

FINANCIAL STATEMENTS
THABO MOFUTSANYANA
DISTRICT MUNICIPALITY
FOR THE YEAR ENDED 30 JUNE 2007



CONTENTS	Page
1. General Information	1-2
2. Foreword	3-4
3. Map	5
4. Report of the Auditor General	6
5. Financial Reporting / Treasurers' Report	7-8
6. Accounting Policies	9-10
7. Balance Sheet	11
8. Income Statement	12
9. Cash Flow Statement	13
10. Notes to the Financial Statements	14-19
11. Appendices	
A Accumulated funds and Capital Reserves	20
B External Loans	21
C Analysis of Fixed Assets	22
D Analysis of Operating Income and Expenditure for the year ended 30 June 2007	23
E Detailed Income Statement for the year ended 30 June 2007	24
F Allocations for the year F - F6, and summary of allocations for the year ended 30 June 2007.	25-31
G Debtors for the year G - G3	32-35
H Statistical information	36

GENERAL INFORMATION

EXECUTIVE MAYOR: Councillor MJ Zwane

SPEAKER: Her Majesty Queen Mathokoana Mopeli

CHIEF WHIP: Councillor P Motshoeneng

MEMBERS OF THE MAYORAL COMMITTEE:

MMC M Mopeli
MMC N Mosupa
MMC M Tshabalala
MMC S Moleleki
MMC D Lengoabala
MMC L Khambule
MMC C Makhoba
MMC N Mopeli

COUNCILLORS:

Councillor	CT Yende	Councillor	TB Jakobo
Councillor	NA Taylor	Councillor	M Mpati
Councillor	AC Msibi	Councillor	MN Sefuthi
Councillor	EZ Radebe	Councillor	D C de Klerk
Councillor	WR Ndlebe	Councillor	MK Mofokeng
Councillor	TJ Tsotetsi	Councillor	M J Lebesa
Councillor	MC Mositi	Councillor	BDL Venter
Councillor	B E Mzangwa	Councillor	C H E Badenhorst
Councillor	PZ Moshoadiba	Councillor	A Ramochela
Councillor	LJ Lemako	Councillor	CJ Reenen
Councillor	MM Chabangu	Councillor	LA Moloji
Councillor	MJ Khoetha	Councillor	A Fume
Councillor	AM Nhlapo	Councillor	BT Madonsela
Councillor	MV Norman	Councillor	SE Tshabalala

GENERAL INFORMATION**GRADING OF THE DISTRICT MUNICIPALITY**

Grade 11

AUDITORS

The Auditor - General

BANKERS

ABSA Bank

REGISTERED OFFICEPrivate Bag X 810
WITSIESHOEK
98701 Mampoi Street
Old Parliament Building
WITSIESHOEK
9870

Telephone

058 - 718 1000

Fax

058 - 713 5708

MAP OF THE DISTRICT MUNICIPALITY:

See attached map of the district on page 5

MUNICIPAL MANAGER:

Mr MP Moloji

CHIEF FINANCIAL OFFICER:Mr M Mpakane
NDA (TWR), B Tech, CMA**APPROVAL OF FINANCIAL STATEMENTS:**

The annual financial statements set out on pages 7 to 35 were approved by the Municipal Manager on

_____ and presented to and approved by Council on _____.

CHIEF FINANCIAL OFFICERMr M Mpakane
NDA (TWR), B Tech, CMA
Certificate in Advanced Project Management**MUNICIPAL MANAGER**Mr. M.P. Moloji
ACCOUNTING OFFICER
National Diploma Public Administration
Project Management Certificate
Certificate in Personnel Management



FOREWORD BY THE EXECUTIVE MAYOR OF THABO MOFUTSANYANA DISTRICT MUNICIPALITY

I am once again privileged to preambule the financial statement of Thabo Mofutsanyana District Municipality for the year ended 30 June 2007. This is in compliance with the provision of the Municipal Financial Management Act (MFMA) which became operational on 01 July 2004. Our compliance with these provisions is indeed commensurate with our rating on the low to high capacity with the matrix in the act.

We face the challenge of striving towards meeting all the milestones attached to the provisions on time. Surely the systems we have put in place, the personnel we have employed and of course the leadership we provide as council, will ensure that in due course our current rating grades up to medium, In good time we shall hopefully also achieve the high capacity threshold.

It is nevertheless pleasing that we are on a steady course of prudent financial management. This has resulted in us utilising funds for purposes appropriated for. Where excesses have been picked up. Corrective measures have since been engaged. On their part our administration has not disappointed us by indulging in acts of gross financial mismanagement. And we are grateful in this regard.

Our section 80 committees through their portfolio heads have provided oversight on how administration undertakes the task of implementing the IDP and prioritises therein. We commend all for their steadfast resolve to make us a development centered municipality.

FOREWORD BY THE EXECUTIVE OF THABO MOFUTSANYANA DISTRICT MUNICIPALITY (Continues)

