

FINANCIAL STATEMENTS
THABO MOFUTSANYANA
DISTRICT MUNICIPALITY
FOR THE YEAR ENDED 30 JUNE 2008



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GENERAL INFORMATION

EXECUTIVE MAYOR: Councillor MJ Zwane

SPEAKER: Her Majesty Queen Mathokoana Mopeli

CHIEF WHIP: Councillor P Motsoeneng

MEMBERS OF THE MAYORAL COMMITTEE:

MMC L Lemako
MMC N Mosupa
MMC M Tshabalala
MMC S Moleleki
MMC D Lengoabala
MMC M Nthedi
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
National Diploma Public Administration**CHIEF FINANCIAL OFFICER:**

Mr M Mpakane

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 2008. 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 MAYOR OF THABO MOFUTSANYANA DISTRICT MUNICIPALITY (Continues)

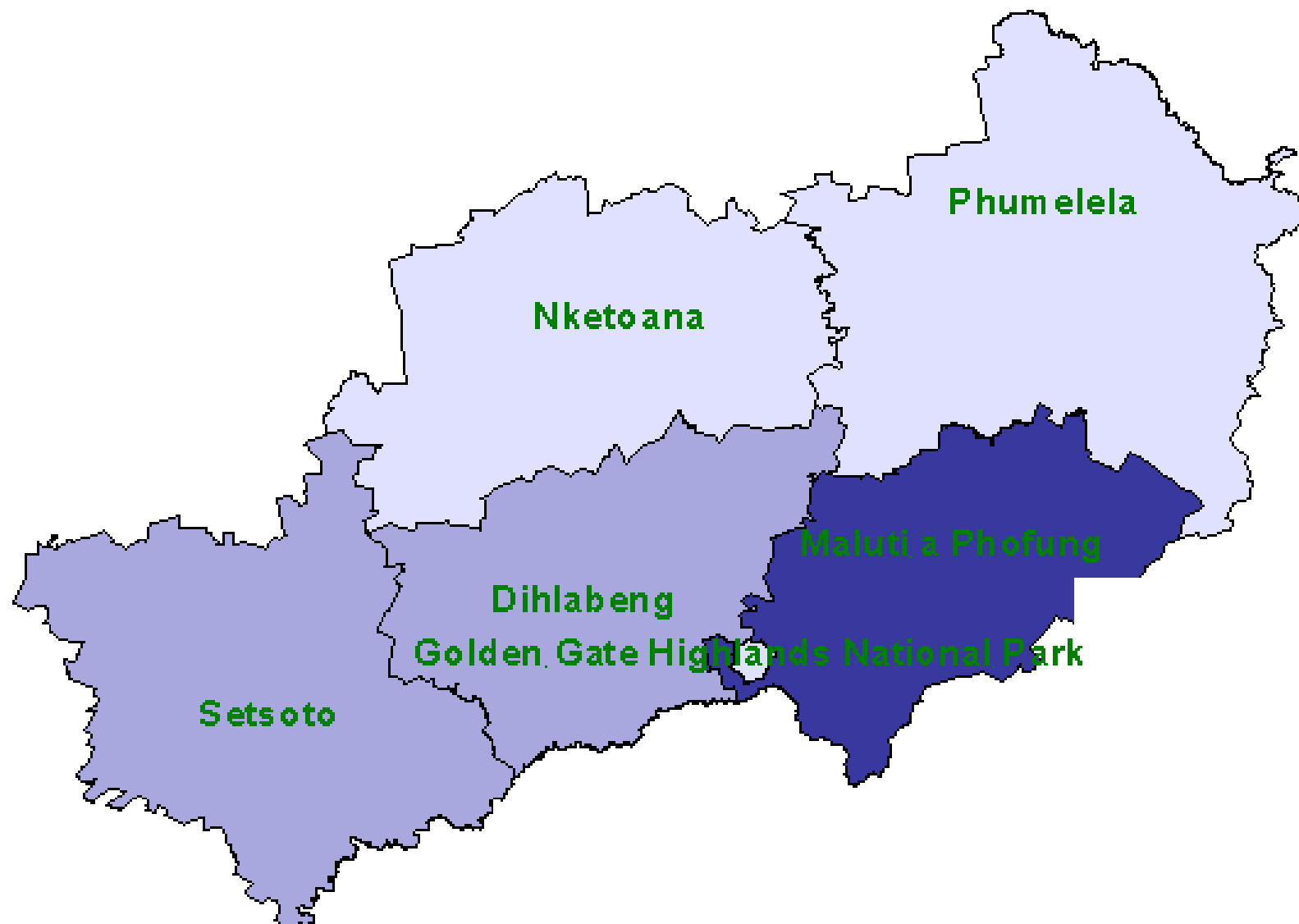
Most importantly it is pleasing to note that our fiduciary responsibility has been carried out with due circumspect. We have never allowed complacency to creep in. Consequently we were frugal yet effective with our expenditure.

