



**ANNUAL FINANCIAL STATEMENTS FOR THE  
YEAR ENDED 30 JUNE 2008**

## **MUNICIPAL MANAGER'S DECLARATION**

I am responsible for the preparation of these annual financial statements, which are set out on pages 1 to 41, in terms 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 as disclosed in note 16 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

A handwritten signature in black ink, appearing to read 'IA Kekesi', with a stylized flourish at the end.

**IA KEKESI**  
**MUNICIPAL MANAGER**  
**31 August 2008**

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**DR RUTH SEGOMOTSI MOMPATI DISTRICT MUNICIPALITY  
STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2008**

	Note	2008 R	2007 R
<b>NET ASSETS AND LIABILITIES</b>			
<b>Net assets</b>		<b>258 824 524</b>	<b>163 756 160</b>
Capital replacement reserve		3 569 571	3 569 571
Capitilisation reserve		629 822	1 089 948
Government grant reserve		108 356 153	108 609 816
Revaluation reserve		8 914 255	6 980 630
Accumulated surplus / (deficit)		137 354 723	43 506 195
<b>Non-current liabilities</b>		<b>6 015 816</b>	<b>22 313 352</b>
Long-term liabilities	1	6 015 816	22 313 352
<b>Current liabilities</b>		<b>84 853 662</b>	<b>74 687 030</b>
Deposits	2	-	248 828
Provisions	3	-	-
Creditors	4	39 164 819	18 999 645
Unspent conditional grants and receipts	5	31 400 594	32 996 183
Bank overdraft	12	-	1 577 912
Current portion of long-term liabilities	1	14 288 250	20 864 462
<b>TOTAL NET ASSETS AND LIABILITIES</b>		<b>349 694 002</b>	<b>260 756 542</b>
<b>ASSETS</b>			
<b>Non-current assets</b>		<b>253 150 161</b>	<b>172 456 536</b>
Property, plant and equipment	7	253 150 161	172 445 478
Long-term receivables	8	-	11 058
<b>Current assets</b>		<b>96 543 841</b>	<b>88 300 006</b>
Consumer debtors	9	0	147 393
Other debtors	10	5 535 935	3 943 125
VAT	6	33 418 436	12 300 648
Current portion of long-term receivables	8	11 058	91 754
Call investment deposits	11	-	-
Bank balances and cash	12	57 578 412	71 817 086
<b>TOTAL ASSETS</b>		<b>349 694 002</b>	<b>260 756 542</b>

**DR RUTH SEGOMOTSI MOMPATI DISTRICT MUNICIPALITY**  
**STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2008**

	Note	2008 R	2007 R
<b>REVENUE</b>			
Rental of facilities and equipment		406 959	369 962
Interest earned - external investments		6 413 736	4 556 844
Interest earned - bank		3 554 591	2 046 965
Interest earned - outstanding debtors		30 571	79 145
Government grants and subsidies	13	214 745 798	171 848 756
Other income	14	636 789	86 041
Impairment reversal of PPE		297 550	337 758
Gains on disposal of PPE		402 510	49 625
		<b>226 488 504</b>	<b>179 375 095</b>
<b>TOTAL REVENUE</b>			
<b>EXPENDITURE</b>			
Employee related costs	15	28 622 135	23 080 284
Remuneration of councillors	16	3 198 415	3 096 048
Bad debts		4 760 158	1 488 047
Collection costs		-	372 544
Depreciation		2 105 686	1 907 767
Impairment of PPE		33 230	-
Repairs and maintenance		1 778 974	1 692 423
Interest paid	17	2 624 971	1 493 470
Bulk purchases	18	32 133 745	44 057 907
Contracted services		8 310 462	11 292 636
Grants and subsidies paid	19	34 194 423	27 470 026
General expenses	21	15 543 667	11 115 175
Loss on disposal of PPE		47 898	171 051
		<b>133 353 765</b>	<b>127 237 378</b>
<b>TOTAL EXPENDITURE</b>			
		<b>93 134 739</b>	<b>52 137 717</b>
<b>SURPLUS / (DEFICIT) FOR THE YEAR</b>			

Refer to **Appendix E(1)** for the comparison with the approved budget

**DR RUTH SEGOMOTSI MOMPATI DISTRICT MUNICIPALITY**  
**STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2008**

	Pre-GAMAP reserves and funds	Capital replacement reserve	Capitilisation reserve	Government grant reserve	Donations and public contribution reserve	Self-insurance reserve	Revaluation reserve	Accumulated surplus / (deficit)	Total
	R	R	R	R	R	R	R	R	R
<b>2007</b>									
Balance at 1 July 2006	-	3 569 571	1 639 263	59 555 244	-	-	5 796 474	39 873 735	110 434 287
Correction of error	-	-	-	-	-	-	-	-	-
Change in accounting policy	-	-	-	-	-	-	-	-	-
Restated balance	-	3 569 571	1 639 263	59 555 244	-	-	5 796 474	39 873 735	110 434 287
Surplus / (deficit) for the year	-	-	-	-	-	-	-	52 137 717	52 137 717
PPE revalued	-	-	-	-	-	-	1 184 156	-	1 184 156
Capital grants used to purchase PPE	-	-	-	49 822 113	-	-	-	-49 822 113	-
Offsetting of depreciation	-	-	-549 315	-767 542	-	-	-	1 316 856	-
<b>Balance at 30 June 2007</b>	<b>-</b>	<b>3 569 571</b>	<b>1 089 948</b>	<b>108 609 816</b>	<b>-</b>	<b>-</b>	<b>6 980 630</b>	<b>43 506 195</b>	<b>163 756 160</b>
<b>2008</b>									
Correction of error	-	-	-	-	-	-	-	-	-
Change in accounting policy	-	-	-	-	-	-	-	-	-
Restated balance	-	3 569 571	1 089 948	108 609 816	-	-	6 980 630	43 506 195	163 756 160
Surplus / (deficit) for the year	-	-	-	-	-	-	-	93 134 739	93 134 739
PPE purchased	-	-	-	297 550	-	-	-	-297 550	-0
PPE revalued	-	-	-	-	-	-	1 933 625	-	1 933 625
Offsetting of depreciation	-	-	-460 126	-551 212	-	-	-	1 011 339	-
<b>Balance at 30 June 2008</b>	<b>-</b>	<b>3 569 571</b>	<b>629 822</b>	<b>108 356 153</b>	<b>-</b>	<b>-</b>	<b>8 914 255</b>	<b>137 354 723</b>	<b>258 824 524</b>

**DR RUTH SEGOMOTSI MOMPATI DISTRICT MUNICIPALITY  
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2008**

	Note	2008 R	2007 R
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Cash receipts from ratepayers, government and other		224 892 915	156 291 060
Cash paid to suppliers and employees		-141 558 272	-114 617 259
Cash generated from / (utilised in) operations	22	83 334 643	41 673 801
Interest received		9 998 898	6 682 953
Interest paid		-2 624 971	-1 493 470
		<b>90 708 571</b>	<b>46 863 284</b>
<b>NET CASH FROM OPERATING ACTIVITIES</b>			
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		-80 913 073	-94 734 952
Proceeds on disposal of property, plant and equipment		655 259	167 967
(Increase) / decrease in non-current receivables		11 058	427 502
		<b>-80 246 756</b>	<b>-94 139 484</b>
<b>NET CASH FROM INVESTING ACTIVITIES</b>			
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
New loan raised / (repaid)		-22 873 748	42 305 498
Increase / (Decrease) in consumer deposits		-248 828	64 606
Decrease / (increase) in short-term loans		-	-
		<b>-23 122 576</b>	<b>42 370 104</b>
<b>NET CASH FLOW FROM FINANCING ACTIVITIES</b>			
<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>			
		<b>-12 660 762</b>	<b>-4 906 096</b>
Cash and cash equivalents at the beginning of the year		70 239 174	75 145 269
Cash and cash equivalents at the end of the year	23	57 578 412	70 239 174

**DR RUTH SEGOMOTSI MOMPATI DISTRICT MUNICIPALITY**  
**SIGNIFICANT ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED**  
**30 JUNE 2008**

**1. BASIS OF PRESENTATION**

These Annual Financial Statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP) and the Standards of Generally Accepted Municipal Accounting Practices (GAMAP) prescribed by the Minister of Finance in terms of:

- i) General Notice 991 of 2005, dated 7 December 2005 and issued in Government Gazette No. 28095 of 15 December 2005; and
- ii) General Notice 992 of 2005, dated 15 December 2005 and issued in Government Gazette No. 28095 of 7 December 2005

These standards are summarised as follows:-

GRAP 01	Presentation of financial statements
GRAP 02	Cash flow statements
GRAP 03	Accounting policies, changes in accounting estimates and errors
GAMAP 04	The effects of changes in foreign exchange rates
GAMAP 06	Consolidated financial statements and accounting for controlled entities
GAMAP 07	Accounting for investments in associates
GAMAP 08	Financial reporting of interests in joint ventures
GAMAP 09	Revenue
GAMAP 12	Inventories
GAMAP 17	Property, plant and equipment
GAMAP 19	Provisions, contingent liabilities and contingent assets

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

The Minister of Finance has, in terms of General Notice 552 of 2007 exempted compliance with certain of the above standards and aspects or parts of these standards. Details of the exemptions applicable to the municipality have been provided in the notes to the annual financial statements.