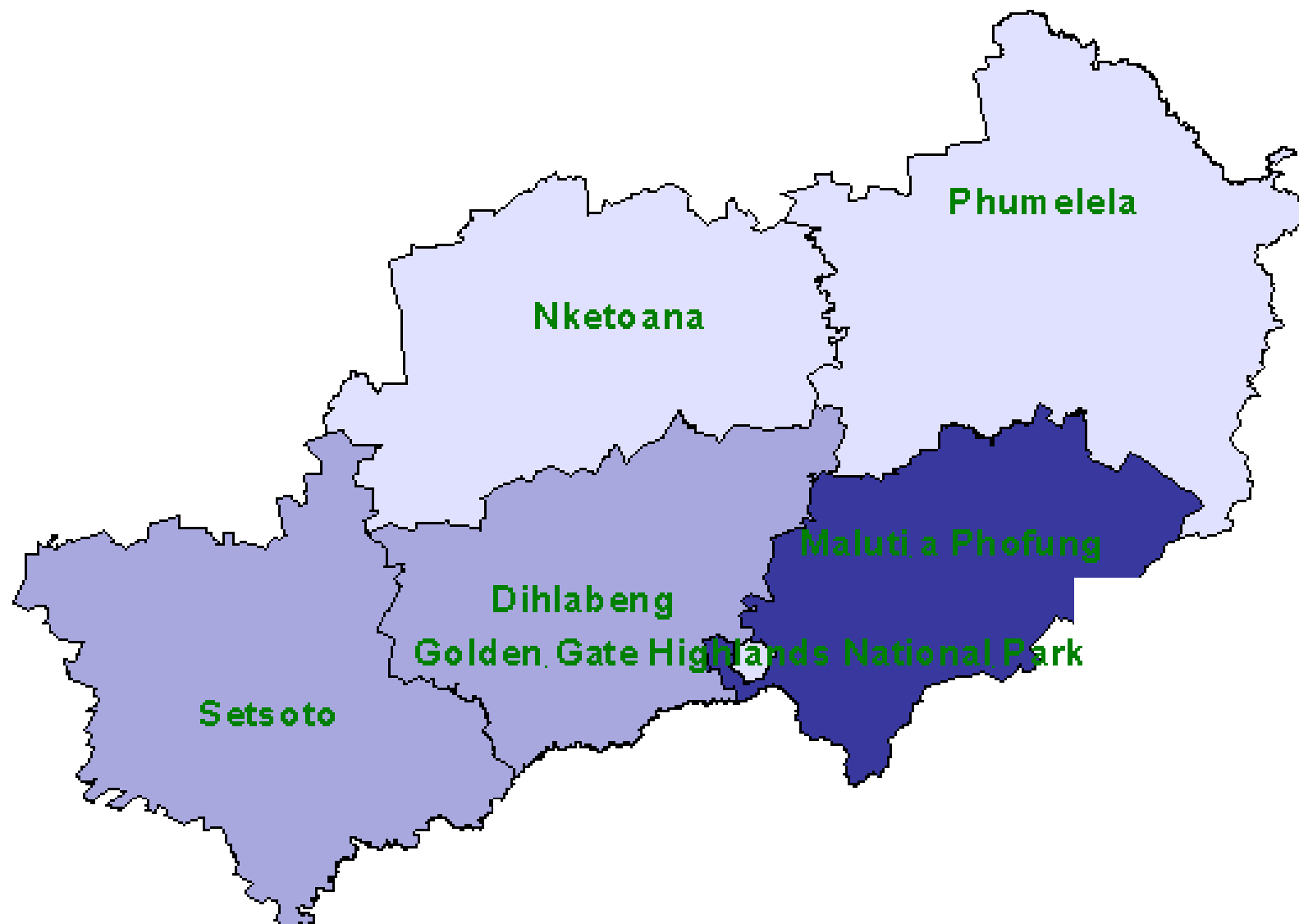
Most importantly it is pleasing to note that our fiduciary responsibility has been carried out with due circumspect. We have never allowed complacency to creep in. Consequently we were frugal yet effective with our expenditure.

Surely as we roll out the other obligatory formalities of the Municipal Financial Management Act (MFMA), we stand to act with more efficiency, effectiveness and maintaining value for money for our communities.

To them we pledge our unstinting resolve to work for their betterment and advancement. This we do within our promise for a better life for all through a peoples contract to create jobs and fight poverty.

Councillor MJ Zwane

Executive Mayor



**REPORT OF THE AUDITOR-GENERAL TO THE DISTRICT MUNICIPALITY OF
THABO MOFUTSANYANA FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007**

The Auditor-General will table his report.

FINANCIAL REPORTING / TREASURER'S REPORT

1 The challenge of change

1.1 It has been a year of unprecedented change - internationally, nationally, and most certainly locally within Thabo Mofutsanyana District Municipality. The district has a series of disclaimers which we would like to put behind us. There are a number of systems that we have put in place to make sure that history does not repeat itself and is buried forever. We were able to collect R4.1 million of RSC levies of the the R5 million that was budgeted

2 Operating results

Details of the operating results, classification and purpose of expenditure are included in Appendice D and E. The overall operating results for the year ended 30 June 2007 are as follows:

	<i>Actual</i> 2005/2006	<i>Actual</i> 2006/2007	<i>Variance</i>	<i>Budget</i> 2006/2007	<i>Variance</i> Actual / Budget
	R	R	%	R	%
INCOME					
Administration	21 419 902	4 112 463	-80.8%	5 000 000	-17.8%
Regional	27 610 028	63 497 340	130.0%	72 061 500	-11.9%
Closing deficit	-	-	-	-	-
	<u>49 029 930</u>	<u>67 609 803</u>	37.9%	<u>77 061 500</u>	-12.3%
EXPENDITURE					
Administration	30 025 868	31 748 861	5.7%	35 074 494	-9.5%
Regional	36 826 366	35 838 137	-2.7%	47 456 193	-24.5%
Closing surplus	(17 822 304)	22 805	-100.1%	(5 469 186)	-100.4%
	<u>49 029 930</u>	<u>67 609 803</u>		<u>77 061 500</u>	

The actual administration expenditure versus previous year's actual administration expenses increased due to increased number in staff compliment and increments in general.

3 Fixed Assets

The expenditure on fixed assets during the year amounts to R 2 394 090 (App C) that were financed from income. Futhermore fixed asstes have been reviewed and will be finalised once the asset evaluators are through with the updating of the asset register.

4 Income and allocations**4.1 Income**

The bulk of the money we used to finance our operations comes from the RSC levy replacement fund as well as the equitable share

5 External Loans, Investments and Cash**5.1 External Loans (see App B)**

Amounts of R 2 671 371 and R 1 425 772 or R 4 097 143 in total are due to the Development Bank of SA in respect of Harrismith/42nd Hill respectively. During the year an amount of R 288 343 was redeemed.

5.2 Investments (see note 4)

Investments on hand on 30 June 2007 amount to R 31 625 133 (R 21 949 451 in 2006) due to interest capitalised and investments made.

5.3 Bank (see note 7)

The bank balance on hand at 30 June 2007 amounted to R 8 192 201 (R -4 191 671 in 2006). A vat review has been conducted concerning the dispute with

6 Funds and Reserves

More information regarding funds and reserves are disclosed in App A.

7 Guarantees

The municipality provided the housing guarantees to the following staff members

Housing Statistics

Names	Effective date	Guarantee amount
1 Mazibuko Mwelase	2005/05/25	85 000.00
2 Mollo Ngobese	2006/03/22	85 000.00
3 Motloung Mohoabadi	2006/10/04	85 000.00
4 Moloji Khesa	2005/12/01	85 000.00
5 Motloung Sylvia	2007/01/30	85 000.00
6 Moloji Materonko	2002/10/08	65 000.00
7 Mthombeni Sthembiso	2004/10/01	70 000.00
8 Thamaha Simon	2004/10/08	54 000.00
9 Dusse Ronald	2006/07/01	85 000.00
10 Mkula Mogezi	2006/07/01	85 000.00
11 Majoro Matsiliso	2006/07/01	85 000.00
12 Maringa Robert	2006/07/01	85 000.00
13 Swart Pierre	2006/07/01	85 000.00
14 Viljoen Johannes	2006/07/01	85 000.00
15 Du toit Pieter	2006/07/01	85 000.00
16 Malan M.P	2006/07/01	85 000.00
17 Oosthuizen Corrie	2006/07/01	85 000.00

It is worth noting that the maximum guarantee the municipality can provide is R85 000 only.

