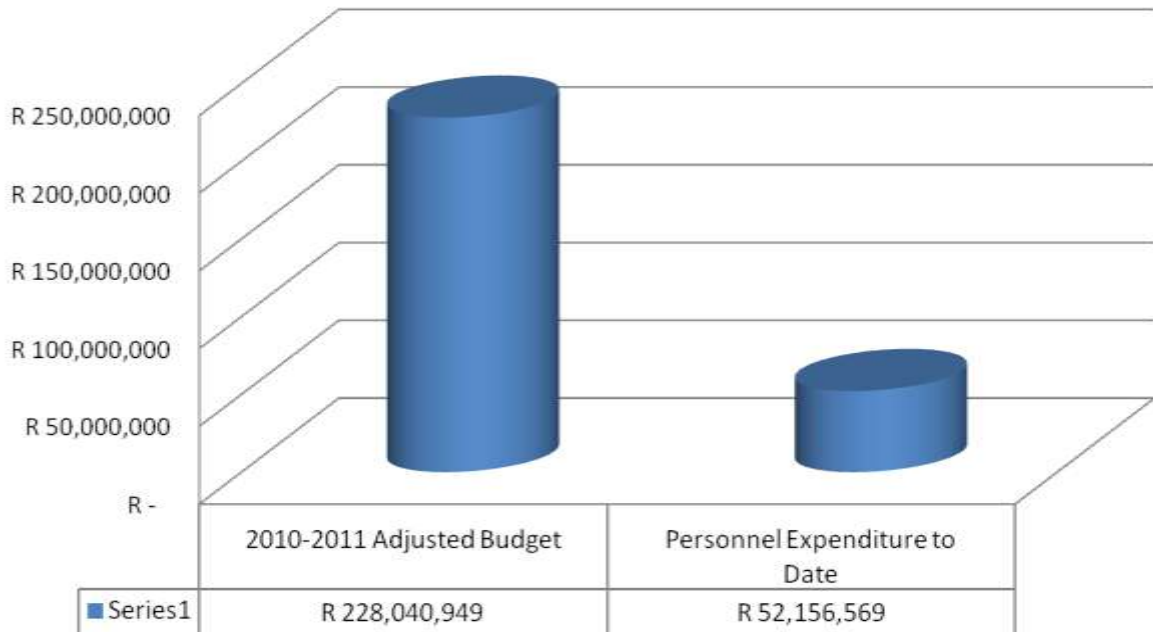
201011: Salaries Budget as a Percentage of Total OPEX



The adjusted operational expenditure for 2010-2012 is R 228 040 949 and the adjusted salaries R61 576 841, representing 27% of the Opex budget as displayed above.

1. PERSONNEL EXPENDITURE TILL JUNE 2011

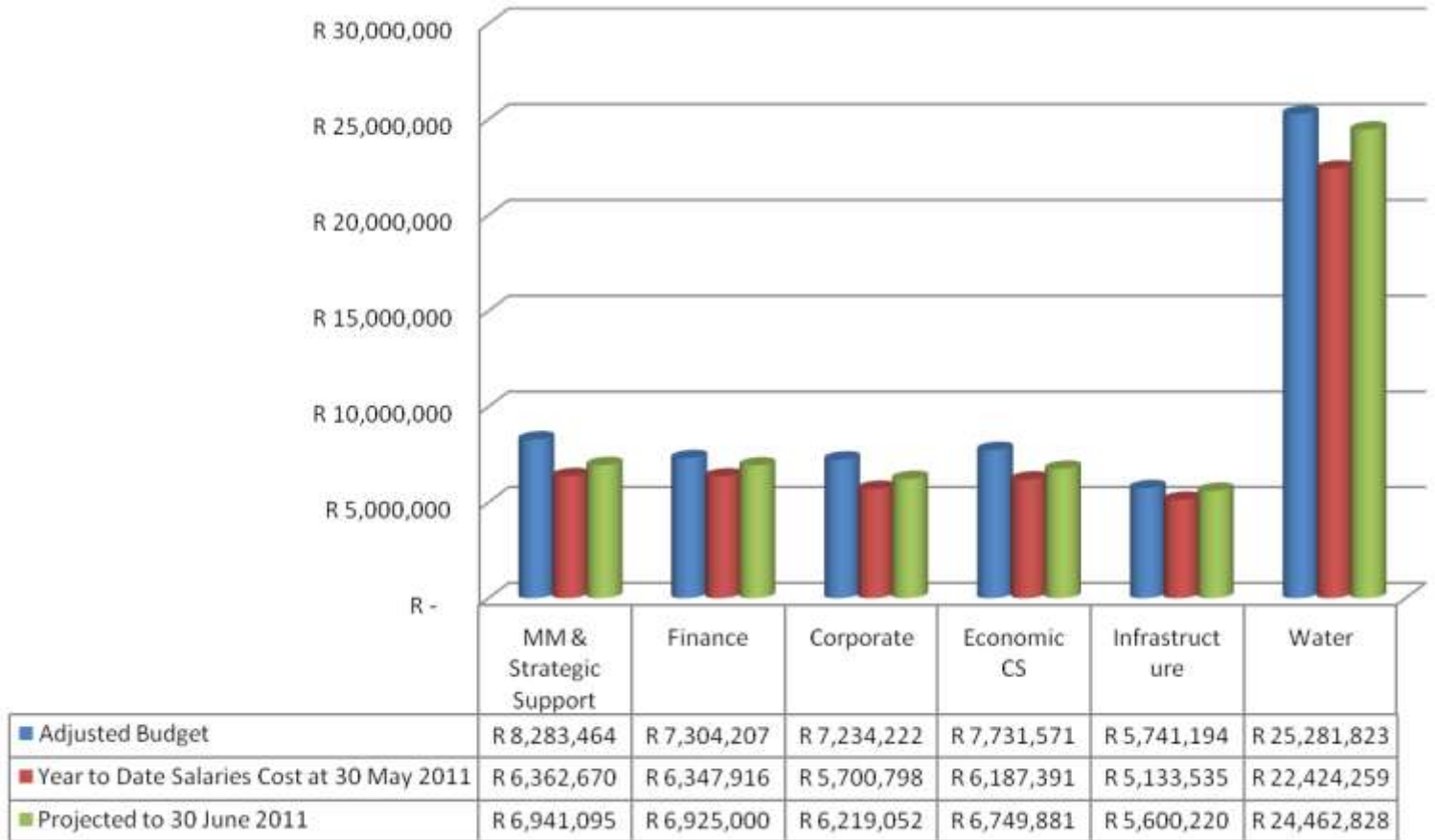
201011: Current Personnel Expenditure vs Adjusted Budget



The current personnel expenditure as a percentage of the total operating budget as at 31 May 2011 is 23%.

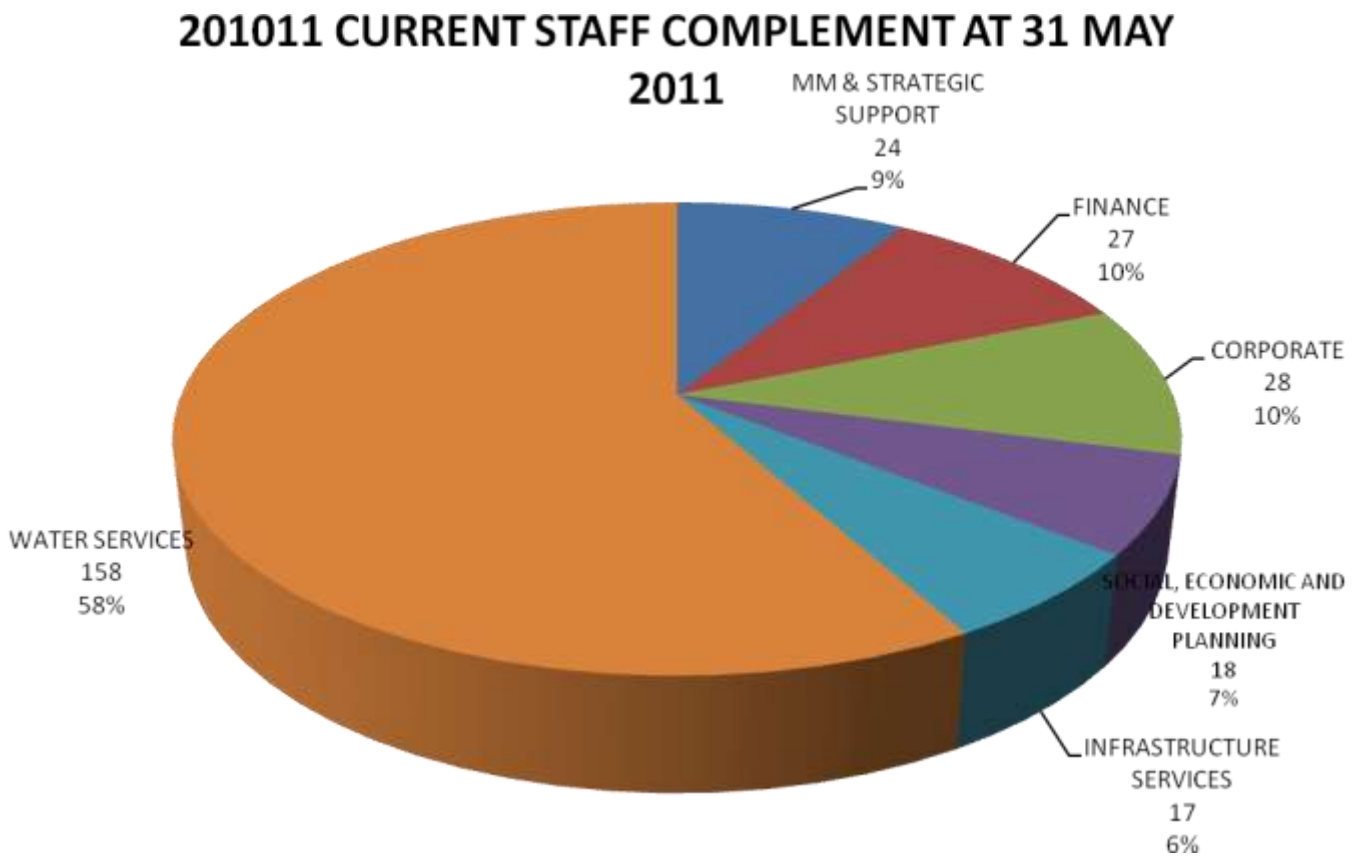
2. SALARIES EXPENDITURE

2010.2011 ADJUSTED SALARIES BUDGET CURRENT & PROJECTED EXPENDITURE



The chart presented above presents the Adjusted budget per Department, the Year to Date (YtD) salaries expenditure and the projected salaries expenditure to the end of the financial year (30 June 2011).

3. CURRENT STAFF COMPLEMENT PER DEPARTMENT



The chart displayed above shows the total staff complement as at 31 May 2011 totalling 272 employees.

The chart further breaks down the staff distribution for all departments giving;

- The number the staff complement for each department, and
- The percentage share figures.

Staff costs reflected as percentage of total operational expenditure:

Skills development initiatives during the financial year

The annual training budget is centralized under Corporate Services and is managed by the Human Resources unit. R1 486, 138 of the annual training budget was spent in the 2010/2011 financial year. R750, 000 Mandatory Grant for the financial year 2010/2011 have been received from the LGSETA. These have mainly funded the cost of the students on learnerships, management development programme and training logistics.

The SDM had developed a programme to address the skills and competency needs of staff. New challenges demand the staff to perform optimally to meet the identified needs.

Change also impact on process, necessitating rapid adjustment by the department. In the 2006 to 2011 council term, the municipality aims to invigorate the progress around skills development driven by the programme priorities rather than the compliance requirements of the Skills Development Act. Skills development programme will be aggressively undertaken by the municipality to ensure that staff already in the employ of SDM are ready for deployment to new responsibilities and/ or added demands to their existing functions.

The Sisonke District Municipality recognizes the importance of investing in its human capital through carefully planned skills development initiatives and activities. It is succeeding in creating learning organization by placing significant value on the education, training and development of its workforce, and by encouraging employees to take advantage of appropriate opportunities aimed at advancing their skills and competency levels.

The SDM has established partnerships with higher education institution, e.g UNISA, and other role players to ensure that strategic skills and competency needs are addressed through relevant and customized skills development interventions.

Skills development is also seen as a vehicle that that would facilitate and enhance achievement of the SDM Employment Equity agenda.

Although skills development is aimed at benefitting all employees, it has to make significant progress in advancing the development interest

of the designated groups (black, women, and disabled), in line with the SDM Employment Equity targets.

An intensive skills audit is conducted annually to identify the SDM strategic and operational skills needs. A workshop skills plan has been developed and implemented to address skills needs. Skills development is linked to other human resource processes.

The SDM also provides a subsidized education scheme, assisting all permanent employees who wish to pursue part-time studies towards formal tertiary qualifications.

The SDM is complying with the skills development legislation and pays a monthly skills levy of 1% of its salary bill to South African Revenue Service, in line with the provisions of the Skills Development Levies Act. Part of this money is claimed back in the form of grant from the Local Government and Water Sector Education and Training Authority (LGSETA), on a compliance with applicable grant disbursement criteria.

SDM has submitted its Workplace Skills Plan, the annual training report to the LGSETA on 30 June 2011.

A skills Audit was conducted during the 2009/10 period with the main purpose being to gather information of qualifications and levels of skills of SDM employees, compare job requirements to and those of incumbents, verify employee development need and to update employee records.

The skills audit reveals the following:

- Skills mismatches, where employees have qualifications which were not a requirement or relevant to their current jobs
- Under qualified employees, where employees are in a possession of a lower level qualification.
- Unqualified employees, where employees occupies a position for which they do not meet the minimum or basic academic, skill and competency requirements adequately.
- Employees who do not possess formal academic qualifications but have managed to develop and acquire the required skills and competence through workplace exposure and development experience.

- No formal academic qualification and limited education: in these cases, employees had little or no access to appropriate educational and developmental opportunities.
- The SDM is considering a number of interventions to address skills mismatches and to facilitate and support optimal utilization of SDM human capital.
- These include but are not limited to up skilling, re-skilling, mentoring and coaching, redeployment, recognition of prior learning, on-the job training and development as well as ongoing professional development.



Sisonke District Municipality Water project

CHAPTER 3

FUNCTIONAL SERVICE DELIVERY AREA PERFORMANCE HIGHLIGHTS

Introduction

The municipality has during the 2010/2011 financial year made a concerted effort to improve on backlog as well as expanded the reach on services provided to the community. The area of focus has been the demand for housing, road infrastructure, as well as tourism initiatives.

Water Services Department

Water service delivery strategy and main role- players:

It can be deduced from the table below that a lot still needs to be done in terms of delivering quality water in all the municipalities of the district. Lack of adequate financial support is hindering the service delivery. However the district working tirelessly in making sure that it meets its water demand by 2015.

Levels and standards in water services:

| Access to Water | Ingwe | Kwasani | Kokstad | Ubuhlebezwe | Umzimkhulu |
|--|--------|---------|---------|-------------|------------|
| Piped water inside dwelling | 10.60% | 45% | 40.90% | 12.80% | 7.50% |
| Piped Water inside yard | 17% | 17.40% | 26.70% | 10.70% | 6.90% |
| Piped water from access point outside the yard | 9.50% | 6.90% | 27% | 12.50% | 26% |
| Borehole | 11% | 3.50% | 2% | 20% | 0.80% |
| Spring | 35.70% | 5.30% | 1.20% | 3.70% | 0.30% |
| Dam/Pool | 0.90% | 9.70% | 0.60% | 3% | 2.60% |
| Water Vendor | | | | 4.80% | 0.20% |
| Rain water | | | | 3% | 1.40% |
| Other | 0.90% | 0.20% | 0.60% | | |

INFRASTRUCTURE SERVICES DEPARTMENT

Electricity services

Electricity services delivery strategy and main role- players:

The table above illustrate a serious backlog in terms of electricity reticulation at Sisonke, a large number of people rely on wood for cooking. This statement does not mean to contradict the popular

announcements that alternative energy should be used to save electricity, rather it meant to raise an alarming situation that most of our people are still subjected too.

Levels and standards in electricity services:

| Type of Energy | Ingwe | Kwasani | Kokstad | Ubuhlebezwe | Umzimkhulu |
|----------------|--------|---------|---------|-------------|------------|
| Electricity | 34.80% | 65.30% | 58% | 45.60% | 53% |
| Gas | 0.30% | 0.90% | 0.20% | | 0.20% |
| Paraffin | 2.40% | 4.20% | 7.30% | 6.40% | 3.60% |
| Candles | 64.50% | 29% | 33.60% | 44.10% | 41.30% |
| Solar | 0.30% | | 0.20% | 0.30% | 0.30% |
| Other | 0.70% | 0.70% | 0.60% | 3.50% | 1% |
| | | | | | |

Sanitation Services

Sanitation Services delivery strategy and main role-players:

From the table below it is clear that a large number of our population have access to Dry toilets facility, Pit toilets with ventilation and Pit toilets without ventilation. Proper sanitation facilities in rural areas should be prioritized.



Sisonke District sanitation projects

Levels and Standards in sanitation services

| Types of Toilets Facilities | Ingwe | Kwasani | Kokstad | Ubuhlebezwe | Umzimkhulu |
|--|--------|---------|---------|-------------|------------|
| Flush toilets (connected to sewerage system) | 3.50% | 37.80% | 51% | 13.20% | 0.40% |
| Flush toilets (with septic tank | 2.60% | 3.50% | 5.60% | 0.65% | 0.70% |
| Dry toilet facility | 33% | 3.30% | 1.80% | 12.10% | 24.70% |
| Pit toilet with ventilation | 41.00% | 94% | 88.10% | 50.00% | 21.80% |
| Pit toilet without ventilation | 52% | 0.00% | 0% | 38.30% | 72% |
| Chemical toilets | | 1.30% | 0.20% | 0.50% | 0.30% |
| None | 6.60% | 6.10% | 11.90% | 11.70% | 7.20% |

Waste Management

Waste management service delivery strategy and main role-player

This is the monitoring of waste management system – such as refuse, health care risk waste, hazardous waste and sewerage or waste water. The Sisonke district municipality`s area of jurisdiction has got health facilities that produce health care risk waste (Hospitals, Clinics and surgeries) and different commercial operations and residents that also produce waste. The district municipality and its five local municipalities have to make sure that every waste produce is deal with in a proper manager and that it is stored, transported, treated and disposed properly.

A summary of the disposal facilities which exist within the Sisonke District Municipality are:-

- The Ingwe Municipality has 1No operational landfill site in close proximity to Creighton. This landfill site is not permitted in accordance with the DWAF Minimum Requirements,
- The KwaSani Municipality existing waste disposal site situated in Himeville is now converted to a transfer station. The waste is transported to the Pietermaritzburg waste disposal site,
- The Greater Kokstad Municipality has 1No permitted waste disposal site in accordance with DWAF Minimum Requirements and is in the process of closure,

- The Ubuhlebezwe Municipality has No1 compass waste incinerators located in Ixopo, which has been officially closed. The waste from this municipality is currently being disposed off at UMzimkhulu landfill site,
- The UMzimkhulu landfill site is not permitted in accordance with DWAF Minimum Requirements

Levels and standards in waste management services:

The Sisonke District Municipality has developed an integrated waste management plan for the district. This plan has been approved by SDM Executive Committee, which will address all the all the waste problems as ascertained within the district .Each local municipality will have its own landfill site expect for KwaSani and Ingwe who will share one land fill site. The plan is develop by the district as per the statutory document (Municipal Structures Act 117 of 1998 as amended from time to time) section 84d and e which the latter indicate that, the district municipality shall ensure that waste disposal facilities for more than one local municipality in our area of jurisdiction.