A summary of the significant accounting policies, which have been consistently applied except where an exemption has been granted, are disclosed below.

These Annual Financial Statements are prepared on the historical cost basis.

**2. PRESENTATION CURRENCY**

These Annual Financial Statements are presented in South African Rand.

**3. GOING CONCERN ASSUMPTION**

These Annual Financial Statements have been prepared on a going concern basis.

**4. OFFSETTING**

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



**DR RUTH SEGOMOTSI MOMPATI DISTRICT MUNICIPALITY**  
**SIGNIFICANT ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED**  
**30 JUNE 2008**

**5. RESERVES**

**5.1 CAPITAL REPLACEMENT RESERVE (CRR)**

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus/(deficit) to the CRR. A corresponding amount is transferred to a designated CRR bank or investment account. The cash in the designated CRR bank account can only be utilised to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus/(deficit) is credited by a corresponding amount when the amounts in the CRR are utilised.

The amount transferred to the CRR is based on the municipality's need to finance future capital projects included in the Integrated Development Plan.

**5.2 CAPITALISATION RESERVE**

On the implementation of GAMAP/GRAP, the balance on certain funds, created in terms of the various Provincial Ordinances applicable at the time, that had historically been utilised for the acquisition of items of property, plant and equipment have been transferred to a Capitalisation Reserve instead of the accumulated surplus/(deficit). The purpose of this Reserve is to promote consumer equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of these items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus/(deficit).

The balance on the Capitalisation Reserve equals the carrying value of the items of property, plant and equipment financed from the former legislated funds. When items of property, plant and equipment are depreciated, a transfer is made from the Capitalisation Reserve to the accumulated surplus/(deficit).

When an item of property, plant and equipment is disposed, the balance in the Capitalisation Reserve relating to such item is transferred to the accumulated surplus/(deficit).

**5.3 GOVERNMENT GRANT RESERVE**

When items of property, plant and equipment are financed from government grants, a transfer is made from the accumulated surplus/(deficit) to the Government Grants Reserve equal to the Government Grant recorded as revenue in the Statement of Financial Performance. When such items of property, plant and equipment are depreciated, a transfer is made from the Government Grant Reserve to the accumulated surplus/(deficit). The purpose of this policy is to promote community equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of government grant funded items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus/(deficit).

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

**5.4 RE-VALUATION RESERVE**

The surplus arising from the revaluation of land and buildings is credited to a non-distributable reserve. Land and buildings are not depreciated. Revaluations on land and buildings are performed in 3 year cycles. On disposal, the net revaluation surplus is transferred to the accumulated surplus/(deficit) while gains or losses on disposal, based on revalued amounts, are credited or charged to the Statement of Financial Performance.

**DR RUTH SEGOMOTSI MOMPATI DISTRICT MUNICIPALITY  
SIGNIFICANT ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED  
30 JUNE 2008**

**6. PROPERTY, PLANT AND EQUIPMENT**

In terms of Government Gazette no 30013 of 29 June 2007 the following exemptions are applicable with regards to GAMAP 17:

Municipalities are not required to review the useful lives of depreciation methods for the items of property, plant and equipment that have been recognised in its annual financial statements.

Testing for and impairing any items of property, plant and equipment is not required during the exemption period.

A municipality need not apply this standard to any investment properties or biological assets that are recognised at cost. In addition, a municipality need not apply this standard to any recognised intangible assets.

In terms of Government Gazette no 30013 of 29 June 2007 the following exemptions are applicable with regards to IFRS5 (AC142):

The recognition, measurement and disclosure of assets (and relating liabilities) meeting the criteria of 'non-current assets held for sale' need not be accounted for in terms of this standard.

The municipality has made use of the transitional arrangement contained in GAMAP 17 wherein infrastructure assets are not recognised for the first 3 years after implementation of the new GRAP / GAMAP standards.

Property, plant and equipment, is stated at cost, less accumulated depreciation, except land and buildings, which are revalued as indicated below.

Work-in-progress assets in the process of construction is recognised at cost and is depreciated once brought into use (on receipt of the applicable completion certificate from the relevant consulting engineer).

Where items of property, plant and equipment 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 except where the impairment reverses a previous revaluation.

Where impaired land and buildings are revalued, the increase in value of land and buildings are recognised as revenue to the extent that it reverses the impairment loss previously recognised as an expense.

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

Subsequent expenditure is capitalised when the recognition and measurement criteria of an asset are met.

Depreciation is calculated as follows on the different PPE categories of the municipality:

<b><u>PPE category</u></b>	<b><u>Method</u></b>	<b><u>Years</u></b>
Land and buildings	Revalued at fair value	3 year cycles
Official vehicles	Straight-line method over estimated useful life of assets	5
Machinery and equipment	Straight-line method over estimated useful life of assets	3
Office equipment	Straight-line method over estimated useful life of assets	3
Office furniture	Straight-line method over estimated useful life of assets	7
Computer equipment	Straight-line method over estimated useful life of assets	3

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.

Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the Statement of Financial Performance.

**DR RUTH SEGOMOTSI MOMPATI DISTRICT MUNICIPALITY**  
**SIGNIFICANT ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED**  
**30 JUNE 2008**

**7. REVALUATION OF LAND AND BUILDINGS**

Land and buildings are stated at revalued amounts, being the fair value at the date of revaluation.

**8. INTANGIBLE ASSETS**

In terms of Government Gazette no 30013 of 29 June 2007 the following exemptions are applicable with regards to IAS 38 (AC129):

Municipalities are only required to apply this standard to expenditure relating to software and website costs.

**9. INVESTMENT PROPERTY**

In terms of Government Gazette no 30013 of 29 June 2007 the following exemptions are applicable with regards to IAS 40 (AC135):

If a municipality has identified property (that was not previously recognised as investment property in its annual financial statements) and has not satisfied itself that the item is in actual fact an investment property, it need not apply this standard provided that the item is accounted for in term GAMAP 17.

**10. FINANCIAL ASSETS**

**10.1 Financial assets at Fair Value through Profit or Loss (FVTPL)**

Financial assets at FVTPL are stated at fair value, with any resultant gain or loss credited or charged to the Statement of Financial Performance. The net gain or loss credited or charged to the Statement of Financial Performance incorporates any dividend or interest earned on the financial asset.

The fair value of financial assets at FVTPL is determined with reference to quoted market prices.

On disposal of financial assets at FVTPL, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

**10.2 Held to maturity investments**

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

Subsequently, held-to-maturity debt securities are measured at amortised cost, less any impairment losses recognised to reflect irrecoverable amounts. The annual amortisation of any discount or premium on the acquisition of a held-to-maturity security is aggregated with other investment income receivable over the term of the instrument so that the revenue recognised in each period represents a constant yield on the investment.

**10.3 Available for sale investments**

Listed equities are stated at fair value. Fair value is determined with reference to quoted market prices. Gains and losses arising from changes in fair value, with the exception of impairment losses, are recognised directly in net assets in the investments revaluation reserve.

On disposal of available for sale investments or when such investments are determined to be impaired, the cumulative gain or loss previously recognised in the investments revaluation reserve is charged or credited to the Statement of Financial Performance.

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

**DR RUTH SEGOMOTSI MOMPATI DISTRICT MUNICIPALITY**  
**SIGNIFICANT ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED**  
**30 JUNE 2008**

**10.4 Loans and receivables**

Loans and receivables are recognised on a transaction date basis and are initially measured at cost.