Appreciation

I wish to thank the Mayor, Councillors and the staff for the support they have given me and in particular the Senior Accountant.

CHIEF FINANCIAL OFFICER
MR M.R Mpakane

ACCOUNTING POLICIES

1 Basis of presentation

- 1.1** The financial statements have been prepared so as to conform to the standards laid down by the Institute of Municipal Finance Officers in its Code of Accounting Practice (1996) and Report on Published Annual Financial Statements (2nd edition - January 1996).
- 1.2** The financial statements are prepared on the historical cost basis, adjusted for fixed assets as fully detailed in accounting policy note 3. The accounting policies are consistent with those applied in the previous year, except if otherwise indicated.
- 1.3** The financial statements are prepared on the accrual basis as stated:
- Income is accounted for on a cash basis except in the case of grant claims which income is accrued when collectable and measurable.
 - Expenditure is accrued in the year it is incurred.
- 1.4** Operating expenditure is accrued in the year it is incurred. With regard to expenditure on capital projects incurred on behalf of Local Municipalities and other authorities, the total budgeted amount is reflected as expenditure regardless whether the projects would be finalised in the financial year or not.

2 Fixed assets

2.1 Fixed assets are stated:

- at historical cost; or
- at valuation (based on the market price at date of acquisition), where assets have been acquired by grant or donation, while they are in existence and fit for use, except in the case of bulk assets which are written off at the end of their estimated life as determined by the treasurer.

2.2 Depreciation:

The balance shown against the heading "Loans redeemed and other capital receipts" in the notes to the balance sheet is tantamount to a provision for depreciation. However, certain structural differences exist. By way of this "provision" assets are written down over their estimated useful life. Apart from advances from the various Council funds, assets may also be acquired through:

- Appropriations from income, where the full cost of the asset forms an immediate and direct charge against the operating income, and it is therefore unnecessary to make any further provision for depreciation, or
- Grant or donation, where the amount representing the value of such grant or donation is immediately credited to the "Loans redeemed and other capital receipts" account.

3 Funds, reserves and provisions

3.1 Capital Development Fund

The Capital Development Fund per Ordinance 8 of 1962 requires a minimum contribution of 1,0% of the defined income of a local authority.

ACCOUNTING POLICY (CONTINUED)**4 Retirement benefits**

The Council and the employees contribute to the Free State Municipal Pension Fund, the Free State Municipal Provident Fund and the SAMWU Provident Fund. These funds supply retirement benefits to the relevant employees.

The Free State Municipal Pension Fund is subject to the Pension Fund Act of 1956. Pensions are calculated on the average annual pensionable emolument of the two years immediately prior to retirement. Current contributions are charged against income. Beneficial adjustments are retained in the retirement benefit plan and applied to the improvement of benefits to employees. Full actuarial valuations are performed at intervals of three years. In respect of the Free State Municipal Provident Fund no valuations of the funds were done. An actuarial valuation is also not compulsory in terms of legislation.

5 Provisions

Provisions have been established where considered necessary.

6 Projects

6.1 Allocations to local authorities are done irrespective of the expenditure/claims.

7 Investments

Investments are disclosed at the lower of cost or market value where there is a permanent decrease in value and are invested in accordance with financial regulation 6 of the District Councils Act, 1985 (Act No 109 of 1985).

8 Long-term debtors

Long-term debtors constitutes motor loans granted to employees. Such loans are amortised over the period not exceeding employment contracts of related employees.

Interest on motor loans are allocated to accounting periods over the duration of the contract, by 8% for all employees, except 13% for Mr. Moema and Me. Lebenya.

9 Leased assets

Fixed assets held under finance lease are capitalised. Such assets are effectively amortised over the term of the lease agreement.

Lease finance charges are allocated to accounting periods over the duration of the leases, by the effective interest method, which reflects the extend and cost of lease finance utilised in each accounting period.

All other leases are treated as operating leases and the relevant rentals are charged to operating account in a systematic manner related to the period on use of the asset concerned.

BALANCE SHEET AT 30 JUNE 2007			
	Note	2007 R	2006 R
CAPITAL EMPLOYED			
Funds and Reserves		72 515 074	67 449 806
Accumulated surplus	1.1	67 896 206	63 525 320
Capital Development Fund	1.2	4 618 868	3 924 486
Long-term liabilities	2	0	3 746 430
		72 515 074	71 196 236
EMPLOYMENT OF CAPITAL			
Non-current assets		31 655 159	21 971 880
Fixed assets	3	-	-
Investments	4	31 625 133	21 949 451
Long-term debtors	5	30 027	22 429
Net current assets		40 859 914	49 224 356
Current assets		69 960 732	58 142 801
Debtors	6	61 619 611	53 881 907
Cash and Bank	7	8 190 019	3 833 298
Short - term portion of long - term debtors	5	151 102	427 596
Current liabilities		29 100 818	8 918 445
Provisions	8	1 839 513	2 196 076
Creditors	9	23 452 506	6 371 656
Short - term portion of long - term liabilities	2	3 808 799	350 713
		72 515 074	71 196 236
<hr/>		<hr/>	
Mr. MJ Zwane		Mr. MP Moloi	
EXECUTIVE MAYOR		MUNICIPAL MANAGER	

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2007

2005 / 2006 Actual income R	2005 / 2006 Actual expenditure R	2005 / 2006 Actual surplus/ (deficit) R	General Services	2006 / 2007 Actual income R	2006 / 2007 Actual expenditure R	2006 / 2007 Actual surplus/ (deficit) R	2006 / 2007 Budget surplus/ (deficit) R
21 419 901	30 025 868	-8 605 967	Administration	4 112 463	31 748 861	-27 636 397	-30 074 494
27 610 027	36 826 365	-9 216 338	Regional Services	63 497 340	35 838 137	27 659 203	24 605 307
<u>49 029 928</u>	<u>66 852 233</u>	<u>-17 822 305</u>	TOTAL	<u>67 609 803</u>	<u>67 586 998</u>	<u>22 805</u>	<u>-5 469 186</u>
		47 380 663	Appropriations for the year (refer to note 1)			4 943 511	
		<u>33 966 961</u>	Accumulated surplus beginning of the year			<u>62 929 889</u>	
		<u><u>63 525 319</u></u>	ACCUMULATED SURPLUS END OF THE YEAR			<u><u>67 896 206</u></u>	