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 2008**

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 R1.8 million of RSC levies of the the R50 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 2008 are as follows:

	<i>Actual</i> 2006/2007	<i>Actual</i> 2007/2008	<i>Variance</i>	<i>Budget</i> 2007/2008	<i>Variance</i> Actual / Budget
	R	R	%	R	%
INCOME					
Administration	4 112 463	34 988 989	750.8%	52 500 000	-33.4%
Regional	63 497 340	78 495 554	23.6%	67 236 231	16.7%
Closing deficit	-	-	-	-	-
	<u>67 609 803</u>	<u>113 484 543</u>	67.9%	<u>119 736 231</u>	-5.2%
EXPENDITURE					
Administration	31 748 861	58 650 057	84.7%	41 909 011	39.9%
Regional	35 838 137	48 713 616	35.9%	73 850 802	-34.0%
Closing surplus	22 805	6 120 870	26739.6%	3 976 418	53.9%
	<u>67 609 803</u>	<u>113 484 544</u>		<u>119 736 231</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 650 947 (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 3.9 million in total is due to the Development Bank of SA in respect of Clarens/Kgubetswana and Harrismith/42nd Hill respectively. During the year an amount of R 3.9 was redeemed in this financial year.

5.2 Investments (see note 4)

Investments on hand on 30 June 2008 amounted to R 31 625 133 due to interest capitalised and investments made.

5.3 Bank (see note 7)

The bank balance on hand at 30 June 2008 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
18 Molefe Nkgaudise	2008/07/01	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 Executive Mayor, Councillors and the staff for the support they have given me.

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 13% for Mr. Moema.

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 2008			
	Note	2008 R	2007 R
CAPITAL EMPLOYED			
Funds and Reserves		69 989 781	72 515 073
Accumulated surplus	1.1	64 278 343	67 896 205
Capital Development Fund	1.2	5 711 438	4 618 868
Long-term liabilities	2	-	0
		69 989 781	72 515 073
EMPLOYMENT OF CAPITAL			
Non-current assets		39 453 872	31 655 159
Fixed assets	3	5 584 937	-
Investments	4	33 852 717	31 625 133
Long-term debtors	5	16 218	30 026
Net current assets		30 535 909	40 859 914
Current assets		75 213 388	69 960 732
Debtors	6	62 396 092	61 619 611
Cash and Bank	7	12 801 078	8 190 019
Short - term portion of long - term debtors	5	16 218	151 102
Current liabilities		44 677 479	29 100 818
Provisions	8	3 090 361	1 839 513
Creditors	9	41 587 118	23 452 506
Short - term portion of long - term liabilities	2	-	3 808 799
		69 989 781	72 515 073
Mr. MJ Zwane		Mr. MP Moloi	
EXECUTIVE MAYOR		MUNICIPAL MANAGER	

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2008

2006 / 2007 Actual income R	2006 / 2007 Actual expenditure R	2006 / 2007 Actual surplus/ (deficit) R	General Services	2007 / 2008 Actual income R	2007 / 2008 Actual expenditure R	2007 / 2008 Actual surplus/ (deficit) R	2007 / 2008 Budget surplus/ (deficit) R
29 686 755	34 112 738	-4 425 983	Administration	34 988 989	58 650 057	-23 661 068	10 590 989
80 063 743	39 660 881	40 402 862	Regional Services	78 495 554	48 713 616	29 781 938	-6 614 571
<u>109 750 498</u>	<u>73 773 620</u>	<u>35 976 878</u>	TOTAL	<u>113 484 543</u>	<u>107 363 673</u>	<u>6 120 870</u>	<u>3 976 418</u>
		67 873 400	Appropriations for the year (refer to note 1)			-9 557 603	
		<u>33 966 961</u>	Accumulated surplus beginning of the year			<u>67 715 077</u>	
		<u>137 817 239</u>	ACCUMULATED SURPLUS END OF THE YEAR			<u>64 278 343</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	715 927.89
Establishment	701170	0	2 891 493.59
Debtors VAT	701180	0	505 038.92
Grants : Equitable share	718163	0	38 852 784.00
CMIP-MIG	718229	0	20 447 308.55
PIMS-MSIG	718231	0	1 000 000.00
Local government Fin. Mangt.	718232	0	750 000.00
levy interest	750000	0	3.02
Investments	750220	0	2 366 605.31
		246744766.4	246 744 767.37