The impairment of loans and receivables is recognised by adjusting the carrying value through the use of a bad debt provision. Increases or decreases to the bad debt provision are recognised as a charge or credit in the Statement of Financial Performance.

**11. LEASES**

In terms of Government Gazette no 30013 of 29 June 2007 the following exemptions are applicable with regards to IAS 17 (AC105):

Smoothing' of operating lease expenses / revenues in the statement of financial performance is not required for the 2006/07 and 2007/08 financial years.

**11.1 The 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 subject to finance lease agreements are capitalised at their cash cost equivalent and the corresponding liabilities are raised. The cost of the item of property, plant and equipment is depreciated at appropriate rates on the straight-line basis over its estimated useful life. Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are expensed as they become due.

**11.2 The municipality as Lessor**

Amounts due from lessees under finance leases or instalment sale agreements are recorded as receivables at the amount of the Municipality's net investment in the leases. Finance lease or instalment sale income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Municipality's net investment outstanding in respect of the leases or instalment sale agreements.

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

**12. FINANCIAL LIABILITIES**

**12.1 Financial liabilities at Fair Value through Profit or Loss (FVTPL)**

Financial liabilities at FVTPL are stated at fair value, with any resultant gain or loss being credited or charged to the Statement of Financial Performance. The gain or loss credited or charged to the Statement of Financial Performance includes any interest paid on the financial liability.

The fair value of financial liabilities at FVTPL is determined by reference to quoted market prices.

**12.2 Other financial liabilities**

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

Subsequently, other financial liabilities are measured at amortised cost using the effective rate method, with interest costs being recognised on an effective yield basis. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial liability, or where appropriate, a shorter period.

**DR RUTH SEGOMOTSI MOMPATI DISTRICT MUNICIPALITY**  
**SIGNIFICANT ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED**  
**30 JUNE 2008**

**13 REVENUE RECOGNITION**

In terms of Government Gazette no 30013 of 29 June 2007 the following exemptions are applicable with regards to GAMAP 9:

The initial recognition of revenue at fair value.

**13.1 Revenue from exchange transactions**

***Rendering of services***

Revenue arising from the rendering of services and the application of the approved tariff of charges is recognised by reference to the percentage of completion as at the reporting date. Where the percentage of completion cannot be measured reliably, revenue from the rendering of services and the application of the approved tariff of charges is recognised to the extent of expenses are recoverable.

***Sale of goods***

Revenue from the sale of goods is recognised when the risk is passed to the consumer.

***Service charges***

Operating lease revenue is recognised on a straight-line basis over the lease term.

***Interest, royalties and dividends***

Interest is recognised on a time proportion basis.

Royalty revenue that is earned on a time basis is recognised on a straight-line basis over the period of the agreement. Royalty revenue that is based on production, sales and other measures is recognised by reference to the underlying agreement.

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

***Other grants and donations***

Revenue from public contributions is recognised when all conditions associated with the contribution have been met. Where public contributions have been received but the Municipality has not met the condition, a liability is recognised.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment are brought into use.

**13.2 Revenue from non-exchange transactions**

***Levies***

Revenue from Regional Levies, both those based on turnover as well as those based on remuneration, is recognised on the payment due basis. Where declarations have not been submitted, estimated levies based on average data is accrued. Estimates are reviewed regularly to ensure that average data is appropriate. The collection of RSC levies have been discontinued by the Minister of Finance as from 1 July 2006. No further levies received are recognised as income and is off-set against the levy debtors control account. From 1 July 2007 all levies received with regards to levy debtors previously written-off are accounted for against bad debts recovered.

***Other***

Donations are recognised on a cash receipt basis or where the donation is in the form of property, plant and equipment, when such items of property, plant and equipment are brought into use.

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.

**DR RUTH SEGOMOTSI MOMPATI DISTRICT MUNICIPALITY**  
**SIGNIFICANT ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED**  
**30 JUNE 2008**

**14. BORROWING COSTS**

**14.1 Expensed**

Borrowing costs are recognised as an expense in the Statement of Financial Performance.

**15. 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 sheet date and adjusted to reflect the current best estimate. Non-current provisions are discounted to the present value using a discount rate based on the average cost of borrowing to the Municipality.

**16. CASH AND CASH EQUIVALENTS**

Cash includes cash on hand and cash with banks. Cash equivalents are short-term highly liquid investments 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 and investments in financial instruments, net of bank overdrafts.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

**17. RETIREMENT BENEFITS**

The municipality provides retirement benefits for its employees and councillors.

Contributions to defined contribution retirement benefit plans are recognised as an expense when employees and councillors have rendered the employment service or served office entitling them to the contributions.

**18. UNAUTHORIZED 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.

**19. 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.

**DR RUTH SEGOMOTSI MOMPATI DISTRICT MUNICIPALITY**  
**SIGNIFICANT ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED**  
**30 JUNE 2008**

**20. 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.

**21. ACCOUNTS RECEIVABLE**

Accounts receivable are carried at anticipated realisable value. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Bad debts are written off during the year in which they are identified. Amounts that are receivable within 12 months from the reporting date are classified as current.

**22. TRADE CREDITORS**

Trade creditors are stated at their nominal value.

**23. CONSTRUCTION GUARANTEES**

In instances where contractors are unable to acquire written construction guarantees, cash deposits are accepted as an alternative. These deposits, once received, are paid into a separate call account and transferred back to the primary account once released. The deposit is utilised to off-set costs incurred by the municipality in the event of default by a contractor. No interest is credited to the deposit.

**24. CONDITIONAL GRANTS AND RECEIPTS**

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the Municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

**25. FOREIGN CURRENCIES**

Transactions in foreign currencies are initially recorded at the prevailing exchange rate on the dates of the transactions. Monetary assets and liabilities denominated in such foreign currencies are retranslated at the rates prevailing at the reporting date. Exchange differences are included in the Statement of Financial Performance.

**26. COMPARATIVE INFORMATION**

**26.1 Current year comparatives**

Budgeted amounts have been included in the annual financial statements for the current financial year only.

**26.2 Prior year comparatives**

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

**DR RUTH SEGOMOTSI MOMPATI DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**

	2008 R	2007 R
<b>1. LONG-TERM LIABILITIES</b>		
Long-term loans	20 304 065	43 177 814
<b>Sub-total</b>	<b>20 304 065</b>	<b>43 177 814</b>
<b>Less: Current portion transferred to current liabilities</b>	<b>-14 288 250</b>	<b>-20 864 462</b>
Long-term loans	14 288 250	20 864 462
<b>Total external loans</b>	<b>6 015 816</b>	<b>22 313 352</b>
Refer to <b>Appendix A</b> for more detail on long-term liabilities.		
R0 (2007: R0) has been invested specifically in a ring-fenced account for the repayment of long-term liabilities.		
<b>2. DEPOSITS</b>		
Construction guarantees	-	248 828
<b>Total deposits</b>	<b>-</b>	<b>248 828</b>
<b>3. PROVISIONS</b>		
Refer note 4 below		
<b>4. CREDITORS</b>		
Trade creditors	-	-
Payments received in advance	-	-
Leave pay	1 228 354	738 454
Retentions	9 547 840	7 436 100
Other creditors	28 388 624	10 825 091
<b>Total creditors</b>	<b>39 164 819</b>	<b>18 999 645</b>
<b>The movement in leave pay above are reconciled as follows:</b>		
Balance at beginning of year	738 454	1 028 419
Transfer from non-current	-	-
Contribution to provision	1 153 975	605 912
Expenditure incurred	-664 075	-895 877
<b>Balance at end of year</b>	<b>1 228 354</b>	<b>738 454</b>



**DR RUTH SEGOMOTSI MOMPATI DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**

	2008 R	2007 R
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**5. UNSPENT CONDITIONAL GRANTS AND RECEIPTS**

**5.1 Conditional grants from other spheres of government**

	30 099 388	32 764 416
Municipal infrastructure grant	9 905	4 043 185
Provincial LED projects	444 650	464 826
National infrastructure grant	1 520 366	1 544 997
DWAF grant	8 371 325	7 623 005
New municipalities grant	272 574	272 574
Department of sport grant	913 474	913 474
IMMIS grant	914 922	1 056 228
Disaster management fund	2 410 534	1 775 877
Municipal systems improvement grant	1 799 450	1 094 091
Local government support grant	98 843	1 598 843
IDP / PMS support (DDLG&H)	214 546	214 546
Department of social services - Paypoint development	269 205	282 735
Two room clinic fund	509 172	509 172
Financial management grant	476 374	413 367
Fire and emergency grant	-	566 000
Rural sanitation program (DDLG&H)	35 039	70 539
Deployment of engineers grant (DDLG&H)	132 385	132 385
Bucket eradication grant (DDLG&H)	11 584 466	10 000 000
Ruth Mompoti Bursary fund	-	66 417
Department of health subsidy	-0	-
Election fund	122 157	122 157
DBSA conditional grant	-	-

**5.2 Other conditional receipts**

	1 301 206	231 767
Bophirima agricultural cluster fund	-	87 909
LG SETA grant	1 301 206	143 858

**Total conditional grants and receipts**

	<b>31 400 594</b>	<b>32 996 183</b>
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See **Note 13** for reconciliation of grants from other spheres of government.