THABO MOFUTSANYANA DISTRICT MUNICIPALITY
TRIAL BALANCE FOR THE YEAR ENDED 30 JUNE 2006

Details	Ledger a/c Number	Draft Financials	
		Debit	Credit
Audit reserves	130520		700 000.00
Leave reserves	131010		1 496 076.87
Appropriation account	131020		77 750 620.78
Capital reserve	131030		3 924 486.00
Clarens / Kgubetswana 10026/1	173310		2 671 371.00
Harrismith / 42nd Hill 9859/1	173330		1 425 772.01
Debtors	400000		47 254.29
Debtors Service	400001	6 932 171.21	
Debtors Establishment	400002	41 275 263.96	
Debtors VAT	400003	5 576 986.11	
Debtors Interest	400004	549.86	
Transitional costs	400040	130 471.00	
Advance Salary	406000		38 993.60
Motorloan	415001	450 025.83	
Salary overpayments	415005	13 718.65	
Internal bank account	416100		13 102 393.90
Internal bank account	416120	3 176 891.34	
Internal bank account	416150	4 080 382.94	
Internal bank account	416180	1 721 418.95	
Internal bank account	416300		33 578 194.43
Internal bank account	416400	4 380 888.44	
Internal bank account	416500	4 366 774.66	
Internal bank account	416600	7 941 582.35	
Internal bank account	416700	1 875 760.80	
Internal bank account	416800	2 533 912.79	
Internal bank account	416900	16 602 976.06	
Creditors - Payments	440000		983 809.42
Salary control account	440001		556 436.57
Sundry Creditors	440002		5 148 742.00
ISRDP	440005		555.00
Special Intervention Programme	440007		300 000.00
Sundry Creditors	440210	60 869.25	
VAT	452000	580.82	
ABSA 206206 4985	520000	21 949 450.69	
Main Account	550001		4 191 671.32
Bank Account MIG	550003	5 076 635.29	
PIMMS bank account	550004	112 421.03	
CBPWP bank account	550005	256 355.46	
ISRDP	550006	2 518 089.28	
SPORTS AND RECREATION	550007	61 468.80	
Surplus/Deficit		14 820 731.62	
		145 916 377.19	145 916 377.19

THABO MOFUTSANYANA DISTRICT MUNICIPALITY
TRIAL BALANCE FOR THE YEAR ENDED 30 JUNE 2007

Description		Financial Statements <input type="checkbox"/> Trial Balance	
		Debit	Credit
Audit reserves	130520		667268.3826
Leave reserves	131010	0	1172244.68
Appropriation account	131020	0	67692271.4
Capital reserve	131030	0	4618868.389
Clarens / Kgubetswana 10026/1	173310	0	2483368.54
Harrismith / 42nd Hill 9859/1	173330	0	1325430.79
Debtors	400000	452745.71	0
Debtors Service	400001	7132137.82	0
Debtors Establishment	400002	42355774.76	0
Debtors VAT	400003	5756252.86	0
Debtors Interest	400004	549.86	0
Nashua Mobile Deductions	400005	175194.84	0
Motorloan	415001	187698.94	0
Interest on motorloan	415002	13677.68	0
Salary overpayments	415005	13718.65	0
Internal bank account	416100	0	15077463.3
Internal Bank account	416120	3677968.23	0
Internal Bank account	416150	4283332.15	0
Internal Bank account	416180	8991606.5	0
Internal bank account	416300	0	62638784.75
Internal bank account	416400	5029171.14	0
Internal bank account	416500	6778336.04	0
Internal bank account	416600	11345380.56	0
Internal bank account	416700	4347694.15	0
Internal bank account	416800	2730981.46	0
Internal Bank Account	416900	30531777.82	0
Creditors - Payments	440000	0	23452506.03
Salary control account	440001	1495924.62	0
VAT	452000	4035935.5	0
ABSA 205664 1361	520000	21283510.24	0
FNB 6213138 2054	530000	10341623.38	0
Main Account	550001	8192201.46	0
Bank Account MIG	550003	0	4253.29
PIMMS bank account	550004	1674.25	0
CBPWP bank account	550005	1287.15	0
ISRDP	550006	0	2504.78
SPORTS AND RECREATION	550007	1613.92	0
			0

Advertising	610120	245337.33	0
Affiliation	610130	149373.28	0
Bank charges	610140	56935.53	0
Printing and stationery	610160	264797.82	0
Office rent	610180	0	80641.76
Entertainment	610220	224075.4	0
Skills development	610250	98662.47	0
Postage	610260	38052.46	0
Legal expenses	610270	143065.82	0
Traveling	610280	575450.33	0
Programming	610330	1580985.53	0
Telephone	610350	521105.22	0
Subsistence allowance	610360	460337.71	0
Vehicle maintenance	610370	138913.81	0
Insurance	610380	153464.03	0
Inspection services	610420	575029.58	0
Maintenance / Repairs	610430	65254.76	0
Equipment rent	610440	654401.84	0
Audit fees	610450	927051.8426	0
Workshops	610480	83463.23	0
Marketing and promotions	610530	331974	0
Recruitment costs	610540	102441.68	0
Subscription	610560	11162.21	0
Security	610600	188236.01	0
Bursary Fund	610610	14485	0
Bursary Fund - External	610615	15912.85	0
Gifts and gratuities	610620	4834.5	0
Gardening and cleaning	610640	152616.37	0
Interest on Loans	610715	413081.84	0
Financial management capacity	610830	135477.13	0
Newsletter	610851	28667	0
Profiling and Branding	610852	29516.57	0
Farming Communities	618121-1	2200000	
HIV AIDS	618121-2	994800.63	
Mayoral Discretionary Fund	618121-3	5303329.73	
Furniture and equipment	618122	1394090.01	
Youth Advisory Centre	618126-1	80204.41	
Youth Partisipation	618126-6	106626.25	
Establishment of fresh produce	618129-6	611228.07	
SMME Development	618129-8	1223436.78	
Hawkers Stall/Rural Sanitation	618157-2	8940	
Phumelela - Other	618158-2	1963428.37	
ITC Infrastructure	618160	7368.42	
MSIG Gant - DMA Gold.Gate	618164	233019.49	
Proc of Emergency Equip & Mate	618169-2	14034.66	
Operational Activities Centre	618169-3	26500	
MSIG/ PIMSS	618172	3326610.47	
Commercial Vehicles	618230	1000000	
Infrastructure Prof Fees	618244	297290.7	
Audit Unit	618245	103608.12	
Valuation Roll	618250	1760000	
Plans, Policies & Procedures	618255	29610	
WATER/ Sanitation - Phumelela	618265	14524132.7	
Public Participation	618270	629878.02	
Salaries	620110	16406808.7	
Salaries	624110	0	
Bonus	620113	1005886.28	
Cell Phone Allowance	620114	267199.35	
UIF	620116	98599.79	