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2008

	Notes	2008 R	2007 R
CASH RETAINED FROM OPERATING ACTIVITIES		44 274 681	93 647 839
Cash generated by activities	13	65 203 776	105 770 672
Interest received	13	-1 558 628	-2 366 605
(Increase) / decrease in working capital	14	-18 911 093	-9 343 146
		44 734 055	94 060 921
Less: External Interest paid	13	-459 374	-413 082
Cash available for operations		44 274 681	93 647 839
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	-	-
NET CASH FLOW		44 274 681	93 647 839
CASH EFFECT OF FINANCING ACTIVITIES			
Increase / (decrease) in long-term loans	16	-3 808 799	291 050
(Increase) / decrease in cash investments	17	-	-9 675 682
(Increase) / decrease in cash	18	-4 611 060	24 020 179
Net cash (generated) / utilised		-8 419 859	14 635 547

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2008

	Notes	2008 R	2007 R
1 Accumulated funds			
1.1 Accumulated surplus			
		64 278 344	67 896 206
Accumulated surplus at beginning of the year		67 715 077	62 929 888
Net operating surplus for the year	13	-3 436 733	4 966 317
1.2 Capital Development Fund			
		5 806 548	4 618 868
Provisions up to 2007		4 618 868	3 924 486
Provision for 2008		1 187 680	694 382
(See Appendix A for more details)			
2 Long-term liabilities			
Annuity loans	<i>App B</i>	-	3 808 799
		3 808 799	3 808 799
Less: Current portion transferred to current liabilities		3 808 799	3 808 799
<i>(Refer to appendix B for more detail)</i>		-	0
3 Fixed assets			
Fixed assets beginning of the year		2 967 086	5 452 220
Capital expenditure during the year		650 947	-
Less: Assets written off, transferred or disposed of during the year		-	-
Total fixed assets	<i>App C</i>	3 618 033	5 452 220
Less: Loans redeemed and other capital receipts		-	5 452 220
Net fixed assets		3 618 033	-
4 Investments			
ABSA Investment			
Opening balance		21 283 510	21 949 451
Plus: Interest received		3 066 704	1 334 059
Plus: Capital invested		12 000 000	-
Less: Capital withdrawn		-14 000 000	-2 000 000
Plus / (Less): Adjustment		-	-
Closing balance		22 350 214	21 283 510
FNB Investment			
Opening balance		10 341 623	13 000 000
Plus: Interest received		1 160 880	341 623
Plus: Capital invested		-	-
Less: Capital withdrawn		-	-3 000 000
Plus / (Less): Adjustment		-	-
		11 502 503	10 341 623
Total Investments		33 852 717	31 625 133
Average rate of interest earned		12.29	

Local authorities should invest funds, which are not immediately required, with prescribed 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 both ABSA and FNB.

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2008 (continued)

		2008	2007
		R	R
5 Long-term debtors			
Vehicle loans	<i>App G1</i>	16 218	450 025
		<u>16 218</u>	<u>181 128</u>
Transferred to the Asset Register		-	-
Short-term portion of long-term debtors		16 218	-151 102
		<u>16 218</u>	<u>30 026</u>
6 Current Debtors			
Councillors Overpayments	<i>App G3</i>	-	13 719
Other receivables	<i>App G2</i>	53 494 836	61 605 892
(see Appendix G)		<u>53 494 836</u>	<u>61 619 611</u>
7 Cash and Bank			
Main Account		12 801 078	8 192 201
PIMS		-	1 674
CMIP		-	-4 253
ISRDP		-	-2 505
CBPWP		-	1 287
Sports and Recreation		-	1 614
		<u>12 801 078</u>	<u>8 190 019</u>
8 Provisions			
Leave pay		2 020 748	1 172 245
Audit fees		1 069 613	667 268
		<u>3 090 361</u>	<u>1 839 513</u>
9 Creditors			
Sundry creditors		23 237 067	20 852 506
MIG grant received in advance		7 715 051	2 600 000
Learnership Programme		10 635 000	-
Special Intervention Project		-	-
		<u>41 587 118</u>	<u>23 452 506</u>
10 Councillors' remuneration			
Executive Mayor's Allowance		513 966	478 185
Speaker's Allowance		270 714	-
Chief Whip's Allowance		378 476	351 918
Mayoral Committee Members Allowance		3 036 266	2 463 426
Council Members' Allowance		1 327 935	1 094 453
		<u>5 527 358</u>	<u>4 387 982</u>
11 Auditors' remuneration			
Audit fees		1 069 613	667 268