Major challenges and remedial actions with regard to waste management services

The Sisonke District Municipality has developed and approved integrated waste management plan for the district which will address all the waste problems as ascertained within the. The Municipality Health services are the overlooking section to ensure that waste management is taken care of and its activities include:

- Complaints investigation and inspections on all activities relating to waste or any production resulting thereof.
- Ensure proper refuse disposal
- Sampling and analysis of waste.
- Advocacy on Sanitation.
- Ensure proper handling, storage, collection, treatment and disposal of health care risk waste, hazardous and general solid waste
- Improve and control the handling and disposal of human tissue.
- Ensure proper facilities and containers are provided by the relevant departments
- Recycling sites, sewerage and water works.



FINANCIAL SERVICES

Indigent Policy implementation

Preparation and approval process of the indigent policy

The municipality has an indigent policy in place. Due to the changes that have taken place with respect to the provision of municipal services SDM is currently requesting residence to renew their applications in order to have standardized free basic services.

Implementation of the policy:

- VIP toilets
- Communal stand pipes
- Waterborne
- Spring protection and
- Water tanks for rain water harvesting

LOCAL ECONOMIC DEVELOPMENT

Presentation of the LED strategy

The vision of the Department of Economic Development is: for KwaZulu – Natal, through the experience and initiatives of the department, to be the leading province in economic development and to develop a globally competitive economy whose benefits are equitably shared by its citizens.



Fodo Cultural Village at Sisonke DM

Progress towards achieving the LED key objectives

The department has undergone significant changes over the past three years in terms of its political and administrative leadership and its mandate.

The department's mandate to develop the economy is aimed at developing existing business and facilitating broadened participation of new entrants. By focusing on these issues, the impact on poverty reduction is inevitable.

To reduce poverty by 50 per cent by 2014

This will be achieved through:

- Providing a suitable environment for the creation of sustainable job:
- Facilitating and promoting skills development
- Facilitating access to the asset base for the poor:
- Promoting social enterprise

To grow the economy by 8 per cent by 2014

This will be achieved through:

- Facilitating and promoting integrated economic development planning:
- Facilitating and supporting the improvement of global competitiveness of industries
- Promoting development of small, Micro and Medium Enterprise (SMMEs) and cooperatives and
- Facilitate trade and the inflow of foreign direct investment

To promote good corporate governance

This will be achieved through:

- Strengthening compliance with the relevant pieces of legislation and government policies and facilitating strategic stakeholder partnership in the development of the provincial economy

To be the centre of excellence

This will be achieved through:

- Implementing a strategy of operational excellence; and
- Promoting a culture of good corporate governance

Improve public and market confidence

Progress was made towards sourcing funding for the implementation of the business plans developed for LED, as well as tourism and business plans

Exploit comparative and competitive advantage for Industrial activities

The Sisonke Farmers Market was implemented. There was previously a lack of capacity as well as information within small business regarding the availability of SMME support.

Intensify enterprise support and business development

The municipality embarked on SMME training programme where 168 people were trained on technical skills at Mgungundlovu and Esayidi FET colleges.

Support social investment programme

Our primary objective as local government is to create an enabling environment for small enterprises. In the Sisonke District Led Strategy, small business has been identified as a sector that needs solemn consideration to facilitate economic growth and development in the area.

- Supply and installation of Hawkers stalls in Ixopo and Highflats which serve as a basis of formalizing the informal trade by providing a conducive environment for street vendors hence face-lifting the CBD and local economy
- Business forum which strengthen the partnerships between the private sector and the municipality as they are the drivers of our local economy,
- SMME sectoral seminars and
- LED and tourism forum



Fodo Cultural Village at Sisonke DM



Fodo Cultural Village at Sisonke DM

Challenges regarding LED strategy implementation

- Lack of common understanding of LED by stakeholders
- Lack of funding
- Information not readily available to the public about the availability of training for technical and soft skills.
- Lack of program alignment and coordination
- Lack of skills due low level of literacy in the district
- LED is perceived as project based



Sisonke District rising above challenges

Spatial planning (The Spatial Development Framework)

The SDM is continuously reviewing the Spatial Development Framework (SDF). The SDF acts as a principal guiding policy document for the location of development through statutory planning and forward planning. This SDF will enable the council to make informed decisions around the distribution of infrastructural resources (roads, water, schools, housing, etc.), economic opportunities, social upliftment and environmental conservation.

It also provides a spatial reflection of infrastructure priority areas and development linkages within and outside the district. These spatial reflections are captured as development nodes and corridors of activities.

The hierarchy of these development nodes is informed by the economic and social analysis. They are therefore aimed to respond to existing economic and social problems. These nodes are presented in a hierarchical manner from Primary, Secondary, Tertiary and Rural Nodes. The Primary nodes are the areas of high economic opportunities whereas the Tertiary and Rural Service Nodes are the areas of less economic opportunities or poverty areas. The desired model of development is primary nodes. Therefore the Primary Nodes are treated as growth poles of development within the district.

For the past years, the SDM in partnership with all Local Municipalities have directed efforts towards the detailed planning of Primary Nodes as they happen to be major urban centres within this district. This approach is in line with the National Development Framework of promoting effective growth of primary nodes as they provide positive spin-off for a larger community. This initiative is being implemented as Urban Renewal Programme (URP). The main objectives of the URP are to provide a detailed, practical and implementable development initiatives.

Some key issues of the URP includes,

- Future expansion of towns which will include industrial, commercial, residential and social amenities. Second,
- The restructuring and refurbishment of existing activities and infrastructure and economic activities. Third,
- Identification and negotiations around land availability for future expansion and growth of towns. Lastly,
- The improvement of functionality and efficiency of all developmental activities within these towns.

- Developmental advocacy for marketing and positioning the SDM as a potential area for investment and economic opportunities.

The SDF also identifies Development Corridors which will create functional linkages between these nodes. The Corridors will act as development conduct for intensive relationship of economical active areas and poverty stricken areas. The SDF presents opportunities for development to take place along these Corridors thereby creating a belt of development between nodes.



CHAPTER 4:

ANNUAL FINANCIAL STATEMENTS

SISONKE DISTRICT MUNICIPALITY

for the year ended 30 June: 2011

Province: KwaZulu Natal

AFS rounding: R (i.e. only cents)

Contact Information:

Name of Municipal Manager: MR NM Mabaso
Contact telephone number: 039-834 8700

Name of Chief Financial Officer: MR S Mewalall
Contact telephone number: 039 - 834 8700

Contact e-mail address: cfo@sisonkedm.gov.za

Name of contact at Provincial Treasury: S Moodley
Contact telephone number: 033 - 897 4415

Name of relevant Auditor: Auditor General South Africa
Contact telephone number: 033 - 264 7400

Name of contact at National Treasury: Mr J.Hattingh
Contact telephone number: 012 - 315 5534

SISONKE DISTRICT MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2011

General information:

Members of Council 2011

| | |
|--------------|--|
| M NDOBE | Mayor |
| NH DUMA | Deputy Mayor |
| CM NGCOBO SB | Speaker |
| MTHETHWA KS | Member of the Executive Committee |
| MADLALA | Member of the Executive Committee |
| AM ZONDI | Member of the Executive Committee |
| NB MNGADI | Member |
| CA NGQOYIYA | Member |
| ZS NYIDE | Member |
| NC VEZI | Member |
| JL KOTTING | Member |
| VP MAJOZI | Member |
| JS MSIYA | Member |
| MW TSHIBASE | Member |
| CB KUNENE | Member |
| V MHATU | Member |
| ME MKHIZE | Member |
| M NONDABULA | Member |
| SD RADEBE | Member |
| XR TSHAZI SJ | Member |
| BHENGU SS | Member |
| MAVUMA B | Member |
| THABETHE | Member |
| AT SONDZABA | Member |
| GP NZIMANDE | Member |
| TC DLAMINI | Member |

Members of Council 2010

| |
|-------------|
| JP KHOZA |
| WM MSIYA |
| CN NTABENI |
| CM NGCOBO |
| RZ LANGA WB |
| DLAMINI |
| BL NZIMANDE |
| MF MAKHANYA |
| J MZIZI |
| ME MKHIZE |
| NJ JILI |
| T JALI |
| M SUKUDE |
| S MAVUMA |
| DE MAFA |
| Z PAKHATHI |
| S MNTAKA |
| A SONDZABA |
| T SOSIBO |
| B DZANIBE |
| N LANGA |
| I NDLOVU |
| MS KHUTSHWA |
| MJ MTSHALI |
| TN JOJOZI |
| MA ZONDI |

Municipal Manager

Mr NM Mabaso

Chief Financial Officer

Mr S Mawalall

Grading of Local Authority

Grade 3

Auditors

Auditor General South Africa

Bankers

First National Bank

SISONKE DISTRICT MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2011

General information (continued):

Registered Office: SISONKE MAIN OFFICE

Physical address: 40 MAIN STREET
IXOPO
3276

Postal address: PRIVATE BAG X501
IXOPO
3276

Telephone number: 039 - 834 8700

Fax number: 039 - 834 2258

E-mail address: cfo@sisonkedm.gov.za

SISONKE DISTRICT MUNICIPALITY

**ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2011**

Approval of annual financial statements

I am responsible for the preparation of these annual financial statements, which are set out on pages 5 to 46, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

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

Municipal Manager:

DATE 31 August 2011

SISONKE DISTRICT MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS for the year ended 30 June 2011

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Appendix C: Analysis of Property, Plant and Equipment

Appendix D: Segmental Analysis of Property, Plant and Equipment

Appendix E: Segmental Statement of Financial Performance

SISONKE DISTRICT MUNICIPALITY
STATEMENT OF FINANCIAL POSITION
as at 30 June 2011

| | Note | 2011 R | 2010 R |
|--|------|----------------------|--------------------|
| ASSETS Current | | | |
| Assets | | | |
| Cash and cash equivalents | 1 | 143 759 | 4 597 199 |
| Trade and other receivables from exchange transactions | 2 | 5 310 293 | 2 511 525 |
| Other Debtors | 2.1 | 30 000 000 | - |
| Inventories | 3 | 54 295 | 49 914 |
| Investments | 4 | 6 914 363 | 109 832 288 |
| VAT receivable | 8 | 4 543 051 | 6 510 467 |
| Non-current Assets | | | |
| Property, plant and equipment | 5.1 | 973 809 854 | 785 573 486 |
| Intangible assets | 5.3 | 704 306 | 863 686 |
| Total Assets | | 1 021 479 921 | 909 938 565 |
| LIABILITIES | | | |
| Current Liabilities | | | |
| Trade and other payables from exchange transactions | 6 | | |
| Consumer deposits | 7 | 50 410 397 | 37 370 780 |
| Current provisions | 9 | 786 911 | 723 306 |
| Current Health Care Retirement provision | 9.1 | 4 676 545 | 4 021 098 |
| | | 37 104 | 33 888 |
| Current portion of unspent conditional grants and receipts | 10 | | |
| Current portion of borrowings | 11 | 60 890 840 | 68 081 472 |
| Current portion of finance lease liability | 12 | 2 832 805 | 994 406 |
| Current portion long term service provision | 9.2 | 1 358 089 | 539 373 |
| Non-current Liabilities | | 264 826 | 176 014 |
| Health Care Retirement provision | 9.1 | | |
| Non current portion long term service provision | 9.2 | 3 919 449 | 2 965 763 |
| Non-current borrowings | 11 | 1 621 746 | 1 293 339 |
| Non-current finance lease liability | 12 | 32 483 999 | 5 203 465 |
| Total Liabilities | | 4 582 974 | 2 729 050 |
| Net Assets | | 163 865 685 | 124 131 954 |
| NET ASSETS | | | |
| Accumulated Surplus | | | |
| Total Net Assets | | 857 614 236 | 785 806 611 |
| | | 857 614 236 | 785 806 611 |

SISONKE DISTRICT MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE
as at 30 June 2011

| | Note | 2011 Actual R | 2010 Actual R | 2011 Budget R |
|--|------|---------------------|---------------------|---------------------|
| Revenue | | | | |
| Property rates | 13 | 193 703 | 78 233 | - |
| Service charges | 14 | 31 592 165 | 35 843 548 | 36 639 977 |
| Rental of facilities and equipment | 15 | 82 231 | 79 860 | - |
| Interest earned - external investments | 16 | 5 654 836 | 6 638 868 | 9 000 000 |
| Government grants and subsidies | 17 | 293 888 184 | 301 536 205 | 472 747 601 |
| Other income | 18 | 1 595 456 | 715 938 | - |
| Total Revenue | | 333 006 575 | 344 892 652 | 518 387 578 |
| Expenses | | | | |
| Contribution to Bad Debt provision | 2.1 | | | |
| Provision Leave reserve | 9 | 6 303 189 | 6 685 000 | 4 000 000 |
| Employee related costs | 19 | 1 053 121 | 1 385 820 | - |
| Remuneration of councillors | 20 | 56 108 001 | 47 965 338 | 61 467 879 |
| Depreciation and amortisation expenses | 21 | 4 050 595 | 4 040 860 | 4 552 918 |
| Finance costs | 22 | 19 811 700 | 18 650 817 | 35 000 000 |
| Bulk purchases | 23 | 842 509 | 867 593 | 947 000 |
| Contracted services | 24 | 6 997 569 | 7 566 292 | 6 000 000 |
| Grants and subsidies paid | 25 | 27 717 175 | 28 006 517 | 17 284 396 |
| General expenses | 26 | 11 481 612 | 22 302 808 | 33 777 473 |
| Collection cost | 27 | 105 418 959 | 73 805 164 | 129 353 972 |
| Repairs and Maintenance | 28 | 2 048 091 | - | - |
| Total Expenses | | 18 904 407 | 20 769 998 | 13 662 124 |
| Gain on sale of assets | 29 | 260 736 928 | 232 046 207 | 306 045 762 |
| Surplus for the period | | - | 1 406 | - |
| | | 72 269 647 | 112 847 851 | 212 341 816 |

**SISONKE DISTRICT MUNICIPALITY
STATEMENT OF CHANGES IN NET ASSETS**

as at 30 June 2011

| | Note | Accumulated Surplus/Deficit | Total Net Assets |
|---------------------------------------|------|--------------------------------|---------------------|
| | | R | R |
| Balance at 1 July 2009 | | 577 911 805 | 577 911 805 |
| <u>Prior Year Adjustments:</u> | | | |
| :VAT | | (5 223 759) | (5 223 759) |
| :Other | | (4 648 499) | (4 648 499) |
| :Creditors | | 173 674 | 173 674 |
| :Provision performance bonuses | | 436 690 | 436 690 |
| :Health Care Retirement Benefit | | (2 665 804) | (2 665 804) |
| :Long term service provision | | (1 172 565) | (1 172 565) |
| :Debtors | | (4 306 893) | (4 306 893) |
| Current year Adjustments | | 4 427 138 | 4 427 138 |
| :Provision for bad debts | 2.1 | (22 322 760) | (22 322 760) |
| Changes in Accounting Policy | | | |
| :Property Plant and Equipment | 32 | 79 938 265 | 79 938 265 |
| :Depreciation | 32 | 9 316 916 | 9 316 916 |
| Surplus for the period | | 112 847 851 | 112 847 851 |
| Balance at 30 June 2010 | | 744 712 059 | 744 712 059 |
| <u>Prior Year Adjustment:</u> | | | |
| ier | | (632 052) | (632 052) |
| Grants | 41 | 13 245 444 | |
| Work in progress | 41 | 23 720 633 | |
| Grants MIG | 41 | 4 128 475 | 4 128 475 |
| Cash and Bank | | 170 030 | 170 030 |
| Surplus for the period | | 72 269 647 | 72 269 647 |
| Balance at 30 June 2011 | | 857 614 236 | 820 648 159 |

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SISONKE DISTRICT MUNICIPALITY
CASH FLOW STATEMENT
as at 30 June 2011
Note

CASH FLOWS FROM OPERATING ACTIVITIES

| | Receipts | | | |
|---|-----------|----------------------|----------------------|--|
| Sales of goods and services | 14 | 21 122 522 | 21 585 825 | |
| Grants | 17 | 286 697 550 | 282 246 907 | |
| Interest received | 16 | 5 654 836 | 6 638 868 | |
| Other receipts | | 1 741 293 | 914 262 | |
| Pavments | | 216 613 804 | 126 228 603 | |
| Employee costs | 20/21 | 60 158 596 | 51 375 563 | |
| Suppliers | | 155 215 026 | 73 985 447 | |
| Interest paid | 22 | 842 509 | 867 593 | |
| Other payments | | 397 673 | - | |
| Net Cash Flows from Operating Activities | 30 | 98 602 397 | 185 157 259 | |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Purchase of Fixed Assets | 5 | (207 409 125) | (212 425 257) | |
| Proceeds from Sale of Fixed Assets | 29 | - | 1 406 | |
| Proceeds from Sale of Investments | 4 | 102 917 925 | 7 153 732 | |
| Net Cash Flows from Investing Activities | | (104 491 200) | (205 270 119) | |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | |
| Proceeds from Borrowings | 11 | 113 338 | - (994) | |
| Repayment of Borrowings | 11 | 405) | (878 883) | |
| Proceeds from Finance Lease Liabilities | 12 | 3 318 043 | 4 699 456 | |
| Repayment of Finance Lease liability | 12 | (1 001 613) | (526 707) | |
| Net Cash Flows from Financing Activities | | 1 435 363 | 3 293 866 | |
| Net increase / (decrease) in net cash and cash equivalents | 1 | (4 453 440) | (16 818 993) | |
| Net cash and cash equivalents at beginning of period | 1 | 4 597 199 | 21 416 192 | |
| Net cash and cash equivalents at end of period | 31 | 143 759 | 4 597 199 | |

**SISONKE DISTRICT MUNICIPALITY SUMMARY OF
SIGNIFICANT ACCOUNTING POLICIES as at 30 June 2011**

1 BASIS OF ACCOUNTING

1.1 BASIS OF PRESENTATION

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

These annual financial statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

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

- GRAP 1 :Presentation of financial statements
- GRAP 2 :Cash flow statements
- GRAP 3 :Accounting policies, changes in accounting estimates and errors
- GRAP 5 :Borrowing cost
- GRAP 6 :Consolidated and separate financial statements
- GRAP 9 :Revenue from exchange transactions
- GRAP 12 :Inventories
- GRAP 13 :Leases
- GRAP 14 :Events after the reporting date
- GRAP 17 :Property plant and equipment
- GRAP 19 :Provisions, contingent liabilities and contingent assets
- GRAP 100 :Non-current assets held for sale and discontinued operations
- GRAP 102 :Intangible assets
- IFRS 7 :Financial instruments: Disclosures
- IAS 19 :Employee benefits
- IAS 32 :Financial instruments: Presentation
- IAS 36 :Impairment of assets
- IAS 39 :Financial instruments: Recognition and measurement
- IPSAS 20 :Related party disclosures
- IPSAS 21 :Impairment of non cash-generating assets
- GAMAP 9.29 - 35 & 39-54 : Revenue
- IGRAP 1 :Applying the probability test on initial recognition of exchange revenue. IFRIC 4
:Determining whether an arrangement contains a lease
- IFRIC 14 : IAS 19 The limit of a defined benefit asset, minimum funding requirements and their interaction. Directive 1
:Repeal of existing transitional provisions and consequently amendments to, standards
- Directive 2 :Transitional provisions for the adoption of standards of grap by public entities municipal entities and
constitutional institutions.
- Directive 3 :Transitional provisions for the adoption of standards of grap by high capacity municipalities.
- Directive 4 :Transitional provisions for the adoption of standards of grap by medium and low capacity municipalities. Directive 5
:Determining the grap reporting framework.