Medical Fund	621120	912161.34	
Pension Fund	621130	1563172.6	
Travel Allowance	623150	2727176.18	
Housing Allowance	623160	380803.46	
SALGBC	623230	2889	
Services	701160	0	715927.89
Establishment	701170	0	2891493.59
Debtors VAT	701180	0	505038.92
Grants : Equitable share	718163	0	38852784
CMIP-MIG	718229	0	20447308.55
PIMS-MSIG	718231	0	1000000
Local government Fin. Mangt.	718232	0	750000
levy interest	750000	0	3.02
Investments	750220	0	2366605.31
		246744766.4	246744767.4

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2007

	Notes	2007 R	2006 R
CASH RETAINED FROM OPERATING ACTIVITIES		57 858 677	-28 657 384
Cash generated by activities	13	69 981 510	27 747 144
Interest received	13	-2 366 605	2 127 974
(Increase) / decrease in working capital	14	-9 343 146	-58 079 377
		58 271 759	-28 204 259
Less: External Interest paid	13	-413 082	-453 125
Cash available for operations		57 858 677	-28 657 384
Cash contributions from the public and the state		-	-
Net proceeds on disposal of fixed assets		-	-
CASH UTILISED IN INVESTING ACTIVITIES			
Investment in fixed assets	3	-	-520 573
NET CASH FLOW		57 858 677	-29 177 957
CASH EFFECT OF FINANCING ACTIVITIES			
Increase / (decrease) in long-term loans	16	-288 344	291 050
(Increase) / decrease in cash investments	17	-9 675 682	-1 471 841
(Increase) / decrease in cash	18	-4 356 720	24 020 179
Net cash (generated) / utilised		-14 320 745	22 839 388

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2007

	Notes	2007 R	2006 R
--	-------	-----------	-----------

1 Accumulated funds

1.1 Accumulated surplus		67 896 206	63 525 320
Accumulated surplus at beginning of the year		62 929 889	33 966 961
Net operating surplus for the year	13	4 966 317	29 558 359
1.2 Capital Development Fund		4 618 868	3 924 486
Provisions up to 2006		3 924 486	3 924 486
Provision for 2007		694 382	-

(See Appendix A for more details)

2 Long-term liabilities

Annuity loans	<i>App B</i>	3 808 799	4 097 143
		3 808 799	4 097 143
Less: Current portion transferred to current liabilities		3 808 799	350 713
<i>(Refer to appendix B for more detail)</i>		0	3 746 430

Carry interest at the rate of 10% per annum and will be fully redeemed in 2015.

3 Fixed assets

Fixed assets beginning of the year		5 452 220	4 931 647
Capital expenditure during the year		-	520 573
Less: Assets written off, transferred or disposed of during the year		-	-
Total fixed assets	<i>App C</i>	5 452 220	5 452 220
Less: Loans redeemed and other capital receipts		5 452 220	5 452 220
Net fixed assets		-	-

4 Investments

ABSA Investment			
Opening balance		21 949 451	20 477 610
Plus: Interest received		1 334 059	1 471 841
Plus: Capital invested		-	0
Less: Capital withdrawn		-2 000 000	0
Plus / (Less): Adjustment		-	0
Closing balance		21 283 510	21 949 451
FNB Investment			
Opening balance		13 000 000	-
Plus: Interest received		341 623	-
Plus: Capital invested		-	-
Less: Capital withdrawn		-3 000 000	-
Plus / (Less): Adjustment		-	-
		10 341 623	-
Total Investments		31 625 133	21 949 451
Average rate of interest earned		0	-

Local authorities should invest funds, which are not immediately required, with prescribe institutions and the period should be such that it will not be necessary to borrow funds against the investment at a plenary rate to meet commitments.

No investments have been written off during the year.

No investments have been pledged as security for any funding facilities of the council.

The current year opening balance of investment was adjusted as per confirmations from ABSA Bank.

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2007 (continued)

		2007	2006
		R	R
5 Long-term debtors			
Vehicle loans	<i>App G1</i>	181 129	450 025
		<u>181 129</u>	<u>450 025</u>
Transferred to the Asset Register		-	-
Short-term portion of long-term debtors		<u>-151 102</u>	<u>-427 596</u>
		<u><u>30 027</u></u>	<u><u>22 429</u></u>
6 Current Debtors			
Councillors Overpayments	<i>App G3</i>	13 719	13 719
Other receivables	<i>App G2</i>	61 605 892	53 868 188
(see Appendix G)		<u>61 619 611</u>	<u>53 881 907</u>
7 Cash and Bank			
Main Account		8 192 201	-4 191 671
PIMS		1 674	112 421
CMIP		-4 253	5 076 635
ISRDP		-2 505	2 518 089
CBPWP		1 287	256 355
Sports and Recreation		1 614	61 469
		<u>8 190 019</u>	<u>3 833 298</u>
8 Provisions			
Leave pay		1 172 245	1 496 076
Audit fees		667 268	700 000
		<u>1 839 513</u>	<u>2 196 076</u>
9 Creditors			
Sundry creditors		20 852 506	6 071 101
Grants received in advance		2 600 000	-
ISRDP Payable		-	555
Special Intervention Project		-	300 000
		<u>23 452 506</u>	<u>6 371 656</u>
10 Councillors' remuneration			
Executive Mayor's Allowance		478 185	-
Speaker's Allowance		-	-
Chief Whip's Allowance		351 918	-
Mayoral Committee Members Allowance		2 463 426	-
Council Members' Allowance		1 094 453	-
		<u>4 387 982</u>	<u>-</u>
11 Auditors' remuneration			
Audit fees		667 268	700 000

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2007 (continued)

	2007	2006
	R	R
12 Finance transactions		
Total external interest earned:		
Interest earned on investments	1 675 683	1 471 841
Other interest earned	690 922	666 801
	<u>2 366 605</u>	<u>2 138 642</u>
Capital charges debited to the operating account		
Interest - external	413 082	453 125
Redemption - external	-	-
	<u>413 082</u>	<u>453 125</u>

The redemption amount could not be expensed as fixed assets were not acquired from the loan.