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2008 (continued)

	2008	2007
	R	R
12 Finance transactions		
Total external interest earned:		
Interest earned on investments	4 227 584	1 675 683
Other interest earned	728 910	690 922
	<u>4 956 494</u>	<u>2 366 605</u>
Capital charges debited to the operating account		
Interest - external	459 374	413 082
Redemption - external	-	-
	<u>459 374</u>	<u>413 082</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	6 120 870	22 805
Adjustment relating to previous years	58 157 474	67 873 400
Opening balances	67 715 077	62 929 889
Adjustments	-9 557 603	10 250 803
Provisions for the year	-	-5 307 292
Vat debtors written back	-	-
Net operating surplus for the year	<u>64 278 344</u>	<u>67 896 205</u>

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2008 (continued)

	2008	2007
	R	R
14 Cash generated by operations		
Surplus/(deficit) for the year	6 120 870	22 805
Adjustments in respect of previous years' operating transactions	13 58 157 474	67 873 400
Appropriations charged against income:	-1 092 570	-694 382
- Provisions	-	-
- Capital Development Fund	App A -1 092 570	-694 382
- Fixed Assets	App C -	-
Capital Charges:		
- Interest paid :		
- to internal funds	-	-
- on external funds	459 374	413 082
- Redemption:		
- of internal advances	-	-
- of external loans	-	-
- Deferred charges written off	-	-
Investments income (operating account)		
Non - operating expenditure		
Expenditure charged against Provisions and Reserves	1 558 628	2 366 605
	<u>65 203 776</u>	<u>105 770 672</u>
15 (Increase) / Decrease in working capital		
(Increase)/decrease in debtors	776 482	-7 737 704
Increase/(decrease) in creditors, consumer deposits	18 134 612	17 080 850
	<u>18 911 094</u>	<u>9 343 146</u>
16 Increase/(decrease) in long-term loans - external		
Loans repaid/written off	3 808 799	-288 344
	<u>3 808 799</u>	<u>-288 344</u>
17 (Increase)/decrease in investments		
Balance: beginning of the year	31 625 133	-21 949 451
Investments made	2 227 584	-9 675 682
	<u>33 852 717</u>	<u>-31 625 133</u>
18 (Increase)/decrease in cash		
Cash balance: beginning of the year	8 190 019	3 833 299
Less: Cash balance: end of the year	12 801 078	8 190 019
	<u>-4 611 059</u>	<u>-4 356 720</u>

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2008 (continued)

	2008	2007
	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	0
Municipal Services	0	0
	<u>0</u>	<u>0</u>

Office rental for the 2007/8 financial year is not yet billed by the Department of Public Works. No provision is made with regard to the year under review.

21 Assets

Assets	<u>-</u>	<u>-</u>
--------	----------	----------

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

22 Municipal Infrastructure Grant Income

MIG income received in advance amounting to R 10 322 000.00 (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	575 819	588 887
Performance Bonus		
Car Allowance	168 000	161 073
Medical and Pension Funds	-	29 741
Other	120 729	12 412
	<u>864 548</u>	<u>792 113</u>
Chief Financial Officer		
Annual Remuneration	340 000	313 784
Performance Bonus		
Car Allowance	210 000	167 983
Medical and Pension Funds	-	3 695
Other	1 499	2 455
	<u>551 499</u>	<u>487 917</u>
Strategic Manager: Corporate Services		
Annual Remuneration	457 471	461 923
Performance Bonus		
Car Allowance	57 333	168 000
Medical and Pension Funds	-	-
Other	326 935	1 435
	<u>841 739</u>	<u>631 358</u>
Strategic Manager: Local Economic Development		
Annual Remuneration	275 770	456 515
Performance Bonus		
Car Allowance	49 108	114 000
Medical and Pension Funds	-	-
Other	250 906	1 316
	<u>575 784</u>	<u>571 830</u>
Strategic Manager: PIMMS		
Annual Remuneration	-	485 333
Performance Bonus		
Car Allowance	-	104 000
Medical and Pension Funds		
Other	-	1 316
	<u>-</u>	<u>590 649</u>