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

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

1.2 PRESENTATION CURRENCY

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

BASIS OF ACCOUNTING - Continued

1.3 GOING CONCERN ASSUMPTION

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

1.4 COMPARATIVE INFORMATION

Budget information in accordance with GRAP 1 and 24, has been provided in an annexure to these financial statements and forms part of the audited annual financial statements.

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

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

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

GRAP 8 Interest in Joint Ventures - issued August 2006

GRAP 18 Segment Reporting - issued March 2005

GRAP 23 Revenue from Non-Exchange Transactions (Taxes and Transfers) - issued February 2008

GRAP 24 Presentation of Budget Information in Financial Statements - issued November 2007

1.6 USEFUL LIVES OF PROPERTY, PLANT AND EQUIPMENT ("PPE")

As described in Accounting Policy 2.4 the Municipality depreciates/amortises its property, plant and equipment and intangible assets over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use. The useful lives and residual values of the assets are based on industry knowledge.

2 PROPERTY, PLANT AND EQUIPMENT

2.1 INITIAL RECOGNITION

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

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

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

2.2 SUBSEQUENT MEASUREMENT - REVALUATION MODEL (LAND AND BUILDINGS)

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

A decrease or increase in the carrying amount or depreciation of an asset as a result of a revaluation is recognised in surplus or deficit. The depreciation is calculated on the residual value of the assets.

2.3 SUBSEQUENT MEASUREMENT - COST MODEL

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

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

PROPERTY, PLANT AND EQUIPMENT - Continued

2.4 DEPRECIATION AND IMPAIRMENT

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

| <u>Details</u> | <u>Years</u> |
|--------------------------------------|--------------|
| <u>INFRASTRUCTURE ASSETS</u> | |
| <u>Sewerage</u> | |
| Sewers | 20 years |
| Outfall sewers | 20 years |
| Purification works | 20 years |
| Sewerage pumps | 15 years |
| Sludge machines | 15 years |
| <u>Water</u> | |
| Meters | 15 years |
| Mains | 20 years |
| Rights | 20 years |
| Supply/reticulation | 20 years |
| Reservoirs & Tanks | 20 years |
| <u>OTHER ASSETS</u> | |
| <u>Buildings</u> | |
| Office buildings | 30 years |
| Workshops/depots | 30 years |
| <u>Office equipment</u> | |
| Computer hardware | 5 years |
| Computer software | 3-5 years |
| Office machines | 3-5 years |
| Air conditioners | 5-7 years |
| <u>Furniture And Fittings</u> | |
| Chairs | 7-10 years |
| Tables/desks | 7-10 years |
| Cabinets/cupboards | 7-10 years |
| Miscellaneous | 7-10 years |
| <u>Motor Vehicles</u> | |
| Trucks/bakkies | 5-7 years |
| <u>Plant and Equipment</u> | |
| Tractors | 10-15 years |
| Lawnmowers | 2 years |
| Compressors | 5 years |
| Laboratory equipment | 5 years |
| General | 5 years |

Treasury Guidelines

| Asset Description | Equivalent Expected Useful Life | GAMAP Classification | Ave Residual Value (%) |
|---|---------------------------------|-------------------------------|------------------------|
| Water treatment works (Total Ml/day) | 28 | supply/reticulation | 40% |
| Water treatment plants (filtering & dosing) | 15 | supply/reticulation | 0% |
| Dams | 100 | Reservoirs & Tanks | 60% |
| Reservoirs | 38 | Reservoirs & Tanks | 30% |
| Pump stations | 22 | supply/reticulation | 30% |
| Boreholes | 30 | supply/reticulation | 30% |
| Bulk pipeline (km) | 60 | mains | 20% |
| Reticulation (km) | 60 | meters, supply / reticulation | 20% |

| | |
|---------------------------------------|----|
| Sewage treatment works (Total Ml/day) | 28 |
| Pump Stations | 22 |
| Bulk pipelines (km) | 60 |
| Reticulation (km) | 60 |

| | |
|--------------------------------------|--------|
| purification works / sludge machines | 4 0 |
| sewerage pumps | 3 0 |
| sewers / outfall sewers | 2 0 |
| sewers / outfall sewers | 2 0 |

PROPERTY, PLANT AND EQUIPMENT - Continued

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

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

2.5 DERECOGNITION

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

2.6 IMPAIRMENT OF ASSETS

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

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

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

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

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

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

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

An impairment loss is recognised for cash-generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:
- to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

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

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

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

3 INTANGIBLE ASSETS

3.1 INITIAL RECOGNITION

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

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

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

Intangible assets are initially recognised at cost.

3.2 SUBSEQUENT MEASUREMENT - COST MODEL

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

3.3 AMORTISATION AND IMPAIRMENT

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

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

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

3.4 DERECOGNITION

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

4 NON-CURRENT ASSETS HELD FOR SALE

4.1 INITIAL RECOGNITION

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

4.2 SUBSEQUENT MEASUREMENT

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

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

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

5 INVENTORIES

5.1 INITIAL RECOGNITION

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

5.2 SUBSEQUENT MEASUREMENT

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

6 FINANCIAL INSTRUMENTS

6.1 INITIAL RECOGNITION

Financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial instruments are initially recognised at fair value.

6.2 SUBSEQUENT MEASUREMENT

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

6.2.1 INVESTMENTS

Investments, which include listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks, are categorised as either held-to-maturity where the criteria for that categorisation are met, or as loans and receivables, and are measured at amortised cost. Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. Impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the instrument. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

6.2.2 TRADE AND OTHER RECEIVABLES

Trade and other receivables are categorised as financial assets: loans and receivables and are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within 30 days from the reporting date are classified as current.

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

6.2.3 TRADE PAYABLES AND BORROWINGS

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

6.2.4 CASH AND CASH EQUIVALENTS

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

7 INVESTMENTS IN ASSOCIATES

An associate is an entity in which the investor has significant influence and which is neither a controlled entity nor a joint venture of the investor. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control over those policies. The municipality exercises judgement in the context of all available information to determine if it has significant influence over an investee.

The equity method involves recognising the investment initially at cost, then adjusting for any change in the investor's share of net assets of the associate since it acquired it. A single line-item in the Statement of Financial Performance presents the investor's share of the associate's surplus or deficit for the year.

The municipality commences accounting for an investment in an associate from the date that significant influence exists and discontinues the application of the equity method when it no longer has significant influence over an associate. Investments that are retained in whole or in part are subsequently accounted for in accordance with the accounting policies on subsidiaries, joint ventures or financial instruments depending on the nature of the retained investment.

The municipality uses the most recent available financial statements of the associate in applying the equity method. Where the reporting periods of the associate and the municipality are different, separate financial statements for the same period are prepared by the associate unless it is impracticable to do so. When the reporting dates are different, the municipality makes adjustments for the effects of any significant events or transactions between the investor and the associate that occur between the different reporting dates. Adjustments are made to ensure consistency between the accounting policies of the associate and the municipality.

8 UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

9 IRREGULAR EXPENDITURE

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

10 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.

11 PROVISIONS

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

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

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

12 LEASES

12.1 MUNICIPALITY AS LESSEE

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

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

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

12.2 MUNICIPALITY AS LESSOR

Under a finance lease, the municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

13 REVENUE

13.1 REVENUE FROM EXCHANGE TRANSACTIONS

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

Service charges relating to water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced.

Service charges from sewerage and sanitation are based on the number of sewerage connections on each developed property using the tariffs approved by Council and are levied monthly.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff.

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

13.2 REVENUE FROM NON-EXCHANGE TRANSACTIONS

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

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis.

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

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

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

13.3 GRANTS, TRANSFERS AND DONATIONS

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

14 BORROWING COSTS

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established. Borrowing costs incurred other than on qualifying assets are recognised as an expense in surplus or deficit when incurred.

15 RETIREMENT BENEFITS PENSION OBLIGATIONS

The municipality and its employees contribute to two pension funds that cater for the majority of the staff. The KZN Joint Municipal Pension Fund is a defined contribution fund. The contributions to fund obligations for the payment of retirement benefits are charged against income the year they become payable.

Defined Benefit Plan

The municipality provides retirement benefits for its employees. The contributions to fund obligations for the payment of the retirement benefits are charged against revenue in the year they become payable. The defined funds which are administered on a provincial basis are actually valued triennially according to the discounted cash flow and discontinuance method approach.

Defined Contribution Plans

The municipality provides retirement benefits for its employees. The contributions to fund obligations for the payment of the retirement benefits are charged against revenue in the year they become payable. The defined contribution funds which are administered on a provincial basis, are actually valued triennially according to the discounted cash flow and discontinuance method approach.

16 CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Contingent assets and contingent liabilities are not recognized. Contingencies are disclosed in the notes to the Annual Financial Statements.

SISONKE DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS as
at 30 June 2011

| | 2011 | 2010 |
|--|----------------|------------------|
| | R | R |
| 1 CASH AND CASH EQUIVALENTS | | |
| Cash and cash equivalents consist of the following: Cash on hand | 300 | 300 |
| Call Investments | 1 121 | 2 563 775 |
| Cash at bank | 130 407 | 2 033 124 |
| Cash Book Balance at end of year | 131 828 | 4 597 199 |
| Received June 2011 Received July 2011 | 11 931 | - |
| Restated Cashbook balance | 143 759 | 4 597 199 |

The Municipality has the following bank accounts:

Current Account (Primary Bank Account)

FNB Ixopo branch Account Number 63022648169

| | | |
|---|----------------|------------------|
| Cash book balance at beginning of year | 2 033 584 | 18 087 508 |
| Cash book balance at end of year | 130 407 | 2 033 584 |

FNB Kokstad branch Account Number 52720015760

| | | |
|---|----------|--------------|
| Cash book balance at beginning of year | (460) | 2 970 766 |
| Cash Book balance at end of year | - | (460) |

FNB Ixopo

| | | |
|--|----------------|------------------|
| Bank Statement Balance at beginning of year | 2 002 091 | 18 583 767 |
| Bank Statement Balance at end of year | 142 338 | 2 002 091 |

FNB Kokstad

| | | |
|--|----------|--------------|
| Bank Statement Balance at beginning of year | (406) | 2 970 766 |
| Bank Statement Balance at end of year | - | (460) |

2 TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS

| | Gross Balance | Provision for Doubtful Debts | Net Balance |
|---------------------------------------|-------------------|---------------------------------|-------------------|
| | R | R | R |
| Trade receivables | | | |
| Year Ended 30 June 2011 | | | |
| Service debtors | | | |
| Rates | 271 937 | 240 348 | 31 589 |
| Water | 30 816 767 | 27 236 953 | 3 579 814 |
| Sewerage | 9 145 566 | 8 083 176 | 1 062 390 |
| Value added taxation | 5 582 006 | 4 933 575 | 648 431 |
| Total Trade Receivables | 45 816 276 | 40 494 052 | 5 322 224 |
| Received June 2011 Received July 2011 | 11 931 | - | 11 931 |
| Restated Balance | 45 804 345 | 40 494 052 | 5 310 293 |
| Year Ended 30 June 2010 | | | |
| Service debtors | | | |
| Rates | 78 234 | - | 78 234 |
| Water | 41 443 541 | 39 765 339 | 1 678 202 |
| Sewerage | 11 660 548 | 11 368 866 | 291 682 |
| Value added taxation | 7 423 957 | 6 960 550 | 463 407 |
| Total Trade Receivables | 60 606 280 | 58 094 755 | 2 511 525 |
| Rates: Ageing | | | |
| Current (0 – 30 days) | | 8 449 | 7 823 |
| 31 - 60 Days | | 25 347 | 7 823 |
| 61 - 90 Days | | 33 796 | 7 824 |
| 91 - 120 Days | | 204 345 | 54 763 |
| Total Rates | | 271 937 | 78 233 |
| Water and Sewerage: Ageing | | | |
| Current (0 – 30 days) | | 2 913 063 | 3 848 598 |
| 31 - 60 Days | | 3 600 845 | 3 435 487 |
| 61 - 90 Days | | 3 752 924 | 1 892 121 |
| 91 - 120 Days | | 35 277 507 | 51 351 841 |
| Total Water and Sewerage | | 45 544 339 | 60 528 047 |

SISONKE DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS as
at 30 June 2011

| | 2011 | 2010 |
|--|-------------------|-------------------|
| | R | R |
| 2.1 Reconciliation of the doubtful debt provision | | |
| Balance at beginning of the year | 58 094 755 | 32 719 004 |
| Contributions to provision | 6 303 189 | 6 685 000 |
| Additional contribution from surplus/deficit | - | 22 322 760 |
| Doubtful debts written off against provision | (23 903 892) | (4 976 906) |
| Balance at end of year | 40 494 052 | 56 749 858 |

The impairment is based on the percentage collection ratio per local district area for 2010/2011

Trade and other receivables past due and partially impaired

Trade and other receivables current to 60 days was partially impaired as per collection ratio. At 30 June 2011, current to 60 days (R8 299 208) amounting to a provision of (R3 368 534)

Trade and other receivables impaired

As at 30 June 2011, trade and other receivables 60 days plus (R37 125 518) was impaired and provided for.

The amount of the total provision was R 40 494 052 as at 30 June 2011 .

The fair value of trade and other receivables approximates their carrying amounts.

2.2 OTHER DEBTORS

| | | |
|----------------------------|------------------------|----------|
| ABSA | R 30 000 000.00 | - |
| Total Other Debtors | R 30 000 000.00 | - |

ABSA Loan : Capital funding outstanding refer to Note 11

3 INVENTORIES

| | | |
|---------------------------------------|---------------|---------------|
| Opening balance of inventories | 49 914 | 30 431 |
| Water | 49 914 | 30 431 |
| Additions: | 4 381 | 19 483 |
| Water | 4 381 | 19 483 |
| Closing Balance of Inventories | 54 295 | 49 914 |

| | | | |
|-----------------------------|-------------|--|-------------|
| Bulk purchases | R 6 997 569 | | R 7 566 292 |
| Less raw water | R 4 414 134 | | - |
| Purified water | R 2 583 435 | | R 7 566 292 |
| Kilolitre stock | 18 510 | | 17 985 |
| Average price per kilolitre | R 3.48 | | R 2.77 |
| Kilolitre loss | 259 679 | | 956 030 |
| Cost of losses | R 903 683 | | R 2 648 202 |

The water loss estimation of 35% is an estimation of the water loss based on previous experiences and status quo of the water systems within the district.

4 INVESTMENTS

Financial Instruments

| | | | |
|-------------------------------|---------------|------------------|--------------------|
| FNB - 62095523281 | Money market | 201 312 | 6 493 614 |
| FNB - 62138538692 | Call account | 1 041 | 10 302 077 |
| ABSA - 9121808364 | Fixed deposit | - | 5 976 338 |
| ABSA - 2070015500 | Fixed deposit | - | 10 246 910 |
| RMB - 100456/DC3F0018 | Fixed deposit | 407 848 | 8 044 935 |
| Standard Bank - 068626134001 | Fixed deposit | - | 11 831 876 |
| Nedbank - 18214604 | Fixed deposit | 6 304 162 | 6 060 476 |
| Nedbank - 03/7881062193/00001 | Fixed deposit | - | 10 001 726 |
| Investec - 5004014050 | Fixed deposit | - | 20 537 485 |
| Investec - 1100457455451 | Fixed deposit | - | 20 336 851 |
| Investec - 1100 457455/452 | Fixed deposit | - | - |
| ABSA - 2071051533 | Fixed deposit | - | - |
| Investec - 1100 457455/451 | Fixed deposit | - | - |
| Nedbank - 29924717 | Fixed deposit | - | - |
| Investec - 1100 457455/450 | Fixed deposit | - | - |
| FNB - 74307636347 | Fixed deposit | - | - |
| Total Investments | | 6 914 363 | 109 832 288 |

Certain investments with nil balances in 2011 had movement during this financial year.