These amounts are invested in ring-fenced investments until utilised.

**6. VAT**

VAT receivable	<b>33 418 436</b>	<b>12 300 648</b>
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VAT is payable on the cash basis. Only once payment is received from debtors is VAT paid over to SARS.

**DR RUTH SEGOMOTSI MOMPATI DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**

	2008 R	2007 R
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**7. PROPERTY, PLANT AND EQUIPMENT**

Refer **note 35** for reconciliation of carrying value.

Land and buildings were revalued to fair value by using market values. The effective date of the revaluations were 30 June 2007 and 30 June 2008. The revaluation was done by Venter Booyesen and Ferreira, registered and independent valuers. Market values were determined by the averaging of the income capitalization method and the outcomes of comparable transactions. In the case where the market market of buildings can not be reasonably determined, fair value is based on replacement value.

**The revaluation surplus is reconciled as follows:**

Balance at beginning of year	6 980 630	5 796 474
Revaluation of land and buildings	1 933 625	1 184 156
Surplus realised	-	-
<b>Balance at end of year</b>	<b>8 914 255</b>	<b>6 980 630</b>

Refer to **Appendix B** for more detail on property, plant and equipment, including those in the course of construction.

The Municipality has taken advantage of the transitional provisions set out in GAMAP 17. This transitional provision allows the municipality not to recognize infrastructure assets for a period not exceeding 3 years after the initial implementation of the GRAP / GAMAP statements. The Municipality is in the process of itemizing all infrastructure assets and will recalculate accumulated depreciation once this exercise has been completed by 1 July 2009. Furthermore, the Municipality has not assessed whether items of property, plant and equipment are impaired. It is expected that an assessment of impairments will be done by 1 July 2009.

The municipality did not review the useful life or the depreciation method used on the assets recognised in the annual financial statements for the 2007/08 financial year due to the exemption granted in Gazette 30013.

Infrastructure assets have been transferred from DWAF to the municipality as the Water Services Authority in the District. The municipality is in the planning phase of a program to recognise and revalue all infrastructure assets by 1 July 2009. A team of specialists (comprising of engineers, accountants and other relevant fields of expertise) will be appointed to do a detailed investigation and determination of all infrastructure assets, including those transferred from DWAF in terms of applicable accounting standards.

Included in land and buildings above are items that may meet the definition of investment property but have been included as PPE because the municipality had not finalized the process of identifying investment property for reporting purposes. These items will be transferred to investment property once they have been identified as investment property in terms of the definition in IAS 40 (AC 135).

**DR RUTH SEGOMOTSI MOMPATI DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**

	2008 R	2007 R
<b>8. LONG-TERM RECEIVABLES</b>		
Car loans	11 058	102 812
Computer loans	-0	-0
	11 058	102 812
<b>Less: Current portion transferred to current receivables</b>	<b>-11 058</b>	<b>-91 754</b>
Car loans	11 058	91 754
Computer loans	-	-
<b>Total receivables</b>	<b>-</b>	<b>11 058</b>

**Car loans**

Senior staff were entitled to car loans which attract interest at 8.5% per annum and which are repayable over a maximum period of 5 years. The final loan is repayable in the 2008/09 financial year. Since the inception of the MFMA on 1 July 2004 no further loans had been issued.

**Computer loans**

Selected staff were entitled to computer loans which attract interest at 5% per annum and which are repayable over a maximum period of 3 years. These loans have been repaid in the current financial year. Since the inception of the MFMA on 1 July 2004 no further loans had been issued.

**9. CONSUMER DEBTORS**

	Gross balances	Provision for bad debts	Net balances
<b>As at 30 June 2008</b>			
Regional service levies	0	-	0
<b>Total</b>	<b>0</b>	<b>-</b>	<b>0</b>
<b>As at 30 June 2007</b>			
Regional service levies	147 393	-	147 393
<b>Total</b>	<b>147 393</b>	<b>-</b>	<b>147 393</b>

2008 R	2007 R
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**Ageing**

Current (0-30 days)	-	-
31-60 days	-	-
61-90 days	-	-
91-120 days	-	-
121-365 days	-	-
+365 days	0	147 393
<b>Total</b>	<b>0</b>	<b>147 393</b>

**DR RUTH SEGOMOTSI MOMPATI DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**

	2008 R	2007 R
<b>10. OTHER DEBTORS</b>		
Payments made in advance	-	-
Insurance claims	-0	-0
Other debtors	11 283 580	5 074 336
<b>Sub-total</b>	<b>11 283 580</b>	<b>5 074 336</b>
Less: Provision for bad debts	-5 747 645	-1 131 211
<b>Total other debtors</b>	<b>5 535 935</b>	<b>3 943 125</b>
<b><u>Reconciliation of bad debt provision</u></b>		
Balance at beginning of the year	1 131 211	592 827
Contribution to provision	4 616 434	1 131 211
Bad debts written off against provision	-	-592 827
<b>Balance at end of year</b>	<b>5 747 645</b>	<b>1 131 211</b>
<b>11. CALL INVESTMENT DEPOSITS</b>		
Refer Note 12 below		
<b>12. BANK, CASH AND OVERDRAFT BALANCES</b>		
The municipality has the following bank accounts:		
<b><u>Current account (Primary account)</u></b>		
Standard bank - Vryburg branch - Account number : 040423174		
Cash book balance at beginning of year	-1 577 912	15 586 799
Cash book balance at end of year	1 783 834	-1 577 912
Bank statement balance at beginning of year	27 295 649	18 805 235
Bank statement balance at end of year	1 829 456	27 295 649
<b><u>Current account</u></b>		
ABSA bank - Vryburg branch - Account number : 1310000376		
Cash book balance at beginning of year	46 040	44 378
Cash book balance at end of year	-	46 040
Bank statement balance at beginning of year	46 040	44 378
Bank statement balance at end of year	-	46 040
This account was kept open to ensure the completeness of levies collected. As the account has shown no movement (except for interest and bank charges) in the 2006/07 financial year, the account was closed early in the 2007/08 financial year.		
<b><u>Deposits (Daily)</u></b>		
Call accounts	<b>55 793 378</b>	<b>71 769 845</b>
Call deposits of R3,569,571 (2007: R3,569,571) are ring-fenced and attributable to the Capital replacement reserve.		
Call deposits of R31,400,594 (2007: R32,996,183) are ring-fenced and attributable to Unspent conditional grants and receipts.		
Refer <b>Note 25.8</b> for a detailed breakdown of call accounts.		

**DR RUTH SEGOMOTSI MOMPATI DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**

	2008 R	2007 R
<b>13. GOVERNMENT GRANTS AND SUBSIDIES</b>		
Equitable share	87 057 207	72 693 984
Local municipality share to Internal Audit shared service	1 319 818	1 245 111
Municipal infrastructure grant	67 991 858	44 984 520
Provincial LED projects	20 175	374 315
National infrastructure grant	24 630	3 921 421
DWAF grant	23 370 680	34 071 795
New municipalities grant	-	-
Department of sport grant	-	-
IMMIS grant	141 307	34 855
Disaster management fund	365 342	513 805
Municipal systems improvement grant	294 640	2 767 198
Local government support grant	1 500 000	-
IDP / PMS support (DDLG&H)	-	-
Department of social services - Paypoint development	13 530	-
Two room clinic fund	0	874 337
Financial management grant	436 993	450 252
Fire and emergency grant	2 436 779	1 461 980
Rural sanitation program (DDLG&H)	35 500	-
Deployment of engineers grant (DDLG&H)	-	17 616
PCSP Fund	-	542 547
RD Fund	-	262 320
RDP Fund	-0	2 403 802
Bucket eradication grant (DDLG&H)	26 915 534	-
Ruth Mompoti Bursary fund	66 417	165 000
Department of health subsidy	1 479 952	2 014 706
Election fund	-	-
DBSA conditional grant	-	530 000
LG SETA grant	1 191 526	2 519 190
<b>Total government grants and subsidies</b>	<b>214 661 889</b>	<b>171 848 756</b>

**13.1 Equitable share**

This grant is utilised to fund the operations of the municipality in accordance with the approved MTREF budget.