13 Appropriations

Appropriation account		
Operating surplus for the year	22 805	-17 822 304
Adjustment relating to previous years	67 873 400	47 380 663
Opening balances	62 929 889	36 783 137
Adjustments	10 250 804	6 948 838
Provisions for the year	-5 307 292	656 940
Vat debtors write back	-	2 991 748
Net operating surplus for the year	<u>67 896 206</u>	<u>29 558 359</u>

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2007 (continued)

		2007	2006
		R	R
14 Cash generated by operations			
Surplus/(deficit) for the year		22 805	-17 822 304
Adjustments in respect of previous years' operating transactions	13	67 873 400	47 380 663
Appropriations charged against income:		-694 382	-136 366
- Provisions		-	-656 939
- Capital Development Fund	App A	-694 382	-
- Fixed Assets	App C	-	520 573
Capital Charges:			
- Interest paid :			
- to internal funds		-	-
- on external funds		413 082	453 125
- Redemption:			
- of internal advances		-	-
- of external loans		-	-
- Deferred charges written off		-	-
Investments income (operating account)			
Non - operating expenditure			
Expenditure charged against Provisions and Reserves		2 366 605	-2 127 974
		<u>69 981 510</u>	<u>27 747 144</u>
15 (Increase) / Decrease in working capital			
(Increase)/decrease in debtors		-7 737 704	53 722 391
Increase/(decrease) in creditors, consumer deposits		17 080 850	4 356 986
		<u>9 343 146</u>	<u>58 079 377</u>
16 Increase/(decrease) in long-term loans - external			
Loans repaid/written off		-288 344	-291 050
		<u>-288 344</u>	<u>-291 050</u>
17 (Increase)/decrease in investments			
Balance: beginning of the year		-21 949 451	-20 477 610
Investments made		-9 675 682	-1 471 841
		<u>-31 625 133</u>	<u>-21 949 451</u>
18 (Increase)/decrease in cash			
Cash balance: beginning of the year		3 833 299	3 833 299
Less: Cash balance: end of the year		8 190 019	3 833 299
		<u>-4 356 720</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2007 (continued)

	2007	2006
	R	R

19 Retirement benefits

After the last valuation the actuaries reported that the Free State Municipal Pension Fund was in a sound financial position. As there was no deficit on 30 June 1999 it had no financial liability for the employer. In respect of SAMWU Provident Fund no valuations were done. An actuarial valuation is also not compulsory in terms of the legislation. In respect of the Free State Municipal Provident Fund, the actuaries reported that the Fund was in a sound financial position. As there was no deficit on 30 June 2001 it had no financial liability for the employer.

20 Contingent liabilities

Office rental	0	3 500 000
Municipal Services	0	1 500 000
	<u>0</u>	<u>5 000 000</u>

Office rental and Municipal services for the 2004/5 financial year not yet billed by the Department of Public Works and Local Municipality respectively. Provisions are based on the previous year's and current year's

21 Assets unaccounted for

Assets	-	-
--------	---	---

Assets unaccounted for are assets that were identified as missing in the previous financial and the corresponding debtors has been raised against the departments with were accountable for the said assets (see Ann G2)

22 Municipal Infrastructure Grant Income

MIG income received in advance amounting to R 2 600 000.00 (see note 9 appropriations).

23 Extra-ordinary item

SARS conducted the VAT and PAYE assessment for the period 1999 to 2004 and has deducted R 4 780 528.30 excluding penalties (R 833 711.18) and Interest (R 7 171 291.57) for VAT and R 2 283 388.76 including penalties and interest for PAYE. The resultant was due to lack of staff mainly in the Finance Department in complying with the appropriate tax laws and regulations.

24 Remuneration of section 57 appointments

Municipal Manager		
Annual Remuneration	588 887	
Performance Bonus		
Car Allowance	161 073	
Medical and Pension Funds	29 741	
Other	12 412	
	<u>792 113</u>	<u>0</u>
Chief Financial Officer		
Annual Remuneration	313 784	
Performance Bonus		
Car Allowance	167 983	
Medical and Pension Funds	3 695	
Other	2 455	
	<u>487 917</u>	<u>0</u>
Strategic Manager: Corporate Services		
Annual Remuneration	461 923	
Performance Bonus		
Car Allowance	168 000	
Medical and Pension Funds	-	
Other	1 435	
	<u>631 358</u>	<u>0</u>
Strategic Manager: Local Economic Development		
Annual Remuneration	456 515	
Performance Bonus		
Car Allowance	114 000	
Medical and Pension Funds	-	
Other	1 316	
	<u>571 830</u>	<u>0</u>
Strategic Manager: PIMMS		
Annual Remuneration	485 333	
Performance Bonus		
Car Allowance	104 000	
Medical and Pension Funds		
Other	1 316	
	<u>590 649</u>	<u>0</u>

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2007 (continued)

	2007	2006
	R	R
Strategic Manager Manager: Policy and Contract		
Annual Remuneration	515 643	
Performance Bonus		
Car Allowance	140 000	
Medical and Pension Funds		
Other	1 435	
	<u>657 078</u>	<u>0</u>
Strategic Manager: Technical Services		
Annual Remuneration		
Performance Bonus		
Car Allowance		
Medical and Pension Funds		
Other		
	<u>-</u>	<u>0</u>

24 Comparative figures

Some comparative figures have been restated to be comparable with the current year.

APPENDIX A: ACCUMULATED FUNDS AND CAPITAL RESERVES, AND STATUTORY FUNDS
RESERVE AND TRUST FUNDS

	Balance on 01/07/06	Contributions during the year	Net Surplus during the year	Adjustments relating to previous years	Expenditure / transfers during the year	Balance on 30/06/07
STATUTORY FUNDS	R	R	R		R	R
Capital Development Fund	<u>3 924 486</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>694 382</u>	<u>4 618 868</u>

APPENDIX B: EXTERNAL LOANS

EXTERNAL LOANS	Balance on 01/07/06	Redeemed or written off during the year	Balance on 30/06/07
Annuity Loans - DBSA	R	R	R
Clarens / Kgubetswana	2 671 371	188 002	2 483 369
42nd Hill (Harrismith)	1 425 772	100 341	1 325 431
	<u>4 097 143</u>	<u>288 344</u>	<u>3 808 799</u>

APPENDIX C: ANALYSIS OF FIXED ASSETS

Expenditure 2005 / 2006	Service	Budget 2006 / 2007	Balance on 01/07/06	Expenditure during the year	Redeemed, transferred or written off	Balance on 30/06/07
R		R	R	R	R	R
3 747 460	General Service	200 000	3 747 460		-	3 747 460
1 200 000	Capital projects	-	1 200 000		-	1 200 000
<u>4 947 460</u>	TOTAL FIXED ASSETS	<u>200 000</u>	<u>4 947 460</u>	<u>-</u>	<u>-</u>	<u>4 947 460</u>
	LESS: LOANS REDEEMED AND OTHER CAPITAL RECEIPTS		4 947 460	-	-	4 947 460
	Contributions ex operating income		3 747 460	-	-	3 747 460
	Grants received		1 200 000	-	-	1 200 000
	NET FIXED ASSETS		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