SISONKE DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS as
at 30 June 2011

5 PROPERTY, PLANT AND EQUIPMENT

5.1 Reconciliation of Carrying Value

| | Land | Buildings | Infrastructure | Community | Other Assets | Finance lease assets | Total |
|--|------------------|-------------------|--------------------|-------------------|-------------------|-------------------------|--------------------|
| | R | R | R | R | R | R | R |
| Carrying Values at 30 June 2010 | - | 27 805 151 | 680 772 072 | 22 569 586 | 51 406 801 | 3 019 877 | 785 573 487 |
| Cost/Revaluation | - | 32 704 769 | 818 553 758 | 26 091 916 | 62 162 204 | 3 280 570 | 942 793 217 |
| Accumulated depreciation and impairment losses | - | (4 899 618) | (137 781 686) | (3 522 330) | (10 755 403) | (260 693) | (157 219 730) |
| Prior -year adjustment: | | | | | | | - |
| Acquisitions | 5 146 800 | 714 300 | 5 674 130 | 1 150 025 | 1 871 365 | 3 318 043 | 17 874 663 |
| Work in progress SDM | - | - | 118 472 482 | 14 569 054 | - | - | 133 041 536 |
| Work in progress LM and Other | - | - | 25 371 109 | - | 31 064 317 | - | 56 435 426 |
| Depreciation | - | (681 837) | (14 987 472) | (593 533) | (2 260 645) | (1 071 333) | (19 594 820) |
| Impairment loss/Reversal of impairment loss | - | - | - | - | - | - | - |
| Transfers | - | - | - | - | - | - | - |
| Other movements | - | - | 479 563 | - | - | - | 479 563 |
| Financial year ended 30 June 2011 | 5 146 800 | 27 837 614 | 815 781 884 | 37 695 132 | 82 081 838 | 5 266 587 | 973 809 855 |
| Cost/Revaluation | 5 146 800 | 33 419 069 | 968 071 479 | 41 810 995 | 95 097 886 | 6 598 613 | 1 150 144 842 |
| Accumulated depreciation and impairment losses | - | (5 581 455) | (152 289 595) | (4 115 863) | (13 016 048) | (1 332 026) | (176 334 987) |

SISONKE DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
as at 30 June 2011

5.2 Reconciliation of Carrying Value

| | Land | Buildings | Infrastructure | Community | Other Assets | Finance lease assets | Total |
|--|------|-------------|----------------|--------------|--------------|-------------------------|---------------|
| | R | R | R | R | R | R | R |
| Financial year ended 30 June 2009 | - | - | 455 688 005 | 28 179 656 | 19 773 293 | - | 503 640 954 |
| Cost/Revaluation | - | - | 581 026 966 | 33 504 639 | 37 993 601 | - | 652 525 206 |
| Accumulated depreciation and impairment losses | - | - | (125 338 961) | (5 324 983) | (18 220 308) | - | (148 884 252) |
| Asset Revaluation Adjustment | - | 32 704 769 | 82 215 558 | (14 554 144) | (21 507 527) | - | 78 858 656 |
| Depreciation Revaluation Adjustment | - | (4 165 313) | 1 922 329 | 2 441 859 | 9 118 041 | - | 9 316 916 |
| Acquisitions | - | - | 24 584 086 | 6 815 353 | 1 703 385 | 3 280 570 | 36 383 394 |
| Work in progress SDM | - | - | 116 026 314 | - | - | - | 116 026 314 |
| Work in progress LM and Other | - | - | 14 700 834 | 326 068 | 44 988 647 | - | 60 015 549 |
| Depreciation | - | (734 305) | (14 365 054) | (639 206) | (2 435 637) | (260 693) | (18 434 895) |
| Carrying value of disposals | - | - | - | - | (233 401) | - | (233 401) |
| Cost/Revaluation | - | - | - | - | (1 015 902) | - | (1 015 902) |
| Accumulated depreciation and impairment losses | - | - | - | - | 782 501 | - | 782 501 |
| Impairment loss/Reversal of impairment loss | - | - | - | - | - | - | - |
| Transfers | - | - | - | - | - | - | - |
| *Other movements | - | - | - | - | - | - | - |
| Financial year ended 30 June 2010 | - | 27 805 151 | 680 772 072 | 22 569 586 | 51 406 801 | 3 019 877 | 785 573 487 |
| Cost/Revaluation | - | 32 704 769 | 818 553 758 | 26 091 916 | 62 162 204 | 3 280 570 | 942 793 217 |
| Accumulated depreciation and impairment losses | - | (4 899 618) | (137 781 686) | (3 522 330) | (10 755 403) | (260 693) | (157 219 730) |

SISONKE DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS as
at 30 June 2011

5.3 INTANGIBLE ASSETS

| Reconciliation of Carrying Value | 2011 R |
|--|-------------------------|
| Carrying Values at 30 June 2010 | 863 686 |
| Cost/Revaluation | 1 079 608 |
| Accumulated depreciation and impairment losses | (215 922) |
| Assets Revaluation Adjustment | - |
| Depreciation Revaluation Adjustment | - |
| Acquisitions | 57 500 |
| Work in progress LM and Other | - |
| Amortisation Charges | (216 880) |
| Impairment loss/Reversal of impairment loss | - |
| Transfers | - |
| Other movements | - |
| Financial year ended 30 June 2011 | 704 306 |
| Cost/Revaluation | 1 137 108 |
| Accumulated depreciation and impairment losses | (432 802) |

5.4 INTANGIBLE ASSETS

| Reconciliation of Carrying Value | 2010 R |
|--|-------------------------|
| Carrying Values at 30 June 2009 | - |
| Cost/Revaluation | - |
| Accumulated depreciation and impairment losses | - |
| Assets Revaluation Adjustment | - |
| Depreciation Revaluation Adjustment | - |
| Acquisitions | 1 079 608 |
| Work in progress LM and Other | - |
| Amortisation Charges | (215 922) |
| Impairment loss/Reversal of impairment loss | - |
| Transfers | - |
| Other movements | - |
| Financial year ended 30 June 2010 | 863 686 |
| Cost/Revaluation | 1 079 608 |
| Accumulated depreciation and impairment losses | (215 922) |

**SISONKE DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2010**

Approach and Methodology for PPE

1. A list of water schemes were obtained from Water Services.
2. Each site was visited and infrastructure photographed and verified.
3. In the absence of historical information, reliable GIS data, the extent of the underground infrastructure (raising mains and reticulation) was interpolated based on the size of the infrastructure above the ground (water pumps, valves, electric motors, diesel engines, generators and reservoirs).
4. The valuation was based on the current construction costs, using current SDM projects and construction costs as a point of reference. The valuations included the costs of the supply, delivery, installation as well as design and project management fees.
5. The age of assets was based on the visual inspection and current performance. Based on this, the assets were depreciated to the values in the FAR.
6. The information was collated and inserted in to FAR for the compilation of the Annual Financial Statements.

Included in the FAR is an amount of R11 297 000 which will be transfer to Alfred Nzo District Municipality for asset in the Matatiele district. This in terms with the powers and functions and will be facilitated in 2011/2012.

Included in the WIP is an amount of R60 015 549 for 2009/2010 and R56 435 426 for 2010/2011 which are projects being facilitated by the Sisonke District Municipality for the various Local Municipalities. These assets will be transferred on completion.

SISONKE DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS as
at 30 June 2011

2011
R **2010**
R

6 TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS

| | | |
|---|-------------------|-------------------|
| Accounts Payable | 38 167 664 | 25 329 780 |
| Retentions | 10 210 553 | 10 039 979 |
| Unknown deposits | 1 149 205 | 2 001 021 |
| Payments made in advance | 882 975 | - |
| Total Trade and Other from Exchange Transactions | 50 410 397 | 37 370 780 |
| Ageing | | |
| Current (0 - 30 Days) | 33 198 078 | 24 533 590 |
| 31 - 60 Days | 4 945 795 | 465 417 |
| 61 - Days & older | 23 791 | 330 773 |
| Total | 38 167 664 | 25 329 780 |

The fair value of trade and other payables approximates their carrying amounts.

7 CONSUMER DEPOSITS

| | | |
|--------------------------------|----------------|----------------|
| Water deposits | 786 911 | 723 306 |
| Total Consumer Deposits | 786 911 | 723 306 |

No Interest is payable on consumer deposits. No guarantees held in lieu of water deposits.

8 VAT RECEIVABLE

| | | |
|---|------------------|------------------|
| Vat reconciliation | 6 323 585 | 11 114 364 |
| Year end sundry creditors vat reclaimable | 3 258 155 | 2 467 360 |
| VAT on capital leases | 543 317 | 352 700 |
| Vat consumer debtors | (5 582 006) | (7 423 957) |
| Total VAT Receivable | 4 543 051 | 6 510 467 |

VAT receivable closing balance as at 30 June 2011

6 323 585

Ageing

| | |
|--------------|------------------|
| Current | 6 323 585 |
| Total | 6 323 585 |

VAT is payable on payment and receipts basis. VAT is paid over to SARS only once payment is received from debtors and creditors payments authorized in the bank control.

9 PROVISIONS

| | | |
|-------------------------|------------------|------------------|
| Provision for leave | 4 676 545 | 4 021 098 |
| Total Provisions | 4 676 545 | 4 021 098 |

The movement in current provisions are reconciled as follows: -

| Balance 30 June 2010 | Provision for leave | |
|---------------------------------|----------------------------|--|
| Contributions to provision | 4 021 097 | |
| Expenditure incurred | 1 053 121 | |
| Year ended 30 June 2011 | 4 676 545 | |
| Year ended 30 June 2009 | 2 859 028 | |
| Contributions to provision | 1 385 820 | |
| Expenditure incurred Adjustment | (223 750) | |
| Year ended 30 June 2010 | 4 021 098 | |

9.1 RETIREMENT BENEFIT LIABILITY

Post-retirement Health Care Benefit Liability

| | | |
|------------------------------|------------------|------------------|
| Balance at beginning of year | 2 999 651 | 2 665 804 |
| Contributions to Provision | 990 790 | 365 155 |
| Benefits paid | (33 888) | (31 308) |
| Balance at end of year | 3 956 553 | 2 999 651 |
| Less current portion | 37 104 | 33 888 |
| Non-current portion | 3 919 449 | 2 965 763 |

SISONKE DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS as
at 30 June 2011

2011
R **2010**
R

Post-retirement Health Care Benefit Liability - Continued

The municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the municipality.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2011 by Mr C Weiss Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

The members of the post-employment Medical Aid Benefit Plan are made up as follows:
 In-service Members (Employees)

Continuation Members (Retirees, widowers and orphans)

Total Members

| | |
|--|------------|
| | 134 |
| | 1 |
| | 135 |

The liability in respect of past service has been estimated as follows: In-service

Members

Continuation Members

Total Liability

| | | |
|--|------------------|------------------|
| | 3 448 921 | |
| | 507 632 | |
| | 3 956 553 | 2 999 651 |

The municipality makes monthly contributions for health care arrangements to the following Medical Aid Schemes:

Bonita's

Hosmed

Keyhealth LA

Health

Samwumed

The principal assumptions used for the purposes of the actuarial valuations were as follows:
 Discount rate

Health Care Cost inflation Rate

Net Effective Discount Rate

Expected Retirement Age - Females

Expected Retirement Age - Males

| | | |
|--|-------|-------|
| | 8,76% | 9,09% |
| | 7,49% | 7,19% |
| | 1,19% | 1,77% |
| | 55 | 55 |
| | 60 | 60 |

Movements in the present value of the Defined Benefit Obligations were as follows

Balance at the beginning of the year:

Current service costs

Interest cost

Benefits paid

Actuarial losses/ (gains)

Present Value of Fund Obligation at the end of the year

| | | |
|--|------------------|------------------|
| | 2 999 651 | 2 665 804 |
| | 372 740 | 356 107 |
| | 271 116 | 232 310 |
| | (33 888) | (31 308) |
| | 346 934 | (223 262) |
| | 3 956 553 | 2 999 651 |

The amounts recognised in the Statement of Financial Performance are as follows

Current service cost

Interest cost

Actuarial losses / (gains)

Total Post-retirement Benefit included in Employee Related cost

| | | |
|--|----------------|----------------|
| | 372 740 | 356 107 |
| | 271 116 | 232 310 |
| | 346 934 | (223 262) |
| | 990 790 | 365 155 |

: SENSITIVITY ANALYSIS

1 Introduction

The results presented in Section 6 are based on a number of assumptions. The extent to which the actual liability faced in the future by the Municipality differs from these results will depend on the extent to which actual experience differs from the assumptions made.

The assumption which tends to have the greatest impact on the results is the rate of health care cost inflation relative to the discount rate.

2 Sensitivity Results

The liability at the Valuation Date was recalculated to show the effect of:

- (i) A 1% increase and decrease in the assumed rate of health care cost inflation; (ii) A one-year age reduction in the assumed rates of post-retirement mortality; (iii) A one-year decrease in the assumed average retirement age; and
- (iv) A 50% reduction in the assumed withdrawal rates

Table 7.1 summarises the results of the sensitivity analysis.

SISONKE DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS as
at 30 June 2011

2011
R

2010
R

Post-retirement Health Care Benefit Liability - Continued

: Sensitivity Analysis on the Accrued Liability (R Millions)

| Assumption | Change | In-service | Continuation | Total | % change |
|----------------------------|--------|------------|--------------|-------|----------|
| Central Assumptions | | 3,448 | 0,508 | 3,957 | |
| Health care inflation | +1% | 4,221 | 0,538 | 4,760 | 20% |
| | -1% | 2,942 | 0,400 | 3,322 | -16% |
| Post-retirement mortality | -1 yr | 3,570 | 0,627 | 4,098 | 4% |
| Average retirement age | +1 yr | 3,888 | 0,508 | 4,396 | 11% |
| Withdrawal Rate | -50% | 4,361 | 0,508 | 4,869 | 23% |

Note: The post-retirement mortality adjustment assumes that someone aged 70 will experience the mortality of someone aged 69. The liability is expected to increase under this scenario because members are expected to live longer

The table above indicates, for example, that if medical inflation is 1% greater than the long-term assumption made, the liability will be 20% higher than that shown.

: Sensitivity Analysis on the Current-service and Interest Costs for the year ending 30/06/2011

| Assumption | Change | Current-service Cost | Interest Cost | Total | % change |
|----------------------------|--------|----------------------|---------------|---------|----------|
| Central Assumptions | | 372,700 | 271,100 | 643,800 | |
| Health care inflation | +1% | 471,000 | 326,100 | 797,100 | 24% |
| | -1% | 297,400 | 227,700 | 525,100 | -18% |
| Post-retirement mortality | -1 yr | 385,300 | 280,500 | 665,800 | 3% |
| Average retirement age | -1 yr | 424,600 | 298,600 | 723,400 | 12% |
| Withdrawal Rate | -50% | 530,800 | 332,000 | 862,800 | 34% |

: Sensitivity Analysis on the Current-service and Interest Costs for the year ending 30/06/2012

| Assumption | Change | Current-service Cost | Interest Cost | Total | % change |
|----------------------------|--------|----------------------|---------------|-----------|----------|
| Central Assumptions | | 556,400 | 351,800 | 908,200 | |
| Health care inflation | +1% | 687,900 | 423,600 | 1,111,500 | 22% |
| | -1% | 454,300 | 295,200 | 749,500 | -17% |
| Post-retirement mortality | -1 yr | 576,000 | 364,500 | 940,500 | 4% |
| Average retirement age | -1 yr | 698,200 | 391,100 | 1,089,300 | 20% |
| Withdrawal Rate | -50% | 751,900 | 433,300 | 1,185,200 | 30% |

9.2 Long Services Awards Provision

| | | |
|---------------------------------|------------------|------------------|
| Provision for Long-term Service | 1 886 572 | 1 469 353 |
| Total Provision | 1 886 572 | 1 469 353 |

The movement in the provision are reconciled as follows: Long-term Service

| | | |
|-------------------------------------|------------------|------------------|
| Balance at beginning of year | 1 469 353 | 1 172 565 |
| Contribution to provision | 593 233 | 553 455 |
| Benefits paid | (176 014) | (256 667) |
| Balance at end of year | 1 886 572 | 1 469 353 |
| Less Current Portion | 264 826 | 176 014 |
| Non-current Portion | 1 621 746 | 1 293 339 |

Long-service Awards

The municipality operate an unfunded defined benefit plan for all its employees. Under the plan a Long-service Award is payable after 10 years thereafter to employees. The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2011 by Mr C Weiss, Fellow of the Actuarial Society of South Africa.

The principal assumptions used for the purposes of the actuarial valuation were as follows:

| | | |
|-----------------------------------|-------|-------|
| Discount rate | 8,01% | 8,16% |
| Salary Cost inflation rate | 6,32% | 6,19% |
| Nett Effective Discount Rate | 1,59% | 1,86% |
| Expected Retirement Age - Females | 55 | 55 |
| Expected retirement Age - Males | 60 | 60 |

SISONKE DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS as
at 30 June 2011

2011
R **2010**
R

Long Services Awards Provision - Continued

Movements in the present value of the Defined Benefit Obligation were as follows:

| | | |
|---|------------------|------------------|
| Balance at the beginning of the year | 1 469 353 | 1 172 565 |
| Current service cost | 228 987 | 200 483 |
| Interest cost | 112 859 | 81 807 |
| Benefits paid | (176 014) | (256 667) |
| Actuarial losses/(gains) | 251 387 | 271 165 |
| Fund obligation at the end of the year | 1 886 572 | 1 469 353 |

SENSITIVITY ANALYSIS

The results presented are based on a number of assumptions. The extent to which the actual liability faced in the future by the municipality differs from these results will depend on the extent to which actual experience differs from the assumptions made.

The assumptions which tend to have the greatest impact on the results are: (1) The discount rate relative to the salary inflation assumptions;
(2) The average retirement age of employees; and
(3) Assumed rates of withdrawal of employees from service.

SENSITIVITY RESULTS

The liability at the Valuation Date was recalculated to show the effect of:

- (1) A 1% increase and decrease in the assumed general salary inflation rate;
- (2) A two-year decrease and increase in the assumed average retirement age of employees; and
- (3) A 50% decrease in the assumed withdrawal rates from service.

Sensitivity Analysis on the Unfunded accrued liability (in R Millions)

| Assumption | Change | Liability | % Change |
|----------------------------------|--------|-----------|----------|
| Central Assumptions | | 1.887 | |
| General salary inflation: | | 2.035 | 8% |
| : | 1% | 1.754 | -7% |
| Average retirement age: | | 1.765 | -6% |
| : | -2 yrs | 2.068 | 10% |
| Withdrawal rates | | 2.480 | 31% |
| : | -50% | | |

Sensitivity Analysis on the Current-service and Interest Cost for the year ending 30 June 2011

| Assumption | Change | Current service cost | Interest cost | Total |
|----------------------------------|--------|----------------------|---------------|---------|
| Central assumptions | | 228 987 | 112 859 | 341 846 |
| General salary inflation: | | 249 482 | 122,711 | 372,193 |
| : | +1% | 210,770 | 104,036 | 314,806 |
| Average retirement age: | | 214,654 | 105,260 | 319,914 |
| : | -2yrs | 245,597 | 128,066 | 373,663 |
| Withdrawal rates | | 336,582 | 152,455 | 489 037 |
| : | -50% | | | |

Sensitivity Analysis on the Current-service and Interest Costs for the year ending 30 June 2012

| Assumption | Change | Current service cost | Interest cost | Total |
|----------------------------------|--------|----------------------|---------------|---------|
| Central Assumptions | | 353,790 | 140,784 | 494 574 |
| General Salary inflation: | | 379 526 | 152,606 | 532,132 |
| : | +1% | 330,931 | 130,204 | 461 135 |
| Average retirement age: | | 333,851 | 131 056 | 464 907 |
| : | -2yrs | 373,938 | 155,321 | 529,259 |
| Withdrawal rates | | 483,500 | 188,322 | 671,822 |
| : | -50% | | | |

SISONKE DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS as
at 30 June 2011

| | 2011 | 2010 |
|---|-------------------|-------------------|
| | R | R |
| 10 UNSPENT CONDITIONAL GRANTS AND RECEIPTS | | |
| Capital Grants | | |
| MIG Grant | - | 2 870 804 |
| DWAF Grant (Department of Water and Forestry) | 2 611 619 | - |
| Disaster Management Grant | 2 171 014 | 1 821 038 |
| COGTA Grant | 32 542 501 | 32 454 437 |
| Fresh Produce Market Grant | - | 10 946 162 |
| Total Unspent Capital Grants | 37 325 134 | 48 092 441 |
| Operating Grants | | |
| Massification (COGTA) | 3 563 000 | - |
| Umzimkhulu Arts, Culture and Tourism Grant | 4 797 090 | 4 797 090 |
| Corridor Development Grant (Hawker Stalls) | 945 023 | 2 450 000 |
| Development Planning Shared Services Grant | 4 820 289 | 4 050 000 |
| Neighbourhood Development Grant | 2 499 235 | 2 499 235 |
| Change and Management Committee Grant | 51 685 | 51 685 |
| Transformation Managers Grant | 518 040 | 518 040 |
| Municipal Monitoring Systems Grant | 300 000 | 300 000 |
| Support Staff Grant | 24 462 | 24 462 |
| Drought relief | 9 054 | 9 054 |
| Sport and Recreation Grant | 550 497 | 550 497 |
| Municipal System Improvement Grant | 5 590 | 4 911 |
| Public Transport Grant | 66 587 | 66 587 |
| Financial Management Grant | 2 083 | 23 808 |
| Management Assistance Program Grant | 10 436 | 10 436 |
| Learnership Grant | 782 000 | 782 000 |
| GIS Support Grant | 141 087 | 141 087 |
| LG Seta Skills Program | 1 609 | - |
| PMS Grant | 325 054 | 445 055 |
| Water Services Subsidy Grant | 213 | 380 842 |
| Local Economic Development Grant | 518 008 | 518 008 |
| Gijima Grant | 235 810 | 235 810 |
| Inter Governmental Grant | 188 273 | 803 |
| Municipal Strategic Management Grant | - | 1 538 000 |
| SIHLE Maize production project | 1 433 710 | - |
| EPWP Grant | 2 250 | - |
| Government Experts COGTA | 725 000 | - |
| Department of Water Affairs Grant | 458 000 | - |
| IDP Grant | 185 141 | 185 141 |
| Development Bank of SA | 406 480 | 406 480 |
| Total Unspent Operating Grants | 23 565 706 | 19 989 031 |
| Total Conditional Grants and Receipts | 60 890 840 | 68 081 472 |

In the above Unspent Conditional Grants is an amount R9 206 451 relating to prior year receipts, which will be adjusted in 2011/2012. This will be done after a facilitation process with all respective donors.