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2008 (continued)

	2008	2007
	R	R
Strategic Manager Manager: Policy and Contract		
Annual Remuneration	472 133	515 643
Performance Bonus		
Car Allowance	95 000	140 000
Medical and Pension Funds	10 523	
Other	234 228	1 435
	<u>811 884</u>	<u>657 078</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 FOR YEAR ENDED 30 JUNE 2008**

	Balance on 01/07/07	Contributions during the year	Net Surplus during the year	Adjustments relating to previous years	Expenditure / transfers during the year	Balance on 30/06/08
	R	R	R		R	R
STATUTORY FUNDS						
Capital Development Fund	4 618 868	1 092 570	-	-	1 092 570	5 711 438

APPENDIX B: EXTERNAL LC FOR YEAR ENDED 30 JUNE 2008

EXTERNAL LOANS	Balance on 01/07/07	Redeemed or written off during the year	Balance on 30/06/08
Annuity Loans - DBSA	R	R	R
Clarens / Kgubetswana	2 483 369	2 483 369	0
42nd Hill (Harrismith)	1 325 431	1 325 431	0
	<u>3 808 799</u>	<u>3 808 799</u>	<u>0</u>

APPENDIX C: ANALYSIS OF FIXED ASSETS

Expenditure 2006 / 2007	Service	Budget 2007 / 2008	Balance on 01/07/07	Expenditure during the year	Redeemed, transferred or written off	Balance on 30/06/08
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 2008**

2007		2008	2008
Actual		Actual	Budget
R		R	R
INCOME - ADMINISTRATION			
715 928	Service Levy	1 214 312	35 000 000
2 891 494	Establishment Levy	637 039	15 000 000
3	Interest	4 956 493	2 500 000
505 039	Debtors VAT	28 181 145	-
<u>4 112 463</u>		<u>34 988 989</u>	<u>52 500 000</u>
63 497 340	REGIONAL SERVICES	78 495 554	67 236 231
20 447 309	Municipal Infrastructure Grant	23 735 000	23 735 000
38 852 784	Equitable Share	39 415 231	39 415 231
1 000 000	MSIG	1 000 000	1 000 000
750 000	Local Govt Financial Management Grant	6 462	500 000
2 447 247	Other	14 338 861	2 586 000
<u>67 609 803</u>		<u>113 484 543</u>	<u>119 736 231</u>
EXPENDITURE - ADMINISTRATION			
31 748 861		58 650 057	41 909 011
18 507 362	Salaries	20 460 105	21 686 949
7 971 081	General expenses	31 783 557	14 238 723
4 857 336	Allowance Councillors	5 616 764	5 383 339
-	Contribution to Fixed Assets	650 947	-
413 082	- Interest paid	138 684	600 000
35 838 137	REGIONAL SERVICES	48 713 616	73 850 802
16 487 561	Municipal Infrastructure Grant	22 546 292	25 963 949
-	Other Capital Projects	657 890	6 800 000
8 498 130	Special Projects	13 281 169	18 950 000
5 682 230	District Funded Projects	9 437 746	15 702 750
1 843 605	Local Economic Development	256 416	3 900 000
-	Allocations to Municipalities	-	-
3 326 610	Municipal Systems Improvement Gran	2 534 103	2 534 103
<u>22 805</u>	Surplus (Deficit) for the year	<u>6 120 870</u>	<u>3 976 418</u>
<u>67 609 803</u>	TOTAL	<u>113 484 543</u>	<u>119 736 231</u>