**13.2 Municipal infrastructure grant**

Balance unspent at beginning of year	4 043 185	16 027 705
Current year receipts	63 958 578	33 000 000
Conditions met - transferred to revenue	-67 991 858	-44 984 520
<b>Conditions still to be met - transferred to liabilities (see Note 5)</b>	<b>9 905</b>	<b>4 043 185</b>

This grant was used to construct various water, sewerage and roads infrastructure as part of the upliftment of poorer communities. No funds have been withheld.

**DR RUTH SEGOMOTSI MOMPATI DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**

	2008 R	2007 R
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**13.3 Provincial LED projects**

Balance unspent at beginning of year	464 826	839 141
Current year receipts	-	-
Conditions met - transferred to revenue	-20 175	-374 315
<b>Conditions still to be met - transferred to liabilities (see Note 5)</b>	<b>444 650</b>	<b>464 826</b>

Provincial LED project grants are used to promote small, medium and micro enterprises. The grant is spent in accordance with a business plan approved by the Provincial Government. No funds have been withheld.

**13.4 National infrastructure grant**

Balance unspent at beginning of year	1 544 997	5 466 417
Current year receipts	-	-
Conditions met - transferred to revenue	-24 630	-3 921 421
<b>Conditions still to be met - transferred to liabilities (see Note 5)</b>	<b>1 520 366</b>	<b>1 544 997</b>

This grant was used to construct various water, sewerage and roads infrastructure as part of the upliftment of poorer communities. No funds have been withheld.

**13.5 DWAF grant**

Balance unspent at beginning of year	7 623 005	19 858 320
Current year receipts	24 119 000	21 836 480
Conditions met - transferred to revenue	-23 370 680	-34 071 795
<b>Conditions still to be met - transferred to liabilities (see Note 5)</b>	<b>8 371 325</b>	<b>7 623 005</b>

This grant was used to construct various water and sewerage infrastructure as part of the upliftment of poorer communities. It was further utilised to fund water services operating subsidy. No funds have been withheld.

**13.6 New municipalities grant**

Balance unspent at beginning of year	272 574	272 574
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
<b>Conditions still to be met - transferred to liabilities (see Note 5)</b>	<b>272 574</b>	<b>272 574</b>

This grant is used to establish systems within the Bophirima District Municipality and the Molopo - and Kagisano Local Municipalities. No funds have been withheld.

**DR RUTH SEGOMOTSI MOMPATI DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**

	2008 R	2007 R
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**13.7 Department of sport grant**

Balance unspent at beginning of year	913 474	913 474
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
<b>Conditions still to be met - transferred to liabilities (see Note 5)</b>	<b>913 474</b>	<b>913 474</b>

This grant was used to construct and upgrade various sporting facilities. No funds have been withheld.

**13.8 IMMIS grant**

Balance unspent at beginning of year	1 056 228	1 091 083
Current year receipts	-	-
Conditions met - transferred to revenue	-141 307	-34 855
<b>Conditions still to be met - transferred to liabilities (see Note 5)</b>	<b>914 922</b>	<b>1 056 228</b>

This grant was used to establish IT systems within the greater Bophirima District municipalities. No funds have been withheld.

**13.9 Disaster management fund**

Balance unspent at beginning of year	1 775 877	1 008 681
Current year receipts	1 000 000	1 281 000
Conditions met - transferred to revenue	-365 342	-513 805
<b>Conditions still to be met - transferred to liabilities (see Note 5)</b>	<b>2 410 534</b>	<b>1 775 877</b>

This grant was used to develop disaster management plans for the municipality. No funds have been withheld.

**13.10 Municipal systems improvement grant**

Balance unspent at beginning of year	1 094 091	2 861 289
Current year receipts	1 000 000	1 000 000
Conditions met - transferred to revenue	-294 640	-2 767 198
<b>Conditions still to be met - transferred to liabilities (see Note 5)</b>	<b>1 799 450</b>	<b>1 094 091</b>

This grant was used to establish systems within the entire district. No funds have been withheld.

**13.11 Local government support grant**

Balance unspent at beginning of year	1 598 843	1 598 843
Current year receipts	-	-
Conditions met - transferred to revenue	-1 500 000	-
<b>Conditions still to be met - transferred to liabilities (see Note 5)</b>	<b>98 843</b>	<b>1 598 843</b>

This grant was used to establish systems within the entire district. No funds have been withheld.

**DR RUTH SEGOMOTSI MOMPATI DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**

	2008 R	2007 R
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**13.12 IDP / PMS support (DDL&H)**

Balance unspent at beginning of year	214 546	214 546
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
<b>Conditions still to be met - transferred to liabilities (see Note 5)</b>	<b>214 546</b>	<b>214 546</b>

This grant was used to establishment and futher development of IDP and PMS systems within the entire district. No funds have been withheld.

**13.13 Department of social services - paypoint development**

Balance unspent at beginning of year	282 735	282 735
Current year receipts	-	-
Conditions met - transferred to revenue	-13 530	-
<b>Conditions still to be met - transferred to liabilities (see Note 5)</b>	<b>269 205</b>	<b>282 735</b>

This grant was used to construct and upgrade various pension paypoints in the district. No funds have been withheld.

**13.14 Two room clinic fund**

Balance unspent at beginning of year	509 172	1 383 509
Current year receipts	-	-
Conditions met - transferred to revenue	-0	-874 337
<b>Conditions still to be met - transferred to liabilities (see Note 5)</b>	<b>509 172</b>	<b>509 172</b>

This grant was used to construct and upgrade various clinics in the district. No funds have been withheld.

**13.15 Financial management grant**

Balance unspent at beginning of year	413 367	363 619
Current year receipts	500 000	500 000
Conditions met - transferred to revenue	-436 993	-450 252
<b>Conditions still to be met - transferred to liabilities (see Note 5)</b>	<b>476 374</b>	<b>413 367</b>

This grant was used to establish financial management systems within the municipality and to fund the salaries of the National Treasury interns. No funds have been withheld.



**DR RUTH SEGOMOTSI MOMPATI DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**

	2008 R	2007 R
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**13.16 Fire and emergency grant**

Balance unspent at beginning of year	566 000	27 980
Current year receipts	1 870 779	2 000 000
Conditions met - transferred to revenue	-2 436 779	-1 461 980
<b>Conditions still to be met - transferred to liabilities (see Note 5)</b>	<b>-</b>	<b>566 000</b>

This grant was used to fund the acquisition of fire and emergency vehicles for the Mamusa Local Municipality. No funds have been withheld.

**13.17 Rural sanitation program (DDLG&H)**

Balance unspent at beginning of year	70 539	70 539
Current year receipts	-	-
Conditions met - transferred to revenue	-35 500	-
<b>Conditions still to be met - transferred to liabilities (see Note 5)</b>	<b>35 039</b>	<b>70 539</b>

This grant was used for the construction of VIP toilets in the district. No funds have been withheld.

**13.18 Deployment of engineers grant (DDLG&H)**

Balance unspent at beginning of year	132 385	150 000
Current year receipts	-	-
Conditions met - transferred to revenue	-	-17 616
<b>Conditions still to be met - transferred to liabilities (see Note 5)</b>	<b>132 385</b>	<b>132 385</b>

This grant was used for the deployment of engineers and engineering interns throughout the entire district. No funds have been withheld.

**13.19 PCSP fund**

Balance unspent at beginning of year	-	542 547
Current year receipts	-	-
Conditions met - transferred to revenue	-	-542 547
<b>Conditions still to be met - transferred to liabilities (see Note 5)</b>	<b>-</b>	<b>-</b>

This grant was used for the upgrading of various infrastructure assets throughout the entire district. No funds have been withheld.