11 BORROWINGS

| | | |
|---|-------------------|------------------|
| Annuity Loans | 35 316 804 | 6 197 871 |
| Total Loans | 35 316 804 | 6 197 871 |
| Less : Current portion transferred to current liabilities | (2 832 805) | (994 406) |
| Annuity Loans | (2 832 805) | (994 406) |
| Total Borrowings | 32 483 999 | 5 203 465 |

Included in Annuity Loans is a R30 million Annuity Loan not yet transferred by the lender as at 30 June 2011. Refer to Note 2.2, which reflects ABSA Bank as a debtor.

SISONKE DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS as
at 30 June 2011

| | 2011 | 2010 |
|--|----------------------|-----------------------|
| | R | R |
| 12 FINANCE LEASE LIABILITY | | |
| | Minimum lease | Present value |
| | payment | of minimum |
| | R | lease payments |
| | | R |
| 2011 | | |
| Amounts payable under finance leases | | |
| Within one year | 1 589 071 | 1 589 071 |
| Within two to five years | 4 351 992 | 4 351 992 |
| Total Finance Lease Liability | 5 941 062 | 5 941 063 |
| Less: Amount due for settlement within 12 months (current portion) | | 1 358 089 |
| | | 4 582 974 |
| 2010 | | |
| Amounts payable under finance leases | | |
| Within one year | 539 373 | 539 373 |
| Within two to five years | 2 729 050 | 2 729 050 |
| Total Finance Lease Liability | 3 268 423 | 3 268 423 |
| Less amount due for settlement within 12 months (current portion) | | 539 373 |
| | | 2 729 050 |

The average lease term is 4 years and the average effective borrowing rate is 8,5%. Interest rates are fixed at the contract date. Some leases have fixed repayment terms and other escalate by 10 % per annum. No arrangements have been entered into for contingent rent. Obligations under finance leases are secured by the lessor's title to the leased asset.

13 PROPERTY RATES

Actual

| | | |
|------------------------------|----------------|----------------|
| Agricultural and State Owned | 403 054 | 312 935 |
| Total property rates | 403 054 | 312 935 |

Reconciliation of Property Rates

| | | |
|--|----------------|---------------|
| Total property rates | 403 054 | 312 935 |
| Less rebates for first year as prescribed by Assessment Rates Act. | 209 351 | 234 702 |
| Assessment rates raised | 193 703 | 78 233 |
| Property rates - penalties imposed and collection charges | - | - |
| Total Property Rates after Rebate | 193 703 | 78 233 |

Valuations

| | | |
|----------------------------------|-------------------|-------------------|
| Agricultural | 6 140 000 | 6 140 000 |
| State Owned | 74 935 000 | 74 935 000 |
| Total Property Valuations | 81 075 000 | 81 075 000 |

Valuations on land and buildings are performed every four years. The last valuation came into effect on 1 July 2009.

A general rate of 0.002601 c/R (2010) for Agricultural and 0.005199 c/R (2010) for State Owned is applied to property valuations to determine assessment rates. Rebates of 50% are granted to Agricultural and State property owners.

Rates are levied on an monthly basis for 10 months payable monthly.

SISONKE DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS as
at 30 June 2011

| | 2011 R | 2010 R |
|--|--------------------|--------------------|
| 14 SERVICE CHARGES | | |
| Sale of water | 16 887 475 | 24 218 813 |
| Sewerage and sanitation charges | 14 704 690 | 11 624 735 |
| Total Service Charges | 31 592 165 | 35 843 548 |
| 15 RENTAL OF FACILITIES AND EQUIPMENT | | |
| Other rentals | 82 231 | 79 860 |
| Total Rentals | 82 231 | 79 860 |
| 16 INTEREST EARNED - EXTERNAL INVESTMENTS | | |
| Interest on investments | 5 401 021 | 6 638 868 |
| Interest on current account | 253 815 | - |
| Total Interest on External Investments | 5 654 836 | 6 638 868 |
| 17 GOVERNMENT GRANTS AND SUBSIDIES | | |
| Equitable share | 156 283 776 | 120 176 657 |
| Government Grants and Subsidies | 137 604 408 | 181 359 548 |
| Total Government Grant and Subsidies | 293 888 184 | 301 536 205 |
| 17.1 Equitable Share | | |
| Total Equitable Share as per Dora | 156 283 776 | 124 778 000 |
| 17.2 MIG Grant | | |
| Balance unspent at beginning of year | 2 870 804 | 18 192 756 |
| Current year receipts | 76 604 000 | 90 633 000 |
| Conditions met - transferred to revenue | (79 474 804) | (105 954 952) |
| Conditions still to be met - remain liabilities (see note 12) | - | 2 870 804 |
| Construction of infrastructure of water and sanitation in the greater Sisonke District. | | |
| 17.3 DWAF Grant | | |
| Balance unspent at beginning of year | - | 243 430 |
| Current year receipts | 6 174 949 | 14 950 409 |
| Conditions met - transferred to revenue | (3 563 331) | (15 193 839) |
| Conditions still to be met - remain liabilities (see note 12) | 2 611 618 | - |
| Upgrading of existing waste water infrastructure in Kokstad. | | |
| 17.4 Umzimkhulu CoGTA Grant | | |
| Balance unspent at beginning of year | 32 454 437 | 33 872 721 |
| Current year receipts | 36 873 000 | 49 743 000 |
| Conditions met - transferred to revenue | (36 784 933) | (51 161 284) |
| Conditions still to be met - remain liabilities (see note 12) | 32 542 504 | 32 454 437 |
| Infrastructure and upgrading of water and sanitation projects in the Umzimkhulu Local Municipal District. | | |
| 17.5 Fresh Produce Market Grant | | |
| Balance unspent at beginning of year | 10 946 162 | 16 300 000 |
| Current year receipts | - | - |
| Conditions met - transferred to revenue | (10 946 162) | (5 353 838) |
| Conditions still to be met - remain liabilities (see note 12) | - | 10 946 162 |
| Infrastructure of Fresh Produce Market in the Sisonke Municipal District. | | |

SISONKE DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS as
at 30 June 2011

| | 2011 | 2010 |
|--|------------------|------------------|
| | R | R |
| 17.6 Disaster Management | | |
| Balance unspent at beginning of year | 1 821 038 | 923 670 |
| Current year receipts | 1 500 000 | 1 000 000 |
| Conditions met - transferred to revenue | (1 150 024) | (102 632) |
| Conditions still to be met - remain liabilities (see note 12) | 2 171 014 | 1 821 038 |
| Infrastructure of Disaster Management Offices in the Sisonke Municipal District. | | |
| 17.7 Municipal Systems Improvement Grant | | |
| Balance unspent at beginning of year | 4 911 | 157 643 |
| Current year receipts | 750 000 | 735 000 |
| Conditions met - transferred to revenue | (749 321) | (887 732) |
| Conditions still to be met - remain liabilities (see note 12) | 5 590 | 4 911 |
| To assist municipalities in building in-house capacity to perform their functions and stabilise institutional and governance systems. | | |
| 17.8 Financial Management Grant | | |
| Balance unspent at beginning of year | 23 808 | 772 893 |
| Current year receipts | 1 000 000 | 750 000 |
| Conditions met - transferred to revenue | (1 021 725) | (1 499 085) |
| Conditions still to be met - remain liabilities (see note 12) | 2 083 | 23 808 |
| 17.9 Learnership Grant | | |
| Balance unspent at beginning of year | 782 000 | 782 000 |
| Current year receipts | - | - |
| Conditions met - transferred to revenue | - | - |
| Conditions still to be met - remain liabilities (see note 12) | 782 000 | 782 000 |
| To promote and support reforms in financial management by building capacity in the Municipality in order to compile with Local Government Legislation | | |
| 17.10 Water Services Subsidy Grant | | |
| Balance unspent at beginning of year | 380 842 | 136 199 |
| Current year receipts | 318 660 | 651 490 |
| Conditions met - transferred to revenue | (699 293) | (406 847) |
| Conditions still to be met - remain liabilities (see note 12) | 209 | 380 842 |
| Operating grant from DWAF for employee rates cost and other operating expenses. | | |
| 17.11 LG Seta | | |
| Balance unspent at beginning of year | - | 400 795 |
| Current year receipts | 94 233 | 199 347 |
| Conditions met - transferred to revenue | (92 624) | (600 142) |
| Conditions still to be met - remain liabilities (see note 12) | 1 609 | - |
| Discretionary and mandatory grant from LG Seta for capacity building. | | |
| 17.12 Inter Governmental Grant | | |
| Balance unspent at beginning of year | 803 | 200 000 |
| Current year receipts | 417 000 | - |
| Conditions met - transferred to revenue | (229 530) | (199 197) |
| Conditions still to be met - remain liabilities (see note 12) | 188 273 | 803 |
| Operational grant for strategic support. | | |

SISONKE DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS as
at 30 June 2011

| | 2011 R | 2010 R |
|---|------------------|------------------|
| 17.13 Gijima Grant | | |
| Balance unspent at beginning of year | 235 810 | 235 810 |
| Current year receipts | - | - |
| Conditions met - transferred to revenue | - | - |
| Conditions still to be met - remain liabilities (see note 12) | 235 810 | 235 810 |
| 17.14 IDP Grant | | |
| Balance unspent at beginning of year | 185 141 | 185 141 |
| Current year receipts | - | - |
| Conditions met - transferred to revenue | - | - |
| Conditions still to be met - remain liabilities (see note 12) | 185 141 | 185 141 |
| 17.15 Development Bank of SA | | |
| Balance unspent at beginning of year | 406 480 | 406 480 |
| Current year receipts | - | - |
| Conditions met - transferred to revenue | - | - |
| Conditions still to be met - remain liabilities (see note 12) | 406 480 | 406 480 |
| 17.16 Development Planning Shared Services | | |
| Balance unspent at beginning of year | 4 050 000 | 2 300 000 |
| Current year receipts | - | 1 750 000 |
| Conditions met - transferred to revenue | (767 711) | - |
| Adjustments | 1 538 000 | - |
| Conditions still to be met - remain liabilities (see note 12) | 4 820 289 | 4 050 000 |
| Participating Municipalities to deliver development planning services to the public and to share resources in accordance with the provisions of the agreement. | | |
| 17.17 Neighbourhood Development Grant | | |
| Balance unspent at beginning of year | 2 499 235 | 2 499 235 |
| Current year receipts | - | - |
| Conditions met - transferred to revenue | - | - |
| Conditions still to be met - remain liabilities (see note 12) | 2 499 235 | 2 499 235 |
| To improve quality of life of residents in township areas through the creation of economically viable and sustainable neighbourhoods. | | |
| 17.18 Change Management Committee Grant | | |
| Balance unspent at beginning of year | 51 685 | 51 685 |
| Current year receipts | - | - |
| Conditions met - transferred to revenue | - | - |
| Conditions still to be met - remain liabilities (see note 12) | 51 685 | 51 685 |
| 17.19 Support Staff Grant | | |
| Balance unspent at beginning of year | 24 462 | 24 462 |
| Current year receipts | - | - |
| Conditions met - transferred to revenue | - | - |
| Conditions still to be met - remain liabilities (see note 12) | 24 462 | 24 462 |
| 17.20 Transformation Managers Grant | | |
| Balance unspent at beginning of year | 518 040 | 518 040 |
| Current year receipts | - | - |
| Conditions met - transferred to revenue | - | - |
| Conditions still to be met - remain liabilities (see note 12) | 518 040 | 518 040 |

SISONKE DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS as
at 30 June 2011

| | 2011 R | 2010 R |
|---|----------------|----------------|
| 17.21 Drought Relief Grant | | |
| Balance unspent at beginning of year | 9 054 | 9 054 |
| Current year receipts | - | - |
| Conditions met - transferred to revenue | - | - |
| Conditions still to be met - remain liabilities (see note 12) | 9 054 | 9 054 |
| 17.22 Sports and Recreation Programme Grant | | |
| Balance unspent at beginning of year | 550 497 | 550 497 |
| Current year receipts | - | - |
| Conditions met - transferred to revenue | - | - |
| Conditions still to be met - remain liabilities (see note 12) | 550 497 | 550 497 |
| 17.23 Public Transport Grant | | |
| Balance unspent at beginning of year | 66 587 | 66 587 |
| Current year receipts | - | - |
| Conditions met - transferred to revenue | - | - |
| Conditions still to be met - remain liabilities (see note 12) | 66 587 | 66 587 |
| 17.24 Municipal Monitoring System Grant | | |
| Balance unspent at beginning of year | 300 000 | 300 000 |
| Current year receipts | - | - |
| Conditions met - transferred to revenue | - | - |
| Conditions still to be met - remain liabilities (see note 12) | 300 000 | 300 000 |
| 17.25 MAP Grant | | |
| Balance unspent at beginning of year | 10 436 | 10 436 |
| Current year receipts | - | - |
| Conditions met - transferred to revenue | - | - |
| Conditions still to be met - remain liabilities (see note 12) | 10 436 | 10 436 |
| 17.26 GIS Support Grant | | |
| Balance unspent at beginning of year | 141 087 | 141 087 |
| Current year receipts | - | - |
| Conditions met - transferred to revenue | - | - |
| Conditions still to be met - remain liabilities (see note 12) | 141 087 | 141 087 |
| 17.27 PMS Grant | | |
| Balance unspent at beginning of year | 445 055 | 325 055 |
| Current year receipts | 390 932 | 120 000 |
| Conditions met - transferred to revenue | (510 933) | - |
| Conditions still to be met - remain liabilities (see note 12) | 325 054 | 445 055 |
| For implementation of Performance Management System component. | | |
| 17.28 LED Grant | | |
| Balance unspent at beginning of year | 518 008 | 518 008 |
| Current year receipts | - | - |
| Conditions met - transferred to revenue | - | - |
| Conditions still to be met - remain liabilities (see note 12) | 518 008 | 518 008 |

SISONKE DISTRICT MUNICIPALITY
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| | 2011 R | 2010 R |
|---|------------------|------------------|
| 17.29 Umzinkhulu Arts Culture and Tourism | | |
| Balance unspent at beginning of year | 4 797 090 | 4 797 090 |
| Current year receipts | - | - |
| Conditions met - transferred to revenue | - | - |
| Conditions still to be met - remain liabilities (see note 12) | 4 797 090 | 4 797 090 |
| 17.30 Corridor Development Grant (Hawker Stalls) | | |
| Balance unspent at beginning of year | 2 450 000 | 2 450 000 |
| Current year receipts | - | - |
| Conditions met - transferred to revenue | (1 504 977) | - |
| Conditions still to be met - remain liabilities (see note 12) | 945 023 | 2 450 000 |
| Infrastructure of Hawker Stalls in the Sisonke Municipal District. | | |
| 17.31 Municipal Strategic Management Grant | | |
| Balance unspent at beginning of year | 1 538 000 | - |
| Current year receipts | - | 1 538 000 |
| Conditions met - transferred to revenue | - | - |
| Adjustment | (1 538 000) | - |
| Conditions still to be met - remain liabilities (see note 12) | - | 1 538 000 |
| 17.32 SIHLE Maize Production Project (COGTA) | | |
| Balance unspent at beginning of year | - | - |
| Current year receipts | 1 500 000 | - |
| Conditions met - transferred to revenue | (66 290) | - |
| Conditions still to be met | 1 433 710 | - |
| Grant for LED projects within the Sisonke Municipal District. | | |
| 17.33 EPWP Grant | | |
| Balance unspent at beginning of year | - | - |
| Current year receipts | 45 000 | - |
| Conditions met transferred to revenue | 42 750 | - |
| Conditions still to be met | 2 250 | - |
| 17.34 Government Experts | | |
| Balance unspent at beginning of year | - | - |
| Current year receipt | 725 000 | - |
| Conditions met transferred to revenue | - | - |
| Conditions still to be met | 725 000 | - |
| 17.35 Department of Water Affairs | | |
| Balance unspent at beginning of year | - | - |
| Current year receipts | 458 000 | - |
| Conditions met transferred to revenue | - | - |
| Conditions still to be met | 458 000 | - |
| 17.36 Massification (COGTA) | | |
| Balance unspent at beginning of year | - | - |
| Current year receipts | 3 563 000 | - |
| Conditions met transferred to revenue | - | - |
| Conditions still to be met | 3 563 000 | - |

SISONKE DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS as
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| | 2011 | 2010 |
|--|-------------------|-------------------|
| | R | R |
| 18 OTHER INCOME, PUBLIC CONTRIBUTIONS AND DONATIONS | | |
| Other income | 1 595 456 | 715 938 |
| Total Other Income | 1 595 456 | 715 938 |
| | | |
| 19 EMPLOYEE RELATED COSTS | | |
| Employee related costs - Salaries and Wages | 41 266 679 | 35 166 641 |
| Social contributions - SALGBC | 12 923 | 11 760 |
| Social contributions - Medical Aid | 1 978 075 | 1 745 999 |
| Social contributions - Pension Fund | 4 892 865 | 4 300 472 |
| Social contributions - UIF | 313 965 | 297 711 |
| Travel, motor car, accommodation, subsistence and other allowances | 3 259 344 | 3 163 773 |
| Housing benefits and allowances | 126 649 | 150 656 |
| Overtime payments | 2 883 382 | 2 497 691 |
| Health care retirement benefit | 956 902 | 333 847 |
| Long-service awards | 417 219 | 296 788 |
| Total Employee Related Costs | 56 108 003 | 47 965 338 |
| | | |
| Remuneration of the Municipal Manager | | |
| Annual Remuneration | 555 409 | 484 673 |
| Travel, motor car, accommodation, subsistence and other allowances | 359 504 | 327 574 |
| Cellphone Allowance | 18 000 | 18 000 |
| Social contributions - UIF | 1 497 | 1 497 |
| Social contributions - SALGBC | 49 | 45 |
| Total Remuneration of the Municipal Manager | 934 459 | 831 789 |
| | | |
| Remuneration of the Chief Finance Officer | | |
| Annual Remuneration | 458 415 | 386 242 |
| Travel, motor car, accommodation, subsistence and other allowances | 377 607 | 327 005 |
| Cellphone Allowance | 15 600 | 13 197 |
| Social contributions - UIF | 1 497 | 1 123 |
| Social contributions - Medical Aid | 31 288 | 20 352 |
| Social contributions - SALGBC | 49 | 34 |
| Total Remuneration of the Chief Financial Officer | 884 456 | 747 953 |