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

2006 / 2007							2007 / 2008		
2006 / 2007	2006 / 2007	Actual		2007 / 2008	2007 / 2008	Actual	2007 / 2008	Budget	
Actual	Actual	surplus/		Actual	Actual	surplus/		surplus/	
income	expenditure	(deficit)		income	expenditure	(deficit)		(deficit)	
R	R	R		R	R	R		R	
92 757 942	67 586 998	25 170 944	GENERAL SERVICES	118 441 036	107 376 597	11 064 439		16 976 716	
86 703 271	35 838 137	56 984 938	REGIONAL FUNCTIONS	64 650 231	48 726 540	15 430 153		6 388 727	
20 447 309	16 487 561	3 959 747	Municipal Infrastructure Grant (App F1)	23 735 000	22 546 292	1 188 708		-	
38 852 784	-	38 852 784	Equitable share	39 415 231	23 633 221	15 782 010		-	
475 052	-	475 052	Local Government Financial Management Grant	500 000	6 462	-		493 538	
1 000 000	3 326 610	-2 326 610	MSIG (App F6)	1 000 000	2 534 103	-1 534 103		-	
25 928 126	16 023 965	16 023 965	Other Capital Projects	-	6 462	-6 462		5 895 189	
3	413 082	-413 079	PAYMENT OF COSTS LOCAL AUTHORITIES	4 956 493	138 684	4 817 809		1 900 000	
-	-	-	Grants	-	-	-		-	
3	413 082	-413 079	Interests	4 956 493	138 684	4 817 809		1 900 000	
6 054 669	31 335 779	-24 899 767	ADMINISTRATION	49 327 850	58 511 373	-9 183 523		8 690 989	
-	23 364 698	-23 364 698	Salaries and allowances	-	26 076 869	-26 076 869		-27 070 288	
3 607 421	-	3 607 421	Levies	34 988 989	-	34 988 989		50 000 000	
-	7 971 081	-7 971 081	General services	-	31 783 557	-31 783 557		-14 238 723	
-	-	-	Capital expenditure - Fixed assets and Loans	-	650 947	-650 947		-	
2 447 247	-	2 828 591	Other	14 338 861	-	14 338 861		-	
92 757 942	67 586 998	25 170 944	TOTAL	118 441 036	107 376 597	11 064 439		16 976 716	
		67 873 400	Appropriations for the year (refer to note 13)			58 157 474			
		93 044 344	Net surplus for the year			69 221 913			

Ref

AppF1

AppF6

AppF2-5

APPENDIX F: Summary of allocations for the year ended 30 June 2008

Description	Ref	Budget	Expenditure	Variance
		2007/2008	2007/2008	30/06/2008
Municipal Infrastructure Grant	<i>F1</i>	25 084 519	17 522 484	7 562 035
Special projects	<i>F2</i>	11 300 000	13 281 169	-1 981 169
District Funded Projects	<i>F3</i>	2 757 650	9 437 746	-6 680 096
Local Economic Development Projects	<i>F4</i>	3 900 000	256 416	3 643 584
Allocations to Municipalities	<i>F5</i>	0	0	0
Municipal Systems Improvement Grant	<i>F6</i>	2 534 103	2 534 103	0
Ups TMDM Rural Roads	<i>F7</i>	5 000 000		
Special Intervention		800 000		
Setsoto High Mast		1 000 000	5 023 808	
Total		52 376 272	43 031 918	2 544 354

Actual Expenditure				
Municipal Infrastructure Grant	<i>F1</i>	25 084 519	19 975 632	5 108 887
Special projects	<i>F2</i>	11 300 000	15 140 533	-3 840 533
District Funded Projects	<i>F3</i>	2 757 650	10 759 030	-8 001 380
Local Economic Development Projects	<i>F4</i>	3 900 000	292 314	3 607 686
Allocations to Municipalities	<i>F5</i>	0	0	0
Municipal Systems Improvement Grant	<i>F6</i>	2 534 103	2 888 878	-354 774
Total		45 576 272	49 056 387	-3 480 115

APPENDIX F1 : Municipal Infrastructure Grant (MIG) for the year ended 30 June 2008

Description	Budget 2007/2008	Expenditure 2007/2008	Variance 30/06/2008
Ezenzeleni Roads Paving	1 000 000	1 578 194	-578 194
Warden District Fire Station	5 013 286	3 011 072	2 002 214
Marquard Roads Paving	3 481 383	2 445 610	1 035 773
Waden Encatchment Weir	3 990 000	168 175	3 821 825
Phumelela YAC	1 502 770	1 588 296	-85 526
MAP YAC	1 502 770	1 138 945	363 825
Setsoto YAC	1 502 770	1 138 244	364 526
Dihlabeng YAC	1 502 770	2 734 520	-1 231 750
Nketoana YAC	1 502 770	1 137 542	365 228
Lindley Multi Facet Stadium	1 500 000	1 920 687	-420 687
Memel Hall	1 500 000	661 200	838 800
Setsoto High Mast Lights	1 086 000	5 023 808	-3 937 808
Total	<u>25 084 519</u>	<u>22 546 292</u>	<u>2 538 227</u>