**13.20 RD fund**

Balance unspent at beginning of year	-	262 320
Current year receipts	-	-
Conditions met - transferred to revenue	-	-262 320
<b>Conditions still to be met - transferred to liabilities (see Note 5)</b>	<b>-</b>	<b>-</b>

This grant was used for the upgrading of various infrastructure assets throughout the entire district. No funds have been withheld.

**DR RUTH SEGOMOTSI MOMPATI DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**

	2008 R	2007 R
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**13.21 RDP fund**

Balance unspent at beginning of year	-	2 403 802
Current year receipts	-	-
Conditions met - transferred to revenue	0	-2 403 802
<b>Conditions still to be met - transferred to liabilities (see Note 5)</b>	<b>0</b>	<b>-</b>

This grant was used for the upgrading of various infrastructure assets throughout the entire district. No funds have been withheld.

**13.22 Bucket eradication programme (DDLG&H)**

Balance unspent at beginning of year	10 000 000	-
Current year receipts	28 500 000	10 000 000
Conditions met - transferred to revenue	-26 915 534	-
<b>Conditions still to be met - transferred to liabilities (see Note 5)</b>	<b>11 584 466</b>	<b>10 000 000</b>

This grant was used for the municipality's bucket eradication program in the Lekwa-Teemane and Mamusa Local Municipalities. No funds have been withheld.

**13.23 Ruth Mompoti bursary fund**

Balance unspent at beginning of year	66 417	131 417
Current year receipts	-	100 000
Conditions met - transferred to revenue	-66 417	-165 000
<b>Conditions still to be met - transferred to liabilities (see Note 5)</b>	<b>-</b>	<b>66 417</b>

This fund is used to finance the tertiary education of selected indigent students from the District. No funds have been withheld.

**13.24 Provincial health subsidies**

Balance unspent at beginning of year	-	-
Current year receipts	1 479 952	2 014 706
Conditions met - transferred to revenue	-1 479 952	-2 014 706
<b>Conditions still to be met - transferred to liabilities (see Note 5)</b>	<b>-</b>	<b>-</b>

The municipality renders health services on behalf of the Provincial Government and is refunded approximately 80% of total expenditure incurred. This grant has been used exclusively to fund clinic services. The conditions of the subsidy have been met. There was no delay or withholding of the subsidy.

**DR RUTH SEGOMOTSI MOMPATI DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**

	2008 R	2007 R
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**13.25 DBSA conditional grant**

Balance unspent at beginning of year	-	-
Current year receipts	-	530 000
Conditions met - transferred to revenue	-	-530 000
<b>Conditions still to be met - transferred to liabilities (see Note 5)</b>	<b>-</b>	<b>-</b>

This grant was used to establishment and futher development of PMS systems within the entire district. No funds have been withheld.

**13.26 Election fund**

Balance unspent at beginning of year	122 157	122 157
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
<b>Conditions still to be met - transferred to liabilities (see Note 5)</b>	<b>122 157</b>	<b>122 157</b>

This grant is used to fund local government elections in the District. No funds have been withheld.

**13.27 Changes in levels of government grants**

Based on the allocations set out in the Division of Revenue Act, significant increases in the level of government grant funding are expected over the forthcoming 3 financial years.

**14. OTHER INCOME**

Sundry Income	41 751	5 732
Commission Received : Salary Deductions	-	-
Tender document fees	43 333	15 439
Surplus cash	-177	50
SDL grant	-	-
Bursaries for officials recovered	39 928	64 821
Insurance claims received	534	-
Recovery of bad debts	511 419	-
Recovery of unauthorised, irregular, fruitless & wastefull exp (Note 24)	-	-
<b>Total other income</b>	<b>636 789</b>	<b>86 041</b>

**DR RUTH SEGOMOTSI MOMPATI DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**

	2008 R	2007 R
<b>15. EMPLOYEE RELATED COSTS</b>		
Employee related costs - Salaries and wages	18 982 863	14 974 037
Employee related costs - Contributions to UIF, pensions and medical	4 532 229	3 605 970
Travel, motor car, accommodation, subsistence and other allowances	2 569 103	1 740 120
Housing benefits and allowances	1 051 271	916 958
Overtime payments	398 342	481 064
Performance bonus	1 044 417	1 302 841
Long-service awards	43 910	59 293
Less: Employee costs capitalised to Property, Plant and Equipment	-	-
Less: Employee costs included in other expenses	-	-
<b>Total employee related costs</b>	<b>28 622 135</b>	<b>23 080 284</b>

There were no advances to employees. Loans to employees are set out in **Note 8**.

**Remuneration of the Municipal Manager**

Annual remuneration	456 955	490 713
Performance bonuses	-	115 435
Settlement	-	896 118
Car allowance	90 000	99 000
Contributions to UIF, medical and pension funds	84 168	71 115
<b>Total</b>	<b>631 123</b>	<b>1 672 382</b>

**Remuneration of the Chief Financial Officer**

Annual remuneration	596 146	449 252
Performance bonuses	97 402	96 437
Car allowance	105 272	105 817
Contributions to UIF, medical and pension funds	18 143	7 484
<b>Total</b>	<b>816 963</b>	<b>658 990</b>

**Remuneration of individual executive managers**

Remuneration of individual executive managers are reflected per **Note 34**.

**16. REMUNERATION OF COUNCILLORS**

Executive mayor	425 239	416 571
Speaker	333 271	332 504
Mayoral committee members	1 627 438	1 535 605
Councillors	532 307	542 435
Councillors' pension contribution	280 160	268 933
<b>Total councillors' remuneration</b>	<b>3 198 415</b>	<b>3 096 048</b>

**In-kind benefits**

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

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

**DR RUTH SEGOMOTSI MOMPATI DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**

	2008 R	2007 R
<b>17. INTEREST PAID</b>		
Long-term liabilities	2 574 490	1 492 759
Consumer deposits	-	711
Bank overdrafts	-	-
<b>Total interest on external borrowings</b>	<b>2 574 490</b>	<b>1 493 470</b>
<b>18. BULK PURCHASES</b>		
Water	32 131 972	44 057 907
<b>Total bulk purchases</b>	<b>32 131 972</b>	<b>44 057 907</b>
<b>19. GRANTS AND SUBSIDIES PAID</b>		
Grants paid to Local Municipalities	28 911 467	21 491 761
Grants paid to tourism projects	125 000	85 000
Grants paid to LED projects	3 966 430	3 374 075
Community learnership programs	1 191 526	2 519 190
<b>Total grants and subsidies paid</b>	<b>34 194 423</b>	<b>27 470 026</b>
<b>21. GENERAL EXPENSES</b>		
Included in general expenses is the following:		
<b>21.1 Flood damage</b>	<b>-</b>	<b>148 000</b>

Flood damage costs resulted from unseasonal floods that occurred in the Greater-Taung and Kagisano Local Municipal areas in the previous year. The Municipality had to provide transport, temporary shelter and food aid to affected residents until the flooding subsided and residents were able to return to their homes. The flood damage was unforeseen and has not occurred in recent years.

**DR RUTH SEGOMOTSI MOMPATI DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**

	2008 R	2007 R
<b>22. CASH GENERATED BY OPERATIONS</b>		
Surplus for the year	93 134 739	52 137 717
Adjustment for:		
Depreciation	2 105 686	1 907 767
Impairment reversal of PPE	-297 550	-337 758
Impairment of PPE	33 230	-
Gain on disposal of property, plant and equipment	-402 510	-49 625
Loss on disposal of property, plant and equipment	47 898	171 051
Contribution to bad debt provision	-	-
Dividends received	-	-
Investment income	-9 998 898	-6 682 953
Interest paid	2 624 971	1 493 470
<b>Operating surplus before working capital changes:</b>	<b>87 247 567</b>	<b>48 639 669</b>
(Increase) / decrease in debtors	147 393	3 310 969
(Increase) / decrease in other debtors	-1 512 114	6 489 499
(Decrease) / increase in conditional grants and receipts	-1 595 589	-23 084 035
(Decrease) / increase in creditors	20 165 174	10 854 219
(Decrease) / increase in provisions	-	-
(Increase) / decrease in VAT	-21 117 788	-4 536 520
<b>Cash generated by / (utilised in) operations</b>	<b>83 334 643</b>	<b>41 673 801</b>

**23. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents included in the cash flow statement comprise the following statement of amounts indicating financial position :

Bank balances and cash	57 578 412	71 817 086
Call investment deposits	-	-
Bank overdraft	-	-1 577 912
<b>Total cash and cash equivalents</b>	<b>57 578 412</b>	<b>70 239 174</b>

**24. UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE**

i) The following material fruitless and wasteful expenditure had occurred during the year:

Settlement payment to former municipal manager	<b>928 437</b>	<b>928 437</b>
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During the year, the former Municipal Manager's 5 year employment contract came to an end and was then extended for a further period of 15 months up to 28 February 2008. His extended contract was however terminated early and as a result of this he was given the following settlement payment:

	R
Cash payment	733 786
Settlement of loan	194 651
	<b>928 437</b>

The settlement payment was investigated and presented to council for decision on recovery or write-off in the 2007/08 financial year. On 28 August 2008 Council approved the write-off of the full amount as they deemed it not-recoverable.