SISONKE DISTRICT MUNICIPALITY
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| Remuneration of Individual Executive Directors | Water Services R | 2011 | 2010 |
|--|---------------------------------|-----------------------------|--------------------------------|
| | | R | R |
| | | Infrastructure R | Economic Services R |
| Year ended 30 June 2011 | | | |
| Annual Remuneration | 381 375 | 534 087 | 444 250 |
| Travel, motor car, accommodation, subsistence and other allowances | 264 241 | 206 213 | 271 997 |
| Cellphone Allowance | 15 600 | 15 600 | 15 600 |
| Social contributions - UIF | 1 497 | 1 497 | 1 497 |
| Social contributions - Pension Fund | 57 206 | - | - |
| Social contributions - Medical Aid | 22 529 | - | 26 998 |
| Social contributions - SALGBC | 49 | 49 | 49 |
| Total Remuneration of Individual Executive Directors | 742 497 | 757 446 | 760 391 |
| | | | |
| | Corporate Services R | Operations R | |
| Year ended 30 June 2011 | | | |
| Annual Remuneration | 466 840 | 468 381 | |
| Travel, motor car, accommodation, subsistence and other allowances | 279 595 | 271 920 | |
| Cellphone Allowance | 15 600 | 15 600 | |
| Social contributions - UIF | 1 497 | 1 497 | |
| Social contributions - SALGBC | 49 | 49 | |
| Total Remuneration of Individual Executive Directors | 763 581 | 757 447 | |
| | | | |
| Remuneration of Individual Executive Directors | Water Services R | Infrastructure R | Economic Services R |
| Year ended 30 June 2010 | | | |
| Annual Remuneration | 257 345 | 471 819 | 393 748 |
| Travel, motor car, accommodation, subsistence and other allowances | 267 277 | 210 792 | 272 052 |
| Cellphone Allowance | 15 600 | 15 600 | 15 600 |
| Social contributions - UIF | 1 497 | 1 497 | - |
| Social contributions - Pension Fund | 49 342 | - | - |
| Social contributions - Medical Aid | 20 717 | - | - |
| Social contributions - SALGBC | 45 | - | - |
| Total Remuneration of Individual Executive Directors | 611 823 | 699 708 | 681 400 |
| | | | |
| | Corporate Services R | Operations R | |
| Year ended 30 June 2010 | | | |
| Annual Remuneration | 326 562 | 374 215 | |
| Travel, motor car, accommodation, subsistence and other allowances | 223 826 | 250 144 | |
| Cellphone Allowance | 12 448 | 14 300 | |
| Social contributions - UIF | 1 248 | 1 373 | |
| Social contributions - SALGBC | 34 | 34 | |
| Total Remuneration of Individual Executive Directors | 564 118 | 640 066 | |

SISONKE DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS as
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20 REMUNERATION OF COUNCILLORS

| | | |
|--|------------------|------------------|
| Mayor | 824 297 | 515 988 |
| Deputy Mayor | 365 160 | 278 368 |
| Speaker | 509 284 | 408 133 |
| Executive Committee Members | 1 180 445 | 854 437 |
| Councillors | 954 176 | 1 766 701 |
| Cellphone Costs | 217 233 | 217 233 |
| Total Councillors' Remuneration | 4 050 595 | 4 040 860 |

In-kind Benefits

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

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

| | | |
|--|----------------|----------------|
| Annual remuneration - Mayor | 543 850 | 443 919 |
| Social contributions - Pension Fund | 208 042 | 53 580 |
| Social contributions - Medical Aid | 66 665 | 16 992 |
| Social contributions - UIF | 5 740 | 1 497 |
| Total Councillors' Remuneration | 824 297 | 515 988 |

| | | |
|---|----------------|----------------|
| Annual remuneration - Deputy Mayor | 300 873 | 246 661 |
| Social contributions - Pension Fund | 59 637 | 30 210 |
| Social contributions - Medical Aid | 1 656 | - |
| Social contributions - UIF | 2 995 | 1 497 |
| Total Councillors' Remuneration | 365 161 | 278 368 |

| | | |
|--|----------------|----------------|
| Annual remuneration - Speaker | 386 680 | 347 089 |
| Social contributions - Pension Fund | 78 017 | 42 366 |
| Social contributions - Medical Aid | 41 842 | 17 181 |
| Social contributions - UIF | 2 745 | 1 497 |
| Total Councillors' Remuneration | 509 284 | 408 133 |

| | | |
|--|------------------|----------------|
| Annual remuneration - Executive Committee | 949 868 | 723 207 |
| Social contributions - Pension Fund | 192 388 | 92 925 |
| Social contributions - Medical Aid | 28 960 | 16 992 |
| Social contributions - UIF | 9 229 | 21 313 |
| Total Councillors' Remuneration | 1 180 445 | 854 437 |

| | | |
|--|------------------|------------------|
| Annual remuneration - Councillors | 1 435 174 | 1 642 357 |
| Social contributions - Pension Fund | 236 291 | 100 925 |
| Social contributions - Medical Aid | 19 988 | 12 889 |
| Social contributions - UIF | 19 082 | 10 530 |
| Total Councillors' Remuneration | 1 710 535 | 1 766 701 |

SISONKE DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS as
at 30 June 2011

| | 2011 R | 2010 R |
|---|--------------------|-------------------|
| 21 DEPRECIATION AND AMORTISATION EXPENSE | | |
| Property, plant and equipment | 19 594 820 | 18 434 895 |
| Amortisation charges | 216 880 | 215 922 |
| Total Depreciation and Amortisation | 19 811 700 | 18 650 817 |
| 22 FINANCE COSTS | | |
| Interest on external borrowings | 842 509 | 867 593 |
| Total Interest | 842 509 | 867 593 |
| 23 BULK PURCHASES | | |
| Water | 6 997 569 | 7 566 292 |
| Total Bulk Purchases | 6 997 569 | 7 566 292 |
| 24 CONTRACTED SERVICES | | |
| Contracted services for: | | |
| Implementation of Grap | 2 586 441 | 4 422 273 |
| LM and other | 778 299 | - |
| Municipal Finance Support | 8 233 270 | 4 574 038 |
| VAT Consultant | 2 856 240 | 4 286 090 |
| LM Projects | 438 657 | 11 154 607 |
| Water conservation | 3 633 962 | 858 678 |
| PM Umzimkhulu potts | 2 045 762 | 279 185 |
| Bulwer dam study | 2 102 585 | - |
| Other Expenditure | 5 041 959 | 2 431 646 |
| Total Contracted Services | 27 717 175 | 28 006 517 |
| 25 Grant Expenditure | 11 481 612 | 22 302 808 |
| Total Grant Expenditure | 11 481 612 | 22 302 808 |
| 26 GENERAL EXPENSES | | |
| Included in general expenses are the following:- | | |
| Conferences and Seminars | 1 968 532 | 2 142 786 |
| Disaster Relief | 2 547 550 | 2 097 110 |
| FODO Culture village | 2 931 900 | - |
| IDP | 2 575 626 | 1 294 296 |
| Petrol Oil and Tyres | 2 300 253 | 2 332 260 |
| Printing and Stationery | 3 232 130 | 3 365 718 |
| Rental Vehicles | 2 256 646 | 2 019 386 |
| Security | 1 984 937 | 2 197 342 |
| SALGA Games | - | 2 584 482 |
| Telephone and Faxes | 3 366 316 | 3 464 187 |
| Material and Stock | 1 179 | 4 287 460 |
| Community Participation | 14 495 427 | 11 369 427 |
| Mayoral Imbizo | 4 615 609 | 661 782 |
| Social Programs | 6 258 577 | - |
| Local district youth council | 2 681 248 | 1 860 556 |
| LED | 2 137 602 | - |
| Other | 52 274 777 | 34 128 372 |
| Total General Expenses | 105 628 309 | 73 805 164 |
| 26.1 GENERAL EXPENDITURE - CONTRIBUTION TO LEAVE RESERVE | | |
| Contribution to Leave Reserve | 1 053 121 | 1 385 820 |
| Total Contribution to Leave Reserve | 1 053 121 | 1 385 820 |
| 27 COLLECTION COST | | |
| Commission on collection | 2 048 091 | - |
| Total Collection cost | 2 048 091 | - |
| 28 REPAIRS AND MAINENANCE | | |
| Included in repairs and maintenance are the following:- | | |
| Nisikeni Dact | - | 3 864 757 |
| Borehole maintenance | 1 565 219 | 1 771 169 |
| Emergency Repairs | 5 470 763 | 6 473 339 |
| Protected Springs | 475 233 | 1 779 457 |
| Chemical Supply | 3 826 724 | 1 254 164 |
| Civil Material Supply | 1 490 405 | 1 927 644 |
| Water Scheme Electricity | 3 207 416 | 2 451 473 |
| Other expenditure | 2 868 647 | 1 247 995 |
| Total Repairs and Maintenance | 18 904 407 | 20 769 998 |

SISONKE DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS as
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| | 2011 R | 2010 R |
|--|-------------------|--------------------|
| 29 GAIN ON SALE OF ASSETS | | |
| Property, plant and equipment | - | 1 406 |
| Total Gain on Sale of Assets | - | 1 406 |
| 30 CASH GENERATED BY OPERATIONS | | |
| Surplus for the year | 72 269 647 | 111 946 851 |
| Adjustment for:- | | |
| Depreciation and amortization | 19 811 700 | 18 650 817 |
| Depreciation on disposals | (479 563) | |
| (Gain) Loss on sale of assets | - | (1 406) |
| Other changes | (632 052) | - |
| Increase in provisions | 1 053 121 | (30 393 580) |
| Prior year grants | - | 22 451 895 |
| Changes cash and bank | 170 030 | - |
| Lease liability non cash item | 356 210 | (112 046) |
| Provision to non-current provisions - Health care retirement | (956 902) | - |
| Provision to non-current provisions - long service awards | (417 219) | - |
| Other non-cash transactions | 425 362 | - |
| Operating surplus before working capital changes | 91 600 334 | 122 542 531 |
| Increase in inventories | (4 381) | (19 483) |
| Increase in receivables | (2 798 768) | 26 413 677 |
| Increase/(decrease) in conditional grants and receipts | (7 190 632) | (28 495 752) |
| Increase/(decrease) in trade payables | 13 039 617 | 39 345 554 |
| Increase in consumer deposits | - | 118 464 |
| Decrease in vat | 1 967 416 | - |
| Work in progress | - | 25 252 268 |
| Increase in borrowings | (28 011 189) | - |
| Increase in other debtors | 30 000 000 | - |
| Cash generated by operations | 98 602 397 | 185 157 259 |
| 31 CASH AND CASH EQUIVALENTS | | |
| Cash and cash equivalents included in the cash flow statement comprise the following: | | |
| Bank balances and cash | 142 638 | 2 033 424 |
| Call investments | 1 121 | 2 563 775 |
| Net cash and cash equivalents | 143 759 | 4 597 199 |
| 32 CHANGES IN ACCOUNTING POLICIES | | |
| Revaluation of all assets were done per Directive 4 in terms of the transitional provision during 2009/2010 and the residual values were used to calculate the accumulated depreciation. | | |
| Based on the componentisation of assets and the residual values used in terms of the Treasury guidelines the effect on the Property Plant and Equipment are as follows: | | |
| Increase in asset value | - | 79 938 264 |
| Decrease in accumulated depreciation | - | 9 316 916 |
| Total of Changes in Accounting Policies | - | 89 255 180 |
| 33 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT | | |
| 33.1 Contributions to organised local government | | |
| Opening balance | - | - |
| Council subscriptions | 12 931 | 11 880 |
| Amount paid - current | (12 931) | (11 880) |
| Balance unpaid (included in payables) | - | - |
| 33.2 Audit fees | | |
| Opening balance | - | - |
| Current year audit fee | 1 946 606 | 972 629 |
| Amount paid - current year | (1 946 606) | (972 629) |
| Balance unpaid (included in payables) | - | - |
| 33.3 VAT | | |
| VAT input receivables and VAT output payables are shown in note 9. All VAT returns have been submitted by the due date throughout the year. | | |
| 33.4 PAYE and UIF | | |
| Opening balance | - | - |
| Current year payroll deductions | 8 962 114 | 7 318 855 |
| Amount paid - current year | (8 962 114) | (7 318 855) |
| Balance unpaid (included in payables) | - | - |
| 33.5 Pension and Medical Aid Deductions | | |
| Opening balance | - | - |
| Current year payroll deductions and Council Contributions | 6 967 641 | 6 046 470 |
| Amount paid - current year | (6 967 641) | (6 046 470) |
| Balance unpaid (included in payables) | - | - |

SISONKE DISTRICT MUNICIPALITY
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34 CAPITAL COMMITMENTS

34.1 Commitments in respect of capital expenditure

Approved and contracted:

| | | |
|--------------------------------------|--------------------|--------------------|
| Economic and Community | 11 078 671 | 1 200 000 |
| Infrastructure | 341 901 944 | 139 860 211 |
| Total Approved and Contracted | 352 980 616 | 141 060 211 |

List of Awarded Contracts

Infrastructure

| <u>PROJECT NAME</u> | <u>CONTRACTOR</u> | <u>BID AMOUNT</u> | <u>DATE OF APPOINTMENT</u> |
|--|--------------------------------------|-------------------------|----------------------------|
| Umzimkhulu Bulk Waste Construction of Outfall Sewer | Siva Pillay Construction | R 1 491 413.55 | 2011/06/05 |
| Kokstad Waste Water Treatment Works Extension | Klomag Engineering | R 6 786 446.54 | 2011/06/05 |
| Stofela Access Road Phase 1 | B&B Transport | R 1 169 982.00 | 2011/04/11 |
| Ngwaqa/ Lufhongo Gravel Access Road | VIP Construction | R 2 366 705.55 | 2011/05/20 |
| KwaBhala/ Thembeni Gravel Access Road | Mabhude Contractors | R 2 586 443.97 | 2011/05/20 |
| Ufafa Water Project Phase I | Nobinda Properties | R 2 751 211.00 | 2011/05/20 |
| Gala/ Donnybrook Water Supply Scheme Phase 2A | Msalela Transport JV Bhekabhaka | R 1 275 202.60 | 2011/05/20 |
| Refurbishment of Emaus Project Phase 2 | Dikoporato Tower City Trading 193 cc | R 2 761 336.20 | 2011/05/20 |
| Umzimkhulu Intervention Sewer Emergency | Abangani Projects | R 3 386 180.86 | 2011/08/19 |
| Umzimkhulu Ele of 81 Rural Households in the Kwa Thusi Area | NCO Electrical | R 757 649.12 | 2011/08/19 |
| Umzimkhulu Elec of 393 Rural Households in the Ndawana Area | Mood Electrical | R 4 083 976.30 | 2011/08/19 |
| Umzimkhulu Bulk Upgrading (Town) | Ingonyama Nikon | R 5 560 374.57 | 2011/08/19 |
| Underberg Waste Water Treatment | Klomag Engineering | R 1 770 872.46 | 2011/08/19 |
| Construction of Franklin Bulk Infrastructure | Icon Construction Pty Ltd | R 8 426 754.60 | 2011/07/22 |
| Mbulelweni Water Supply Scheme | Mageza and Sons Construction cc | R 5 549 704.20 | 2011/07/22 |
| Santombe Water Supply Phase 3 | Mchumane Projects | R 13 039 519.00 | 2011/07/22 |
| Refurbishment Water Scheme Phase 1 MNA | | R 150 571.85 | |
| Machunwini Group 5 | | R 1 102 789.11 | |
| Njunga Water Supply-AZISHE JV (G11) Ibsi | | R 1 560 729.42 | |
| Housing Bulk Water Services | | R 5 532 538.10 | |
| Ibsi Housing Bulk Sewer Services Sisonke | | R 5 357 637.22 | |
| Ixopo/Highflats Hawker Stalls Umzimkhulu | | R 608 054.70 | |
| Streetlight | | R 2 904 363.57 | |
| Umzimkhulu Sewer Emergency Intervention | | R 286 941.25 | |
| Umzimkhulu Sewers Repairs and Maintenance | | R 313 431.19 | |
| Rural Household Electrification:KwaThusi,Gaybrook,KwaFile,Ndawana and KwaSenti | | R 193 322.17 | |
| Refurbishment of Emaus Water Project | | R 218 870.47 | |
| Vierkaant Water | | R 2 653 315.19 | |
| Rauka Water Project | | R 785 398.73 | |
| Santombe Water Project Phase 1;2 & 3 | | R 14 439 039.81 | |
| Mambulwini Access Road To Water Infrastructure (Refurbishment) | | R 272 364.03 | |
| Underberg Water Supply Upgrade Ph 2 | | R 9 267 116.69 | |
| Kokstad Bulk Water and Sewer Upgrade | | R 5 756 237.73 | |
| Umzimkhulu Urban Water Supply | | R 5 810 410.91 | |
| Centocow Community Water Project | | R 6 315 384.03 | |
| eMazabekweni/eBovini Water Supply | | R 7 337 323.34 | |
| Umzimkhulu Urban and Peri Urban Sanitation | | R 6 009 054.85 | |
| Franklin Bulks | | R 10 087 096.11 | |
| Mqatsheni Stepmore Water Project | | R 5 165 756.34 | |
| Nhlanhleni and KwaPitela Water Supply | | R 1 757 332.21 | |
| Ntwsahlobo, Neterby and Ridge Water Project | | R 2 082 281.93 | |
| Horseshoe Sanitation Project | | R 5 993 514.33 | |
| Ingwe Household Sanitation Projects | | R 42 411 218.76 | |
| Erad of San Backlog in Ubuhlebezwe Municipality | | R 15 740 357.28 | |
| Greater Umzimkhulu Sanitation Project | | R 112 369 430.90 | |
| Hlokozi Water Project | | R 5 656 289.75 | |
| Total Approved and contracted:Infrastructure | | R 341 901 944.48 | |

Economic and Community

| | | | |
|---|------------------------------|------------------------|------------|
| New Disaster Management | Thatheni Womens Construction | R 11 078 671.46 | 2011/08/19 |
| Total Approved and contracted:Economic and Community | | R 11 078 671.46 | |

Approved not contracted:

| | | |
|--------------------------------------|-------------------|-------------------|
| Economic and Community | 6 000 000 | 10 314 000 |
| Infrastructure | 20 163 108 | 68 828 899 |
| Total Approved not Contracted | 26 163 108 | 79 142 899 |

Total Capital Commitments

379 143 724 **220 203 110**

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34.2 Operating leases

At the reporting date the entity has outstanding commitments under operating leases which fall due as follows:

Operating leases - lessee

Within one year

511 837

959 311

In the second to fifth year inclusive

447 811

229 599

Total Operating Leases

959 648

1 188 910

Operating Leases consists of the following:

Operating lease payments represent rentals payable by the municipality for certain of its office properties. Leases are negotiated for an average term of seven years and rentals are fixed for an average of three years.