**APPENDIX D: ANALYSIS OF OPERATING INCOME AND EXPENDITURE
FOR THE YEAR ENDED 30 JUNE 2007**

2006 Actual R		2007 Actual R	2007 Budget R
	INCOME - ADMINISTRATION		
8 414 513	Service Levy	715 928	870 440
12 994 720	Establishment Levy	2 891 494	3 515 525
10 669	Interest	3	-
	Debtors VAT	505 039	614 035
<u>21 419 902</u>		<u>4 112 463</u>	<u>5 000 000</u>
27 610 028	REGIONAL SERVICES	63 497 340	72 061 500
11 027 540	Municipal Infrastructure Grant	20 447 309	21 080 000
12 753 897	Equitable Share	38 852 784	38 853 000
1 000 000	MSIG	1 000 000	1 000 000
-	Local Govt Financial Management Grant	750 000	750 000
2 828 591	Other	2 447 247	10 378 500
<u>49 029 930</u>		<u>67 609 803</u>	<u>77 061 500</u>
	EXPENDITURE - ADMINISTRATION		
30 025 868		31 748 861	35 074 494
18 051 831	Salaries	18 507 362	19 071 128
11 520 912	General expenses	7 971 081	10 238 723
-	Allowance Councillors	4 857 336	5 164 643
-	Contribution to Fixed Assets	-	-
453 125	- Interest paid	413 082	600 000
36 826 366	REGIONAL SERVICES	35 838 137	47 456 193
16 821 896	Municipal Infrastructure Grant	16 487 561	8 000 000
-	Other Capital Projects	-	6 800 000
2 804 004	Special Projects	8 498 130	11 061 474
7 656 613	District Funded Projects	5 682 230	12 056 219
561 701	Local Economic Development	1 843 605	5 678 500
4 948 532	Allocations to Municipalities	-	-
4 033 620	Municipal Systems Improvement Gran	3 326 610	3 860 000
<u>-17 822 304</u>	Surplus (Deficit) for the year	<u>22 805</u>	<u>-5 469 186</u>
<u>49 029 930</u>	TOTAL	<u>67 609 803</u>	<u>77 061 500</u>

APPENDIX E: DETAILED INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2007

2005 / 2006							2006 / 2007			
2005 / 2006	2005 / 2006	2005 / 2006					2006 / 2007	2006 / 2007	2006 / 2007	
Actual	Actual	Actual					Actual	Actual	Actual	
income	expenditure	surplus/ (deficit)					income	expenditure	surplus/ (deficit)	
R	R	R					R	R	R	
75 433 108	66 852 234	8 580 874	GENERAL SERVICES				67 609 806	67 586 998	22 808	-16 750 004
51 184 615	36 826 366	20 371 823	REGIONAL FUNCTIONS				61 050 093	35 838 137	25 211 956	13 938 524
11 027 540	16 821 896	-5 794 356	Municipal Infrastructure Grant (App F1)				20 447 309	16 487 561	3 959 747	632 691
12 753 897	-	12 753 897	Equitable share				38 852 784	-	38 852 784	216
475 052	-	475 052	Local Government Financial Management Grant				750 000	-	750 000	-
1 000 000	4 033 620	-3 033 620	MSIG (App F6)				1 000 000	3 326 610	-2 326 610	533 390
25 928 126	15 970 850	15 970 850	Other Capital Projects				-	16 023 965	-16 023 965	12 772 227
10 669	453 125	-442 456	PAYMENT OF COSTS LOCAL AUTHORITIES				3	413 082	-413 079	-600 000
-	-	-	Grants				-	-	-	-
10 669	453 125	-442 456	Interests				3	413 082	-413 079	-600 000
24 237 824	29 572 743	-5 334 919	ADMINISTRATION				6 559 710	31 335 779	-24 776 069	-30 088 529
-	18 051 831	-18 051 831	Salaries and allowances				-	23 364 698	-23 364 698	-24 235 771
21 409 233	-	21 409 233	Levies				4 112 463	-	4 112 463	4 385 965
-	11 520 912	-11 520 912	General services				-	7 971 081	-7 971 081	-10 238 723
-	-	-	Capital expenditure - Fixed assets and Loans				-	-	-	-
2 828 591	-	2 828 591	Other				2 447 247	-	2 447 247	-
75 433 108	66 852 234	8 580 874	TOTAL				67 609 806	67 586 998	22 808	-16 750 004
		47 380 663	Appropriations for the year (refer to note 13)						67 873 400	
		55 961 537	Net surplus for the year						67 896 209	

Ref

AppF1

AppF6

AppF2-5

APPENDIX F: Summary of allocations for the year ended 30 June 2007

Description	Ref	Budget	Expenditure	Variance
		2006/2007	2006/2007	30/06/2007
Municipal Infrastructure Grant	<i>F1</i>	8 000 000	16 487 561	-8 487 561
Special projects	<i>F2</i>	11 061 474	8 498 130	2 563 343
District Funded Projects	<i>F3</i>	12 056 219	5 682 230	6 373 989
Local Economic Development Projects	<i>F4</i>	5 678 500	1 843 605	3 834 895
Allocations to Municipalities	<i>F5</i>	0	0	0
Municipal Systems Improvement Grant	<i>F6</i>	3 860 000	3 326 610	533 390
Ups TMDM Rural Roads	<i>F7</i>	5 000 000		
Special Intervention		800 000		
Setsoto High Mast		1 000 000		
Total		47 456 193	35 838 137	4 818 056

Actual Expenditure including VAT				
Municipal Infrastructure Grant	<i>F1</i>	8 000 000	18 795 820	-10 795 820
Special projects	<i>F2</i>	11 061 474	9 687 869	1 373 605
District Funded Projects	<i>F3</i>	12 056 219	6 477 742	5 578 477
Local Economic Development Projects	<i>F4</i>	5 678 500	2 101 710	3 576 790
Allocations to Municipalities	<i>F5</i>	0	0	0
Municipal Systems Improvement Grant	<i>F6</i>	3 860 000	3 792 336	67 664
Total		40 656 193	40 855 476	-199 283

APPENDIX F1 : Municipal Infrastructure Grant (MIG) for the year ended 30 June 2007

Description	Budget	Expenditure	Variance
	2006/2007	2006/2007	30/06/2007
Phumelela - Other	1 000 000	1 963 428	-963 428
WAter/ Sanitation - Phumelela	7 000 000	14 524 133	-7 524 133
	-	-	-
	-	-	-
Total	<u>8 000 000</u>	<u>16 487 561</u>	<u>-8 487 561</u>