**DR RUTH SEGOMOTSI MOMPATI DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**

	2008 R	2007 R
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ii) The following material unauthorized expenditure had occurred during the year:

Over expenditure on operating budget votes for the year	<b>14 303 900</b>	<b>14 303 900</b>
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The over expenditure on individual votes for the year, mainly brought on by changes in accounting of the GRAP conversion process, is cash backed and will be presented to council for approval in the 2008/09 financial year.

iii) No further material losses or material irregular or fruitless and wasteful expenditures or material unauthorized expenditure had occurred during the financial year.

v) No criminal or disciplinary steps were taken as a result of losses from (i) above.

vi) No material losses have been recovered or written-off.

**25. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT**

**25.1 Contributions to organised local government: SALGA NW**

Opening balance	-	-13 590
Council subscriptions	190 059	116 188
Amount paid - current year	-190 059	-102 597
Amount paid - previous year	-	-
<b>Balance overpaid (included in debtors)</b>	<b>-</b>	<b>-</b>

**25.2 Audit fees**

Opening balance	-	-
Current year audit fees	953 210	955 267
Amount paid - current year	-953 210	-955 267
Amount paid - previous year	-	-
<b>Balance unpaid (included in creditors)</b>	<b>-</b>	<b>-</b>

**25.3 VAT**

VAT inputs receivables and VAT outputs receivables are shown in **Note 6**. All VAT returns have been submitted by the due date throughout the year.

**25.4 PAYE and UIF**

Opening balance	246 372	168 619
Current year payroll deductions	5 182 584	4 043 993
Amount paid - current year	-5 413 707	-3 966 240
Amount paid - previous year	238 623	-
<b>Balance unpaid (included in creditors)</b>	<b>-253 872</b>	<b>246 372</b>

The balance unpaid represents PAYE over deductions in previous years re-imbursed in error by SARS. This matter has been resolved with SARS in the 2007/08 year.

**DR RUTH SEGOMOTSI MOMPATI DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**

**25.5 Pension and medical aid deductions**

Opening balance	-163 955	-98 847
Current year payroll deductions and council contributions	6 498 767	5 166 261
Amount paid - current year	-6 518 208	-5 198 693
Amount paid - previous year	327 696	-32 677
<b>Balance unpaid (included in debtors)</b>	<b>-144 299</b>	<b>-163 955</b>

The balance unpaid represents pension and medical aid differences on control accounts brought forward from previous years. These accounts are in the process of being reconciled.

**25.6 Councillors' arrear consumer accounts**

No arrears are outstanding from any councillor to the municipality for rates or services.

**25.7 Non-compliance with Chapter 11 of the Municipal Finance**

No non-compliance with Chapter 11 of the MFMA

**25.8 Summary of investments (call accounts)**

Description	Bank	Account no	Balance R
Internal Loan Fund (Saambou)	FNB	02096765004	9 647
New Municipalities Grant	Standard Bank	048545880-001	272 574
CRR	Standard Bank	048558567-001	3 569 571
MIG	Standard Bank	048558575-001	18 767 791
Provincial Led Projects	Standard Bank	048558583-001	444 650
NIG	Standard Bank	048558591-001	1 520 366
DWAF	Standard Bank	048558605-001	9 776 386
Department of Sport Grant	Standard Bank	048558621-001	913 474
Disaster Management Fund	Standard Bank	048558648-001	2 699 877
MSIG	Standard Bank	048558672-001	1 880 631
LGSG	Standard Bank	048558680-001	98 843
IDP / PMS Support (DDL&H)	Standard Bank	048558737-001	214 546
Dept of Social Service - PayPoint	Standard Bank	048558761-001	282 735
Two Room Clinic Fund	Standard Bank	048558818-001	497 271
FMG	Standard Bank	048558834-001	502 321
Rural Sanitation Program (DDL&H)	Standard Bank	048547123-002	70 539
Deployment of Engineer Grant (DDL&H)	Standard Bank	048558877-001	132 385
Bucket Eradication Grant (DDL&H)	Standard Bank	048558702-001	10 000 000
Ruth Mompoti Bursary Fund	Standard Bank	048558710-001	66 417
Agricultural Cluster Fund	Standard Bank	048558796-001	87 909
LG Seta Grant	Standard Bank	048558826-001	1 370 489
Guarantees	Standard Bank	048558842-001	136 528
Leave Provision	Standard Bank	048558850-001	734 042
Transition grant: IMMIS	Standard Bank	348481713	1 056 228
Fire and emergency	Standard Bank	348481721	566 000
Election fund	Standard Bank	348481748	122 157
ABSA 32 days	ABSA	2067239024	-0
			<b>55 793 378</b>

	<b>2008</b>	<b>2007</b>
	<b>R</b>	<b>R</b>

**26. OPERATING LEASE COMMITMENTS**

The municipality's future minimum commitments are as follows:

- Due within one year	626 778	468 870
- Due between one and five years	#REF!	73 621
- Due after five years	-	-
<b>Total</b>	<b>#REF!</b>	<b>542 491</b>



**DR RUTH SEGOMOTSI MOMPATI DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**

	2008 R	2007 R
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**27. CAPITAL COMMITMENTS**

**Commitments in respect of capital expenditure:**

- Approved and contracted for	70 300 365	56 017 422
- Approved but not yet contracted for	67 634 562	65 753 804

<b>Total</b>	<b>137 934 927</b>	<b>121 771 226</b>
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**This expenditure will be financed from:**

- External loans	23 500 000	13 242 837
- Capital replacement reserve	-	4 000 000
- Government grants	81 572 672	73 176 546
- Own resources	32 862 255	31 351 843

<b>Total</b>	<b>137 934 927</b>	<b>121 771 226</b>
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**28. RETIREMENT BENEFIT INFORMATION**

Councillors and employees belong to 3 defined contribution retirement funds:

**28.1 Cape Joint Retirement Fund**

The last actuarial valuation of the Cape Joint Retirement Pension Fund was done at 30 June 2007. This valuation indicated that the fund is in a sound financial condition at the valuation date.

**28.2 Government Employees Pension Fund**

The Government Employees Pension Fund is a defined contribution arrangement and is governed by the Government Employees Pension Fund Law, 1996 in terms of Proclamation 21 of 19 April 1996. Actuarial valuations are performed every 3 years. The last actuarial valuation of the Government Employees Pension Fund was done at 31 March 2006. This valuation indicated that the fund is in a financially sound position yet funded at a level of 100%.

**28.3 Municipal Councillors Pension Fund**

The Councillors of the Municipality are members of the Municipal Councillors Pension Fund which is a defined contribution fund and governed by the Pension Funds Act of 1956. The fund was established in 1988 and an actuarial valuation is carried out every 3 years. The last actuarial valuation of the Municipal Councillors Pension Fund was done at 30 June 2003. This valuation indicated that the fund is in a financially sound position and funded at a level of 107.1%.

**Contributions**

An amount of R2,797,563 (2007 : R2,250,422) was contributed by Council in respect of councillor and employees retirement funding. These contributions have been expensed.

**DR RUTH SEGOMOTSI MOMPATI DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**

**2008**  
**R**

**2007**  
**R**

**29. CONTINGENT LIABILITIES**

**29.1 Botshelo Water**

In accordance with agreement, the municipality re-imburses water service providers on monthly claims up to a maximum of the budget of the water service provider for the year. As a result of this, Botshelo Water had overclaimed on their budget since 1 July 2003, which to date has not been sufficiently explained. The total over-claimed balance (which according to agreement has not been paid) from 1 July 2003 to 30 June 2006 amounts to R4,5 million. As from 1 July 2006 the service provider now only claims up to a maximum of the monthly budget. No further monthly invoices since then have exceeded the budget and are therefore not overclaimed.