35 RETIREMENT BENEFIT INFORMATION

The Council provides retirement benefits to employees by contributing to pension and provident funds. Membership of either pension or provident fund is compulsory for all permanent employees.

The personnel are members of the following pension funds: Natal Joint Municipal Pension fund(Provident)

Actuarial valuation as at 31 March 2010. Results of valuation

The Fund self insures its risk benefits in excess of the full benefit. It therefore maintains a Risk Reserve Account as a measure of protection against volatility in claims experience.

The amount of R12,779,000 is required to be held in the Risk Reserve Account.

The assets of the fund exceeded the liabilities. Resulting in a small surplus at the valuation date of R17,651,000. The market value of the funds assets were R836,448,000 at the valuation date

Market value exceeded the liabilities by R17,651,000 or 2,34% .

At the valuation date the investment reserve was equal to 7% of the members full benefit.

Benefits:

Pension age - 65 years

Earliest retirement age - 55 years

Full benefit - Initial transfer plus member's contributions plus employer's contributions for full benefits plus investment earnings and bonuses.

Member's portion of full benefits - Initial transfer plus member's contributions plus investment earnings and bonuses. Benefit on retirement

after earliest retirement age or pension age - Full benefit.

Benefit on retirement because of ill health - Full benefit

Benefit on death in service - Full benefit plus 0,7% of annual pensionable salary for each month of potential service to a maximum of 2.1 years salary.

Contributions:

Members may choose to contribute at a rate of 5%,7% or 9,25% of their pensionable emoluments in terms of regulation 14(a)

Participating employers contribute at a rate of 1,95 times of the rate of members contribution in terms of regulation 17(1)(b)

Benchmark:

The benchmark asset allocation determined as being appropriate for the fund, which takes cognisance of membership and liability profile, is stated below.

| | Benchmark % |
|----------------------------------|----------------------------|
| Domestic assets: | |
| - Equities | 65% |
| - Fixed interest | 35% |
| International assets: RIG | |
| - Equities | 70% |
| - Hedge fund | 30% |
| ORBIS | |
| - Equities | 50% |
| - Absolute return funds | 50% |
| Assets | |
| Share account | R753,288,000 |
| Risk reserve | R12,779,000 |
| Unallocated assets | R 17,651,000 |
| Market value of assets | <u>R836,448,000</u> |
| Membership numbers | 8 837 |

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Natal Joint Municipal Pension Fund - (Retirement) Interim actuarial valuation

An interim actuarial valuation was performed on 31 March 2010.

The statutory actuarial valuation as at 31 March 2000 disclosed that the fund was in shortfall. As required by the Pension Funds act, a "Scheme of Arrangement" was implemented so that the shortfall would be funded over the 9 year period 1 July 2001 to 30 June 2010. The initial surcharge has been reviewed at each annual actuarial valuation.

The employers and members are paying a surcharge equal to 17% of pensionable salaries which is expected to fund the deficit over a five year period to 30 June 2015.

On the DCF funding level has remained approximately the same.

The funding level not improving is mainly due to higher than expected salary increases which is largely offset by the surcharge that's being paid.

The fund's financial condition has improved, with the overall funding level increasing to 119.1% on the DCF method of valuation.

The regulations of the fund have been amended with effect from 1 July 2004, so that the Committee of Management is able to levy a separate surcharge on local authorities which grant excessive salary increases, thereby causing a financial strain on the Fund to the detriment of other stakeholders.

The employers are no longer permitting members to join the Fund, so that it is effectively closed to new members. This means that the average age will increase over time which, in turn, means that the required rate of contribution will also increase.

It is noted that for the DCF valuation at 31 March 2009, an actuarial adjustment of R24 million (investment reserve) was made to the market value of the assets.

On the revised valuation assumptions, a continuation of the current surcharge of 17% of pensionable salaries is required for 5 years after June 2010 to return the funding level to 100%

Benefits:

Pension age - 65 years

Final average emoluments - Average annual pensionable emoluments during the last year of service. Pension on retirement at pension age - 2.1% of final average emoluments per year of continuous service. Lump sum on retirement at pension age - 5.5% of final average emoluments per year of service.

Pension on retirement because of ill-health (minimum ten years continuous service) - Pension as for retirement at pension age (no pension payable if a member has had less than 10 years continuous service)

Lump sum on retirement because of ill-health (minimum 10 years continuous service) - Lump sum as for retirement at pension age (A benefit equal to the greater of a resignation benefit or double the member's contribution is paid if he has had less than ten years continuous service)

Pension on retirement because of retrenchment (minimum 10 years continuous service) - Pension as for retirement because of ill-health.

Surviving Spouses pension on death in service - 1,05% of final average emoluments per year of continuous service that the member would have had at the pension age.

Surviving Spouses pension on death of pensioner - 1,05% (0,77% in the case of a pensioner who retired before 1 July 1999) of final average emoluments per year of continuous service. Lump sum on death in service - Annual pensionable emoluments.

Withdrawal - members contribution plus 5/12% for each month of continuous service (the addition is approximately equal to compound interest at 10% a year) and increased by 5% for each complete year of service up to a maximum of 20 years.

Prescribed minimum benefits: All benefits are subject to the minimum prescribed by the Pension Fund Act.

Benchmark:

The benchmark asset allocation determined as being appropriate for the fund, which takes cognisance of membership and liability profile, is stated below.

| | Benchmark % |
|--------------------------------------|----------------|
| Assets | |
| At market value | R1,836,000,000 |
| - Membership Numbers: Active members | 4 008 |
| :Pensioners | 5810 |

SISONKE DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS as
at 30 June 2011

2011
R

2010
R

Natal Joint Municipal Pension Fund - (Superannuation) Statutory
actuarial valuation as at 31 March 2010

The statutory valuation of the fund at 31 March 2005 disclosed that the Fund was in a shortfall position and therefore the Committee of Management levied a surcharge on the local authorities. The surcharge was increased from 6% to 7% effective 1 July 2007 and has been applied towards meeting the shortfall in respect of the liabilities.

The Funds financial condition has deteriorated slightly to a funding level of 95.9%

This position will be reviewed at each future valuation to ensure that the fund does not fall into a shortfall position as a result of large salary increases.

Contributions payable to the Fund at the valuation date, excluding any surcharge expressed as a percentage of the pensionable salaries are:

| | |
|----------------------|--------|
| by members | 9,25% |
| by local authorities | 18,00% |

The Employers are no longer permitting members to join the Fund, so that it is effectively closed to new members. This means that the average age of members will increase over time which in turn, means that the required rate of contribution will also increase.

The Fund self-insures its risk benefits. The Fund holds a Risk Reserve to cushion it against fluctuations in mortality experience.

Based on the DCF method of valuation, the contribution rate payable at the valuation date was not sufficient to cover the contribution rate required for future service showing a small shortfall of 1,69% of pensionable salaries.

The shortfall in contributions amounts to approximately R13,8 million a year. We do not consider it necessary to adjust the employers rate of contribution at this stage. The matter of the shortfall in contributions will be addressed in the next statutory valuation of the fund as at 31 March 2011.

Benefits:

Pension age - 65 years

Optional retiring date - The date on which a member attains the age of 60 years

Early retirement - as per the regulations

Final average emoluments - Average annual pensionable emoluments during the last year of service.

Bonus service included in continuous service - One year for 20 completed years of continuous service and thereafter one year for every five completed years of continuous service.

Commutation - A retiring member may commute up to one third of the pension for a lump sum

(members who transfer to the Fund on or after 12 March 1997 may commute a maximum of one seventh of the pension for a lump sum.

Pension on retirement at pension age or at optional retiring date -

2.2% of final average emoluments per year of continuous service

Lump sum on retirement at pension age or at optional retiring date -

8.25% of final average emoluments per year of service

Benchmark %

ASSETS

| | |
|----------------------|----------------|
| At market value | R5,092,300,000 |
| - Membership Numbers | 10 665 |

Municipal Councillors Pension Fund.

The MCPF is a defined contribution pension fund

Contribu

| | |
|-----------|--------|
| : Member | 13,75% |
| : Council | 15,00% |

Total **28,75%**

SISONKE DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS as
at 30 June 2011

| | 2011 | 2010 |
|---|-------------------|--------------------|
| | R | R |
| 36 CONTINGENT LIABILITY | | |
| 36.1 Eskom | | |
| Eskom Guarantee | 200 000 | 200 000 |
| Total Contingent Liability | 200 000 | 200 000 |
| 36.2 Other Contingent Liability | | |
| Council is awaiting the outcome of the following Civil Claim and Employee Disciplinary actions. | | |
| The natures of claims as defendant are as follows: | | |
| Infrastructure | 1 460 242 | |
| Advertising costs | 32 113 | |
| Professional fees | 1 000 000 | |
| Personnel costs | 100 000 | |
| Personnel costs | 190 745 | |
| Total Other Contingent Liability as Defendant | 2 783 100 | |
| The natures of claims as plaintiff are as follows: | | |
| Civil Claims | | |
| Misconduct | | |
| 37 COMPARISON WITH THE BUDGET | | |
| The comparison of the Municipality's actual financial performance with the budget is set out in Annexure E(1) | | |
| 38 FINANCIAL INSTRUMENTS | | |
| Financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. | | |
| Financial instruments are initially recognised at fair value. | | |
| 38.1 Cash and Cash equivalents (Note 1) | | |
| FNB Ixopo | 142 338 | 2 033 584 |
| Call investment | 1 121 | 2 563 775 |
| FNB Kokstad | - | (460) |
| Cash on hand | 143 459 | 4 596 899 |
| | 300 | 300 |
| Net Balance | 143 759 | 4 597 199 |
| There is no risk associated with cash and cash equivalents as it is immediately available. | | |
| 38.2 Trade and Other receivables from exchange transactions (Note 2) | 45 804 345 | 60 606 280 |
| Provision for Doubtful Debts | (40 494 052) | (58 094 755) |
| Net Balance | 5 310 293 | 2 511 525 |
| 38.3 Inventories (Note 3) | 54 295 | 49 914 |
| The Inventory is for water in Councils reservoirs | 54 295 | 49 914 |
| The inventory is not material, therefore it carries no risk to Council. | | |
| 38.4 Other investments (Note 4) Fixed deposit >30 days | - | 31 913 625 |
| Money market account | 610 202 | 6 493 614 |
| 30 Day fixed deposit | 6 304 162 | 61 122 972 |
| 32 Day call investment | - | 10 302 077 |
| Total Investments | 6 914 364 | 109 832 288 |
| Councils investments are with various Financial Institutions therefore the risk is minimal. | | |
| 38.5 Trade and other payables from exchange transactions (Note 6) | 50 410 397 | 37 370 780 |
| Total Trade and Other Payables from Exchange Transactions | 50 410 397 | 37 370 780 |
| 38.6 Consumer deposits (Note 7) | 786 912 | 723 306 |
| Total Consumer Deposits | 786 912 | 723 306 |
| Consumer deposits are based on a two month usage. | | |
| As deposits are paid in small amounts there is no risk to council. | | |
| 38.7 Borrowings (Note 11) | | |
| Annuity loans | 35 316 804 | 6 197 870 |
| Finance lease liability | 7 163 577 | 4 172 749 |
| Total Borrowing | 42 480 381 | 10 370 619 |
| 38.8 Provisions (note 9) | | |
| Provision leave reserve | 4 676 545 | 4 021 098 |
| Total Provision | 4 676 545 | 4 021 098 |
| Council provided a sufficient amount for leave encashment. | | |
| 38.9 Unspent conditional grants and receipts (note 17) | | |
| Government grants and receipts | 60 890 840 | 68 081 472 |
| Total Unspent Conditional Grants and Receipts | 60 890 840 | 68 081 472 |

SISONKE DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS as
at 30 June 2011

| | 2011 | 2010 |
|--|---------------------|-----------------------|
| | R | R |
| 38.10 Other Debtors (note 2.2) | 30 000 000 | - |
| Annuity Loan from Absa amount received in July 2011 | 30 000 000 | - |
| <hr/> | | |
| 38.11 Summary Financial instruments | 1 Month | 1 to 12 Months |
| Current assets: | | |
| Cash and cash equivalents | 143 759 | |
| Trade and other receivables | 2 921 512 | 2 388 781 |
| Inventories | 54 295 | |
| Investments | 1 121 | 6 913 242 |
| Other Debtors | | 30 000 000 |
| Current liabilities: | | |
| Trade and other payables: Creditors | (33 198 078) | (4 969 586) |
| : Retentions | | (10 210 553) |
| : Unknown deposits | | (2 032 180) |
| Deposits | | (786 911) |
| Provisions | | (4 676 545) |
| Unspent conditional grants (53 977 598) | (6 913 242) | (41 257 867) |
| | (84 054 989) | (31 544 861) |
| <hr/> | | |

39 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

39.1 Irregular expenditure

Irregular expenditure

The nature of the payments per department are as follows: Council

| | | |
|---|--------------------|-------------------|
| | 15 339 429 | 385 234 |
| Municipal Manager Department | 13 719 849 | 1 947 598 |
| Finance Department | 4 083 667 | 2 221 101 |
| Corporate Service Department | 9 069 912 | 41 026 |
| Economic and Social Services Department | 9 015 972 | - |
| Infrastructure Department | 9 519 427 | - |
| Water Services Department | 20 143 441 | 1 130 767 |
| Capital, Grants and Other | 272 199 139 | 25 253 907 |
| Total Irregular expenditure | 353 090 836 | 30 979 633 |

Included in the above amount is payments made to suppliers in service of State to the value of R3 483 254 and to suppliers in service of the Municipality to the value of R218 765. These suppliers have been reported to Council and forward to the Municipality Legal Department for further investigations.

The above irregular expenditure is being investigate by Council in 2011/2012

39.2 Unauthorised Expenditure

The nature of the payments are as follows:

| | | |
|---------------------------------------|-------------------|------------------|
| Salaries and Wages | 441 916 | - |
| Council Allowances | 236 326 | - |
| General Expenses | 27 201 719 | - |
| Community Participation | 1 218 615 | 1 975 639 |
| Bulk Purchases | 997 569 | - |
| Contracted Services | 12 331 566 | - |
| Repairs and Maintenance | 7 059 372 | 7 196 242 |
| Provision for Doubtful Bebt | 2 303 189 | - |
| Leave Provision | 933 121 | - |
| Capital Expenditure | 12 149 643 | - |
| Long Service Awards Provision | 176 014 | 256 667 |
| Post-retirement Health Care Benefit | 33 888 | 31 308 |
| Total Unauthorised Expenditure | 65 082 938 | 9 459 856 |

The above expenditure exceeded the approved budget and is being investigated by Council in 2011/2012.

39.3 Fruitless and Wasteful Expenditure

| | | |
|---|----------------|------------------|
| Municipal Manager Department | 133 928 | - |
| Finance Department | 9 483 | - |
| Economic and Social Services Department | - | 1 500 000 |
| Infrastructure Department | - | 1 594 170 |
| Total Fruitless and Wasteful Expenditure | 143 411 | 3 094 170 |

SISONKE DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS as
at 30 June 2011

2011
R

2010
R

40 SUBSEQUENT EVENTS

During March 2011 a Corsa Utility vehicle NIX 6505 was in an accident. The damage to the vehicle was such that it had to be written off.

This was a leased vehicle and Wesbank agreed on a settlement amount of R94 685.00. The settlement amount from Council's insurers amounts to R66761. This left a shortfall of R27 924.00. The claim will be settled during August 2011.

Property Rates will be transferred to Kwa Sani Local Municipality as at 1 July 2011.

41 PRIOR YEAR ERROR

The 2010 comparatives have been adjusted for the following prior year error which were discovered during the year under review:

| | | |
|------|--|----------------------------|
| 41.1 | Reallocation of grant funding from COGTA which was expensed incorrectly in the prior year grant expenditure. The effect on the balance sheet is restatement of the opening balance of COGTA Umzimkhulu grant. | (13 245 444) |
| 41.2 | PPE prior year adjustment, capitalisation in 2010/2011 from prior year WIP The effect on the balance sheet is restatement of the opening balance of PPE, correction of prior year error. | (23 720 634) |
| 41.3 | Finance deferred charges recalculated and adjusted by restatement of the opening balance of finance charges. | 89 077 |
| | Also included in (other) is a consolidated amount of R542 975 which has not been restated in the opening balances of the prior year as it is not material on the prior years votes. | 542 975 |
| 41.4 | Included is a consolidated amount of R170 030 which has not been restated in the prior years cash and bank. It does not have a material effect on the prior years cash and bank. | (170 030) |
| 41.5 | Reallocation of grant funding received in 2008 from MIG which was incorrectly deposits. The effect on the statement of financial position is restatement of the unknown deposits 2010 comparative. | (4 128 475) |
| | Total Prior Year Error | <u><u>(40 632 531)</u></u> |

42 GOING CONCERN

The Sisonke District Municipality is currently facing financial challenges which is being addressed. The challenges are related to cash reserves, which has placed pressure on the Municipality liquidity ratio and financial sustainability.

Although certain strategies have already being implemented, it is the assumption that it will take a further year for the Municipality to recover.

With regards to the strategies, the following financial measures will, and in some instances have, been implemented:

1. Raising of a R30 million to fund expenditure of a capital nature. The proceeds of the external loan are deemed to be transferred by the lender to the Municipality on the 1 July 2011.
2. Re-scheduling of the 2011/2012 capital budget and outer two (2) year MTREF.
3. Re assessing of the funding of the 2011/2012 capital budget and the outer two (2) year MTREF.
4. Re prioritising projects and expenditure on the 2011/2012 operating budget and outer two (2) year MTREF.
5. Re asses tariff of charges for the 2012/2013 MTREF.
6. Profile debtors and implement and maintain strict credit control procedures.
7. Enhancing internal controls over Supply Chain Management.
8. Review Sisonke District Municipality organogram.

43 RELATED PARTIES

Sisonke Development Agency:

A (shelf) PTY LTD was submitted to CIPRO for the establishment of an entity, it was registered in March 2011. The Agency as at 30 June 2011 had not appointed a CEO or a Board of Directors. No financial transactions have been recorded from the date of registration to 30 June 2011.

The acting CEO of the Sisonke Development Agency's contract is currently with Sisonke District Municipality and not the entity; therefore the relationship does not have any financial implications with regards to the registered PTY LTD.