APPENDIX F2 : Special Projects for the year ended 30 June 2007

Description	Budget	Expenditure	Variance
	2006/2007	2006/2007	30/06/2007
Farming Communities	3 838 150	2 200 000	1 638 150
HIV AIDS	1 812 649	994 801	817 848
Mayoral Discretionary Fund	5 410 675	5 303 330	107 345
	-	-	-
	-	-	-
Total	11 061 474	8 498 130	2 563 343

APPENDIX F3 : District Funded Projects for the year ended 30 June 2007

Description	Budget	Expenditure	Variance
	2006/2007	2006/2007	30/06/2007
Furniture and equipment	1 722 799	1 394 090	328 709
Youth Advisory Centre	1 500 000	80 204	1 419 796
Youth Partisipation	100 000	106 626	-6 626
ITC Infrastructure	150 000	7 368	142 632
MSIG Gant - DMA Gold.Gate	2 000 000	233 019	1 766 981
Proc of Emergency Equip & Mate	1 000 000	14 035	985 965
Operational Activities Centre	30 000	26 500	3 500
Commercial Vehicles	1 000 000	1 000 000	-
Infrastructure Prof Fees	500 000	297 291	202 709
Audit Unit	311 920	103 608	208 312
Valuation Roll	2 000 000	1 760 000	240 000
Plans, Policies & Procedures	800 000	29 610	770 390
Public Participation	941 500	629 878	311 622
	-	-	-
	-	-	-
Total	12 056 219	5 682 230	6 373 989

APPENDIX F4 : Local Economic Development Projects for the year ended 30 June 2007

Description	Budget 2006/2007	Expenditure 2006/2007	Variance 30/06/2007
Establishment of fresh produce	3 178 500	611 228	2 567 272
SMME Development	1 500 000	1 223 437	276 563
Hawkers Stall/Rural Sanitation	1 000 000	8 940	991 060
	-	-	-
	-	-	-
Total	5 678 500	1 843 605	3 834 895

APPENDIX F6 : Municipal Systems Improvements Grants (MSIG) projects for the year ended 30 June 2007

Description	Budget 2006/2007	Expenditure 2006/2007	Variance 30/06/2007
MSIG/ PIMSS	3 860 000	3 326 610	533 390
	-	-	-
Total	<u>3 860 000</u>	<u>3 326 610</u>	<u>533 390</u>

APPENDIX G: DEBTORS - SUMMARY

Debtors: Summary	Balance 01/07/2006	Movement 2006/2007	Balance 30/06/2007
Debtors: Summary			
Motor vehicle loans	573 536	-392 407	181 129
Other receivables	53 868 188	7 737 705	61 605 892
Councilor's overpayments	13 719	0	13 719
Total	54 455 443	7 345 298	61 800 740

APPENDIX G1: DEBTORS - VEHICLE LOANS

Debtors: Vehicles Loans	Balance 01/07/2006	Capital	Interest	Balance 30/06/2007
Vehicle loans				
Mokotso A	34 736	29 575	1 710	5 161
Moloi M P	90 576	76 130	4 138	14 446
Selepe S M	3 817	3 817	25	0
Lebenya PT	88 774	30 898	9 743	57 876
Seoke M W	90 576	76 130	4 138	14 446
Mokgatlhe L I	40 360	40 360	947	0
Moloi L T	95 989	82 882	4 684	13 107
Moema A	128 707	52 613	13 670	76 094
Total	573 536	392 407	39 056	181 129
Transferred to assets				-
Short - term portion of the long term loan				-151 102
				30 027

APPENDIX G2: DEBTORS - OTHER RECEIVABLES

Other Receivables	Notes	Balance 01/07/2006	Movement 2006/2007	Balance 30/06/2007
Other Receivables				
Other sundry debtors		130 471	130 471	-
Levy Debtors		53 737 717	1 959 744	55 697 461
Nashua Mobile Deductions		-	175 195	175 195
Motorloan		-	187 699	187 699
Interest on motorloan		-	13 678	13 678
Salary control account		-	1 495 925	1 495 925
VAT Receivable		-	4 035 936	4 035 936
		-	-	-
		-	-	-
		-	-	-
		-	-	-
Total		53 868 188	7 998 647	61 605 892

APPENDIX G3: DEBTORS - COUNCILLORS OVERPAYMENTS

Debtors: Councillors Overpayments	Balance 01/07/2006	Movement 2006/2007	Balance 30/06/2007
Councillor			
Yende CT	-	-	-
Msibi AC	-	-	-
Sekete CC	-	-	-
Pakane NJ	-	-	-
Khumalo ME	-	-	-
Ndlebe WR	-	-	-
Khabane MP	-	-	-
Galloway GW	-	-	-
Erasmus B	-	-	-
Lemaoana MV	-	-	-
Maseko JJ	-	-	-
Mokoena M	-	-	-
Kriek J	-	-	-
Tshabalala MJ	-	-	-
Mpati M	-	-	-
Maduna MS	-	-	-
De Klerk DC	-	-	-
Motaung TJ	13 719	0	13 719
Crowther RF	-	-	-
Mofokeng MK	-	-	-
Mthembu BJ	-	-	-
Wisiki N	-	-	-
Mopeli N	-	-	-
Vries W	-	-	-
Mokoena MS	-	-	-
Mokoena MA	-	-	-
Mokhabi L	-	-	-
Total	13 719	0	13 719
Debt written off :			-
			13 719

APPENDIX H: STATISTICAL INFORMATION

General Statistics

Thabo Mofutsanyana District Municipality (DC19) was established in terms of the Municipal Structures Act (Act 117 of 1998) and proclaimed in the Provincial Gazette, Notice 184 on 28 September 2000. The following local Municipalities, established under the same notice, falls within the District Municipality area:

FS 191 - Setsoto Local Municipality	FS192 - Dihlabeng Local Municipality
FS193 - Nketoana Local Municipality	FS194 - Maluti-a-Phofung Local Municipality
FS195 - Phumelela Local Municipality	FSDMA19 - Golden Gate Highlands National Park

The number of people residing in Thabo Mofutsanyana District is approximately

Area	Total	Percentage	Density (km ²)
FS 191 - Setsoto Local Municipality	123 193	17.0%	21.14
FS192 - Dihlabeng Local Municipality	128 923	17.8%	24.36
FS193 - Nketoana Local Municipality	61 952	8.5%	87.97
FS194 - Maluti-a-Phofung Local Municipality	360 787	49.7%	9.40
FS195 - Phumelela Local Municipality	50 903	7.0%	5.54
FSDMA19 - Golden Gate Highlands National Park	170	0.02%	
Total / Average	725 928	100%	25.76