APPENDIX F2 : Special Projects for the year ended 30 June 2008

Description	Budget	Expenditure	Variance
	2007/2008	2007/2008	30/06/2008
Farming Communities	1 500 000	1 254 481	245 519
HIV AIDS	1 000 000	557 516	442 484
Mayoral Special Intervention	3 500 000	6 726 008	-3 226 008
Bursary Fund	500 000	256 554	243 446
Gender and Disability	800 000	141 595	658 405
Schools Programmes	500 000	1 701	498 299
Poverty Alliviation	3 000 000	347 880	2 652 120
Churches Programmes	500 000	2 520 301	-2 020 301
Total	11 300 000	11 806 037	-506 037

APPENDIX F3 : District Funded Projects for the year ended 30 June 2008

Description	Budget	Expenditure	Variance
	2007/2008	2007/2008	30/06/2008
Furniture and equipment	1 000 000		1 000 000
Youth Advisory Centre	1 500 000		1 500 000
Youth Partisipation	100 000		100 000
ITC Infrastructure	157 650		157 650
MSIG Gant - DMA Gold.Gate			-
Proc of Emergency Equip & Mate			-
Operational Activities Centre			-
Commercial Vehicles			-
Infrastructure Prof Fees			-
Audit Unit			-
Valuation Roll			-
Plans, Policies & Procedures			-
Public Participation			-
			-
			-
Total	2 757 650	-	2 757 650

APPENDIX F4 : Local Economic Development Projects for the year ended 30 June 2008

Description	Budget 2007/2008	Expenditure 2007/2008	Variance 30/06/2008
Tourism Development	1 500 000	244 411	1 255 589
SMME Development	2 400 000	12 014	2 387 986
Total	<u>3 900 000</u>	<u>256 425</u>	<u>3 643 575</u>

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	2 534 103	2 534 103	-
	-	-	-
Total	2 534 103	2 534 103	-

APPENDIX G: DEBTORS - SUMMARY

Debtors: Summary	Balance 01/07/2007	Movement 2007/2008	Balance 30/06/2008
Debtors: Summary			
Motor vehicle loans	181 129	-164 911	16 218
Other receivables	59 092 600	-5 597 763	53 494 836
Councilor's overpayments	13 719	13 719	0
Total	59 287 448	-5 748 956	53 511 054

APPENDIX G1: DEBTORS - VEHICLE LOANS

Debtors: Vehicles Loans	Balance 01/07/2007	Capital	Interest	Balance 30/06/2008
Vehicle loans				
Mokotso A	5 161	5 161	52	0
Moloi M P	14 446	14 446	96	-0
Selepe S M	0	-	-	0
Lebenya PT	57 876	57 876	-	-
Seoke M W	14 446	14 446	145	-0
Mokgatlhe L I	0	-	-	0
Moloi L T	13 107	13 107	127	-0
Moema A	76 094	59 876	7 283	16 218
Total	181 129	164 911	7 702	16 218
Transferred to assets				-
Short - term portion of the long term loan				16 218

APPENDIX G2: DEBTORS - OTHER RECEIVABLES

Other Receivables	Notes	Balance 01/07/2007	Movement 2007/2008	Balance 30/06/2008
Other Receivables				
Other sundry debtors		-		-
Levy Debtors		54 920 760	-5 432 852	49 487 908
Nashua Mobile Deductions		-		-
Motorloan		181 129	-164 911	16 218
Interest on motorloan		6 395		6 395
Salary control account		2 824 512		2 824 512
VAT Receivable		1 159 804		1 159 804
		-		-
		-		-
		-		-
		-		-
Total		59 092 600	-5 597 763	53 494 836

APPENDIX G3: DEBTORS - COUNCILLORS OVERPAYMENTS

Debtors: Councillors Overpayments	Balance 01/07/2007	Movement 2007/2008	Balance 30/06/2008
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	13 719	-
Crowther RF	-	-	-
Mofokeng MK	-	-	-
Mthembu BJ	-	-	-
Wisiki N	-	-	-
Mopeli N	-	-	-
Vries W	-	-	-
Mokoena MS	-	-	-
Mokoena MA	-	-	-
Mokhabi L	-	-	-
Total	13 719	13 719	-
Debt written off :			-
			-
			-

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