SISONKE DISTRICT MUNICIPALITY
APPENDIX A
ACTUAL VERSES BUDGET (INCOME AND EXPENDITURE)
as at 30 June 2011

| | 2011 | | 2011 | | % | Explanation of Significant Variances greater than 10% |
|--|--------------------|--------------------|----------------------|--------------|-------------------|--|
| | Actual | Budget | Variance | | | |
| | R | R | R | | | |
| REVENUE | | | | | | |
| Service charges | 31 592 165 | 36 639 977 | (5 047 812) | -13.8% | Assessment rates | The consumption proved to be less than what was anticipated. This revenue was not budgeted for in 2010 /2011. Investments reduced due to expenditure on grant capital projects.. Actual budget amount was not attained in 2010/2011. This revenue was not budgeted for in 2010 /2011. This revenue was not budgeted for in 2010 /2011. |
| | 193 703 | - | 193 703 | 100.0% | | |
| Interest Earned - External Investments and subsidies | 5 654 836 | 9 000 000 | (3 345 164) | -37.2% | Government grants | |
| | 293 888 184 | 472 747 601 | (178 859 417) | -37.8% | Other Income | |
| Rent | 1 595 456 | - | 1 595 456 | 100.0% | | |
| | 82 231 | - | 82 231 | 100.0% | | |
| Total Revenue | 333 006 575 | 518 387 578 | (185 381 003) | -36% | | Vacant posts which were budgeted for were not filled in 2010/2011. The estimated budget was higher than the approved increase. |
| Expenditure | | | | | | |
| Employee related costs | 56 108 003 | 61 467 879 | (5 359 876) | -9% | | The budget was not calculated correctly in 2010 /2011. |
| Remuneration of Councillors | 4 050 595 | 4 552 918 | (502 323) | -11% | | Depreciation was less than anticipated due to projects still in progress. Due to unforeseen emergency repair the budget was exceeded. |
| Leave provision | 1 053 121 | 90 000 | 963 121 | 1070% | | The interest rates were less than budget for in 2010/2011. The tariff was higher than originally budget for. |
| Depreciation | 19 811 700 | 35 000 000 | (15 188 300) | -43% | | Due to inherited debit the provision was under estimated. Certain goods and services were not procured in 2010 /2011. |
| Repairs and maintenance | 18 904 407 | 13 662 124 | 5 242 283 | 38% | | Due to statutory procedures certain operating grants were not utilised fully. |
| Interest on external borrowings | 842 509 | 947 000 | (104 491) | -11% | | |
| Bulk purchases | 6 997 569 | 6 000 000 | 997 569 | 17% | | |
| Provision to bad debts | 6 303 189 | 4 000 000 | 2 303 189 | 58% | | |
| General expenses - other | 135 184 223 | 146 548 368 | (11 364 145) | -8% | | |
| Operating Grants | 11 481 612 | 33 777 473 | (22 295 861) | -66% | | |
| Total Expenditure | 260 736 928 | 306 045 762 | (45 308 834) | -15% | | |
| Surplus/(Deficit) | 72 269 647 | 212 341 816 | (230 689 837) | -109% | | |

SISONKE DISTRICT MUNICIPALITY
APPENDIX B
UNAUDITED SCHEDULE OF
EXTERNAL LOANS as at 30 June 2011

| EXTERNAL LOANS | Loan number | Redeemable Date | Balance at 1 July 2010 | Received during the year | Interest capitalized during the period | Interest paid during the period | Payment made during the period | Balance 30 June 2011 |
|-----------------------------|-------------|-----------------|------------------------|--------------------------|--|---------------------------------|--------------------------------|----------------------|
| | | | R | | | R | R | R |
| LONG-TERM LOANS | | | | | | | | |
| ANNUITY LOAN | | | | | | | | |
| Development Bank of SA | 2 | 2013/12/31 | 1 331 482 | | | 215 301 | 521 606 | 1 025 177 |
| Development Bank of SA | 5 | 2015/09/30 | 4 866 388 | | 113 338 | 513 870 | 1 201 969 | 4 291 627 |
| Absa Bank | | - | - | 30 000 000 | - | - | - | 30 000 000 |
| TOTAL EXTERNAL LOANS | | | 6 197 870 | 30 000 000 | 113 338 | 729 171 | 1 723 575 | 35 316 804 |

| Carrying Value of Property, Plant & Equipment | Other Costs in accordance with MFMA |
|---|-------------------------------------|
| R | R |
| 1 025 177 | |
| 4 291 627 | |
| 5 516 804 | |

SISONKE DISTRICT MUNICIPALITY
APPENDIX C
UNAUDITED
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
as at 30 June 2011

| | Cost / Revaluation | | | | | | Accumulated Depreciation | | | | | | Transfers | Other movements | Carrying Value |
|------------------------------------|--------------------|--|--------------------|-----------|--------------------|----------------------|--------------------------|--|---------------------|----------------|---|----------------------|-----------|-----------------|--------------------|
| | Opening Balance | Change in Accounting Policy Revaluation adjustment | Additions | Disposals | Under Construction | Closing Balance | Opening Balance | Change in Accounting Policy Revaluation adjustment | Depreciation | Disposals | Impairment loss/Reversal of impairment loss | Closing Balance | | | |
| | R | R | R | R | R | R | R | R | R | R | R | R | | | |
| Land | - | - | 5 146 800 | - | - | 5 146 800 | - | - | - | - | - | - | - | - | 5 146 800 |
| Land | - | - | 5 146 800 | - | - | 5 146 800 | - | - | - | - | - | - | - | - | 5 146 800 |
| Buildings | 32 704 769 | - | 714 300 | - | - | 33 419 069 | (4 899 618) | - | (681 837) | - | - | (5 581 455) | - | - | 27 837 614 |
| Infrastructure | | | | | | | | | | | | | | | |
| Roads | 140 223 | - | - | - | - | 140 223 | - | - | - | - | - | - | - | - | 140 223 |
| Water & Sewer Mains & Purification | 687 686 387 | - | 5 674 130 | - | - | 693 360 517 | (137 781 686) | - | (14 987 472) | 479 563 | - | (152 289 595) | - | - | 541 070 922 |
| Reservoirs – Water | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Work in progress SDM | 116 026 314 | - | 118 472 482 | - | - | 234 498 796 | - | - | - | - | - | - | - | - | 234 498 796 |
| Work in progress LM and Other | 14 700 834 | - | - | - | 25 371 110 | 40 071 944 | - | - | - | - | - | - | - | - | 40 071 944 |
| Community Assets | 818 553 758 | - | 124 146 612 | - | 25 371 110 | 968 071 480 | (137 781 686) | - | (14 987 472) | 479 563 | - | (152 289 595) | - | - | 815 781 885 |
| Parks & Gardens | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Libraries | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Recreation Grounds | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Civic Buildings | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Stadiums | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Halls | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Theatre | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Swimming Pools | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Cemeteries Other | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Work in progress SDM | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Work in progress LM and Other | 18 950 495 | - | 1 150 025 | - | - | 20 100 520 | (3 522 330) | - | (593 533) | - | - | (4 115 863) | - | - | 15 984 657 |
| | 6 815 353 | - | 14 569 054 | - | - | 21 384 407 | - | - | - | - | - | - | - | - | 21 384 407 |
| | 326 068 | - | - | - | - | 326 068 | - | - | - | - | - | - | - | - | 326 068 |
| Total carried forward | 26 091 916 | - | 15 719 079 | - | - | 41 810 995 | (3 522 330) | - | (593 533) | - | - | (4 115 863) | - | - | 37 695 132 |
| | 877 350 443 | - | 145 726 791 | - | 25 371 110 | 1 048 448 344 | (146 203 634) | - | (16 262 842) | 479 563 | - | (161 986 913) | - | - | 886 461 431 |

SISONKE DISTRICT MUNICIPALITY
APPENDIX C
UNAUDITED
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
as at 30 June 2011

| | Cost / Revaluation | | | | | | Accumulated Depreciation | | | | | | Transfers | Other movements | Carrying Value |
|---|--------------------|------------------------|-------------|-----------|--------------------|-----------------|--------------------------|------------------------|--------------|-----------|---|-----------------|-----------|-----------------|----------------|
| | Opening Balance | Revaluation adjustment | Additions | Disposals | Under Construction | Closing Balance | Opening Balance | Revaluation adjustment | Depreciation | Disposals | Impairment loss/Reversal of impairment loss | Closing Balance | | | |
| | R | R | R | R | R | R | R | R | R | R | R | R | R | R | R |
| Total brought forward | 877 350 443 | - | 145 726 791 | - | 25 371 110 | 1 048 448 344 | (146 203 634) | - | (16 262 842) | 479 563 | - | (161 986 913) | - | - | 886 461 431 |
| Other Assets | | | | | | | | | | | | | | | |
| Office Equipment Furniture & Fittings Bins and Containers Emergency Equipment Motor vehicles Fire engines Computer Equipment Computer software Other Assets Work in progress LM and Other | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Finance Lease Assets | 2 618 261 | - | 357 430 | - | - | 2 975 691 | (1 588 644) | - | (310 754) | - | - | (1 899 398) | - | - | 1 076 293 |
| Office Equipment | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Other Assets | 8 549 309 | - | - | - | - | 8 549 309 | (5 070 310) | - | (987 329) | - | - | (6 057 639) | - | - | 2 491 670 |
| Office Equipment | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Other Assets | 4 100 962 | - | 674 384 | - | - | 4 775 346 | (2 587 036) | - | (676 675) | - | - | (3 263 711) | - | - | 1 511 635 |
| Office Equipment | 1 079 608 | - | 57 500 | - | - | 1 137 108 | (215 922) | - | (215 922) | - | - | (431 844) | - | - | 705 264 |
| Other Assets | 1 905 025 | - | 839 551 | - | - | 2 744 576 | (1 509 413) | - | (286 845) | - | - | (1 796 258) | - | - | 948 318 |
| Office Equipment | 44 988 647 | - | - | - | 31 064 317 | 76 052 964 | - | - | - | - | - | - | - | - | 76 052 964 |
| Other Assets | 63 241 812 | - | 1 928 865 | - | 31 064 317 | 96 234 994 | (10 971 325) | - | (2 477 525) | - | - | (13 448 850) | - | - | 82 786 144 |
| | 225 114 | - | - | - | - | 225 114 | (6 069) | - | (69 720) | - | - | (75 789) | - | - | 149 325 |
| Total | 3 055 456 | - | 3 318 043 | - | - | 6 373 499 | (254 624) | - | (1 001 613) | - | - | (1 256 237) | - | - | 5 117 262 |
| | 3 280 570 | - | 3 318 043 | - | - | 6 598 613 | (260 693) | - | (1 071 333) | - | - | (1 332 026) | - | - | 5 266 587 |
| | 943 872 825 | - | 150 973 699 | - | 56 435 427 | 1 151 281 951 | (157 435 652) | - | (19 811 700) | 479 563 | - | (176 767 789) | - | - | 974 514 162 |

SISONKE DISTRICT MUNICIPALITY
APPENDIX C
UNAUDITED
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
as at 30 June 2010

| | Cost / Revaluation | | | | | | Accumulated Depreciation | | | | | | Transfers | Other movements | Carrying Value |
|---|--------------------|--|--------------------|-----------|--------------------|--------------------|--------------------------|--|---------------------|-----------|---|----------------------|-----------|-----------------|--------------------|
| | Opening Balance | Change in accounting policy Revaluation adjustment | Additions | Disposals | Under Construction | Closing Balance | Opening Balance | Change in accounting policy Revaluation adjustment | Depreciation | Disposals | Impairment loss/Reversal of impairment loss | Closing Balance | | | |
| | R | R | R | R | R | R | R | R | R | R | R | R | | | |
| Land | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Land | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Buildings | - | 32 704 769 | - | - | - | 32 704 769 | - | (4 165 313) | (734 305) | - | - | (4 899 618) | - | - | 27 805 151 |
| Infrastructure | | | | | | | | | | | | | | | |
| Drains | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Roads | - | 140 223 | - | - | - | 140 223 | - | - | - | - | - | - | - | - | 140 223 |
| Water & Sewer Mains & Purification Reservoirs – Water | 581 026 966 | 82 075 335 | 24 584 086 | - | - | 687 686 387 | (125 338 961) | 1 922 329 | (14 365 054) | - | - | (137 781 686) | - | - | 549 904 701 |
| Work in progress SDM | - | - | 116 026 314 | - | - | 116 026 314 | - | - | - | - | - | - | - | - | 116 026 314 |
| Work in progress (LM and other) | - | - | 14 700 834 | - | - | 14 700 834 | - | - | - | - | - | - | - | - | 14 700 834 |
| Community Assets | 581 026 966 | 82 215 558 | 155 311 234 | - | - | 818 553 758 | (125 338 961) | 1 922 329 | (14 365 054) | - | - | (137 781 686) | - | - | 680 772 072 |
| Parks & Gardens | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Libraries | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Recreation Grounds | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Civic Buildings | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Stadiums | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Halls | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Theatre | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Swimming Pools | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Other | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Work in progress SDM | 33 504 639 | (14 554 144) | - | - | - | 18 950 495 | (5 324 983) | 2 441 859 | (639 206) | - | - | (3 522 330) | - | - | 15 428 165 |
| Work in progress LM and other | - | - | 6 815 353 | - | - | 6 815 353 | - | - | - | - | - | - | - | - | 6 815 353 |
| | - | - | 326 068 | - | - | 326 068 | - | - | - | - | - | - | - | - | 326 068 |
| Total carried forward | 33 504 639 | (14 554 144) | 7 141 421 | - | - | 26 091 916 | (5 324 983) | 2 441 859 | (639 206) | - | - | (3 522 330) | - | - | 22 569 586 |
| | 614 531 605 | 100 366 183 | 162 452 655 | - | - | 877 350 443 | (130 663 944) | 198 875 | (17 270 200) | - | - | (146 203 634) | - | - | 731 146 809 |

SISONKE DISTRICT MUNICIPALITY
APPENDIX C
UNAUDITED
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
as at 30 June 2010

| | Cost / Revaluation | | | | | | Accumulated Depreciation | | | | | | Transfers | Other movements | Carrying Value |
|--|--------------------|------------------------|--------------------|--------------------|--------------------|--------------------|--------------------------|------------------------|---------------------|----------------|---|----------------------|-----------|-----------------|--------------------|
| | Opening Balance | Revaluation adjustment | Additions | Disposals | Under Construction | Closing Balance | Opening Balance | Revaluation adjustment | Depreciation | Disposals | Impairment loss/Reversal of impairment loss | Closing Balance | | | |
| | R | R | R | R | R | R | R | R | R | R | R | R | R | R | R |
| Total brought forward | 614 531 605 | 100 366 183 | 162 452 655 | - | - | 877 350 443 | (130 663 944) | - | (17 270 200) | - | - | (146 203 634) | - | - | 731 146 809 |
| Other Assets | | | | | | | | | | | | | | | |
| Office Equipment Furniture & Fittings Bins and Containers Emergency Equipment Motor vehicles Fire engines Refuse tankers Computer Equipment Computer Software Other Assets Work in progress LM and other | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | - | 2 247 901 | 370 360 | - | - | 2 618 261 | (1 253 977) | - | (334 667) | - | - | (1 588 644) | - | - | 1 029 617 |
| | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | - | 8 663 416 | 901 795 | (1 015 902) | - | 8 549 309 | (4 789 506) | - | (1 063 305) | 782 501 | - | (5 070 310) | - | - | 3 478 999 |
| | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | - | 3 669 732 | 431 230 | - | - | 4 100 962 | (1 858 290) | - | (728 746) | - | - | (2 587 036) | - | - | 1 513 926 |
| | - | 1 079 608 | - | - | - | 1 079 608 | - | - | (215 922) | - | - | (215 922) | - | - | 863 686 |
| | 37 993 601 | (36 088 576) | - | - | - | 1 905 025 | (10 318 535) | 9 118 041 | (308 919) | - | - | (1 509 413) | - | - | 395 612 |
| Finance Lease Assets | - | - | 44 988 647 | - | - | 44 988 647 | - | - | - | - | - | - | - | - | 44 988 647 |
| Office Equipment | | | | | | | | | | | | | | | |
| Other Assets | 37 993 601 | (20 427 919) | 46 692 032 | (1 015 902) | - | 63 241 812 | (18 220 308) | 9 118 041 | (2 651 559) | 782 501 | - | (10 971 325) | - | - | 52 270 487 |
| | - | - | 225 114 | - | - | 225 114 | - | - | (6 069) | - | - | (6 069) | - | - | 219 045 |
| Total | - | - | 3 055 456 | - | - | 3 055 456 | - | - | (254 624) | - | - | (254 624) | - | - | 2 800 832 |
| | - | - | 3 280 570 | - | - | 3 280 570 | - | - | (260 693) | - | - | (260 693) | - | - | 3 019 877 |
| | 652 525 206 | 79 938 264 | 212 425 257 | (1 015 902) | - | 943 872 825 | (148 884 252) | 9 316 916 | (18 650 817) | 782 501 | - | (157 435 652) | - | - | 786 437 173 |

SISONKE DISTRICT MUNICIPALITY
APPENDIX D
UNAUDITED
SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT
as at 30 June 2011

| | Cost / Revaluation | | | | | Accumulated Depreciation | | | | | Carrying value R |
|------------------------|-------------------------|--------------------|--------------------------------|----------------|----------------------|--------------------------|-------------------|---------------------------------|----------------|-------------------------|---------------------|
| | Opening Balance R | Additions R | Revaluation adjustment R | Disposals R | Closing Balance R | Opening Balance R | Additions R | Revaluation adjustments R | Disposals R | Closing Balance R | |
| Executive & Council | 840 655 | - | - | - | 840 655 | 419 724 | 143 144 | - | - | 562 868 | 277 787 |
| Finance & Admin | 12 008 845 | 7 739 098 | - | - | 19 747 943 | 3 742 513 | 1 460 736 | - | - | 5 203 249 | 14 544 694 |
| Planning & Development | 897 692 829 | 183 893 449 | - | - | 1 081 586 278 | 147 620 769 | 17 293 586 | - | 479 563 | 164 434 792 | 917 151 486 |
| Economic and Community | 33 330 496 | 15 776 579 | - | - | 49 107 075 | 5 652 646 | 914 234 | - | - | 6 566 880 | 42 540 195 |
| Other | - | - | - | - | - | - | - | - | - | - | - |
| Total | 943 872 825 | 207 409 126 | | | 1 151 281 951 | 157 435 652 | 19 811 700 | | 479 563 | 176 767 790 | 974 514 162 |

SISONKE DISTRICT MUNICIPALITY
APPENDIX E
UNAUDITED
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE
as at 30 June 2011

| 2010 Actual Income | 2010 Actual Expenditure | 2010 surplus/Deficit | | 2011 Actual Income | 2011 Actual Expenditure | 2011 Surplus/Deficit |
|---------------------------|--------------------------------|-----------------------------|-----------------------------|---------------------------|--------------------------------|-----------------------------|
| R | R | R | | R | R | R |
| - | 32 442 058 | (32 442 058) | Executive & Council Finance | - | 67 130 785 | (67 130 785) |
| 155 232 588 | 155 773 615 | (541 027) | & Admin Planning & | 164 019 353 | 67 933 901 | 96 085 452 |
| 153 918 183 | 27 189 398 | 126 728 785 | Development Water | 138 049 991 | 25 496 301 | 112 553 690 |
| 35 743 287 | 16 641 136 | 19 102 151 | | 30 002 449 | 99 241 159 | (69 238 710) |
| 344 894 058 | 232 046 207 | 112 847 851 | | 332 071 793 | 259 802 146 | 72 269 647 |
| 344 894 058 | 232 046 207 | 112 847 851 | Total | 332 071 793 | 259 802 146 | 72 269 647 |

SISONKE DISTRICT MUNICIPALITY PHOTO GALARY



CHAPTER 5:
ANNUAL PERFORMANCE REPORT