**29.2 Sedibeng Water**

In accordance with agreement, the municipality re-imburses water service providers on monthly claims up to a maximum of the budget of the water service provider for the year. As a result of this, Sedibeng Water had over claimed on their budget since 1 July 2004, which to date has not been sufficiently explained. The total over-claimed balance (which according to agreement has not been paid) from 1 July 2004 to 30 June 2006 amounts to R298,041. As from 1 July 2006 the service provider now only claims up to a maximum of the monthly budget. No further monthly invoices since then have exceeded the budget and are therefore not over claimed.

**29.3 DBSA loans transfer from Southern District Municipality**

Based on the legal opinion received, all DBSA loans and related assets reflected in the Annual Financial Statements for the previous years have been removed. Due to the demarcation process, the Bophirima District Municipality does however still remain committed in resolving the matter and to reach agreement with all parties involved for the transfer of assets and liabilities from the Southern District Municipality. The total outstanding balance (including arrears) of the DBSA loans as at 30 June 2007 amount to R47,256,985.87. The estimated value of assets to be transferred amount to R28,673,401.

**29.4 CSKO Consortium**

In the previous financial year the CSKO Consortium were appointed on an open tender basis to do the project management of the upgrading of the existing municipal offices based on their proposal and estimated pricing. At an advanced stage of the project, the Consortium revised their pricing, which exceeded the available budget. They were then removed and a decision was taken to build new offices. As a result of this action the Consortium holds the position that certain funds are due to them by the Municipality, whilst the Municipality is of the view that the relevant claim is not valid. Should the Consortium be successful in their claim, a total of R1,120,000 (including legal fees) could be payable.

**DR RUTH SEGOMOTSI MOMPATI DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**

**2008**  
**R**

**2007**  
**R**

**29.5 IMATU and 99 Others**

Prior to the current financial year, the Roads Department of the Municipality (which was run on an agency basis on behalf of the NW Department of Roads) and including all officials was transferred back to the NW Provincial Government. Officials transferred felt that they were worse off as far as their pension benefits were concerned. A claim was lodged against the Municipality (Cape Joint Retirement Fund as first respondent, Bophirima District Municipality as second respondent and the NW Provincial Government as third respondent). Should the claim be successful, an estimated total of R14,000,000 (including legal fees) could be payable. The NW Department of Roads had indicated in the proceedings that they would take responsibility for the payment of any amounts that the Municipality may be ordered to pay.

**29.6 CCMA Matter**

An ex-employee is claiming that he had been unfairly dismissed and this is opposed by the Municipality. The claim against the Municipality is for re-instatement or alternatively payment of salary for a period of 12 months. It is estimated that a total of R900,000 (including legal fees) could be payable if he is successful.

**30. CONTINGENT ASSETS**

**30.1 Assets transfer from Southern District Municipality**

Refer **Note 29.3**

**31. IN-KIND DONATIONS AND ASSISTANCE**

The municipality received no in-kind donations and assistance.

**32. EVENTS AFTER THE REPORTING DATE**

No material litigation is outstanding against the Municipality and no other post balance events have occurred after year-end and up to the date of the completion of these financial statements.

**33. COMPARISON WITH THE BUDGET**

The comparison of the Municipality's actual financial performance with that budgeted is set out in **Annexures E(1)** and **E(2)**.

**DR RUTH SEGOMOTSI MOMPATI DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**

	Annual remuneration	Performance bonuses	Car allowance	Contributions to UIF, medical and pension funds	Total
	R	R	R	R	R

**34. REMUNERATION TO INDIVIDUAL EXECUTIVE MANAGERS**

**30 June 2008**

Corporate services	346 267	-	70 000	51 398	467 665
Special projects	311 640	-	63 000	46 358	420 998
Internal audit	350 534	84 821	95 555	78 838	609 748
IDP and PIMS	498 906	97 402	55 816	14 930	667 054
Fire and disaster management	374 964	81 168	78 000	71 964	606 095
Engineering services	431 572	109 196	102 173	85 465	728 406
Project management unit	453 056	97 402	114 793	1 473	666 723
Economic developm, tourism & agriculture	448 143	77 110	92 081	62 565	679 898
<b>Total</b>	<b>3 215 081</b>	<b>547 097</b>	<b>671 418</b>	<b>412 991</b>	<b>4 846 588</b>

**30 June 2007**

Corporate services	425 058	91 615	70 800	72 055	659 528
Special projects	317 978	86 793	50 834	49 435	505 041
Internal audit	338 487	76 346	57 519	73 775	546 126
IDP and PIMS	458 454	91 615	55 816	19 797	625 683
Fire and disaster management	261 000	72 328	78 537	71 419	483 284
Engineering services	403 101	108 113	96 000	82 492	689 705
Project management unit	473 123	91 615	96 108	7 648	668 494
Economic developm, tourism & agriculture	327 191	86 793	112 311	59 167	585 462
<b>Total</b>	<b>3 004 390</b>	<b>705 220</b>	<b>617 925</b>	<b>435 786</b>	<b>4 763 322</b>

**DR RUTH SEGOMOTSI MOMPATI DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**

	Land and buildings	Infrastructure	Official vehicles	Machinery and equipment	Office equipment	Office furniture	Computer equipment	Other	Total
	R	R	R	R	R	R	R	R	R
<b>35. PROPERTY, PLANT AND EQUIPMENT - RECONCILIATION OF CARRYING VALUE</b>									
<b>Carrying values at 1 July 2007</b>	9 646 625	157 327 573	3 779 446	187 220	230 454	220 140	1 054 020	-0	172 445 478
Cost	-	157 327 573	7 562 144	600 940	797 846	744 423	2 460 160	-0	169 493 086
Correction of error (Note 33)	-	-	-	-	-	-	-	-	-
Revaluation	9 646 625	-	-	-	-	-	-	-	9 646 625
Accumulated depreciation	-	-	-3 782 698	-413 721	-567 392	-524 283	-1 406 141	-	-6 694 233
- Cost	-	-	3 782 698	413 721	567 392	524 283	1 406 141	-	6 694 233
- Revaluation	-	-	-	-	-	-	-	-	-
Acquisitions	154 000	-	860 355	192 770	105 450	172 062	1 136 628	-0	2 621 265
Capital under construction	-	78 291 808	-	-	-	-	-	-	78 291 808
Increases / decreases in revaluation	2 197 945	-	-	-	-	-	-	-	2 197 945
Depreciation	-	-	1 105 694	66 555	128 658	71 859	732 921	-	2 105 686
- based on cost	-	-	1 105 694	66 555	128 658	71 859	732 921	-	2 105 686
- based on revaluation	-	-	-	-	-	-	-	-	-
Carrying value on disposals	-	-	-196 443	-30 403	-16 961	-	-56 841	-	-300 648
Cost / revaluation	-	-	-1 302 781	-209 801	-244 822	-	-132 501	-	-1 889 905
Accumulated depreciation	-	-	1 106 338	179 399	227 862	-	75 659	-	1 589 257
Impaired losses	-	-	-	-	-	-	-	-	-
Other movements	-	-	-	-	-	-	-	-	-
<b>Carrying values at 30 June 2008</b>	11 998 570	235 619 381	3 337 664	283 032	190 285	320 343	1 400 886	-0	253 150 161
Cost	154 000	235 619 381	7 119 718	583 908	658 473	916 485	3 464 288	-0	248 516 253
Revaluation	11 844 570	-	-	-	-	-	-	-	11 844 570
Accumulated depreciation	-	-	-3 782 054	-300 877	-468 188	-596 141	-2 063 402	-	-7 210 662
- Cost	-	-	3 782 054	300 877	468 188	596 141	2 063 402	-	7 210 662
- Revaluation	-	-	-	-	-	-	-	-	-

Refer to **Appendix E(2)** for the comparison with the approved budget

**DR RUTH SEGOMOTSI MOMPATI DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**

	Land and buildings	Infrastructure	Official vehicles	Machinery and equipment	Office equipment	Office furniture	Computer equipment	Other	Total
	R	R	R	R	R	R	R	R	R
<b>RECONCILIATION OF CARRYING VALUE</b>									
<b>Carrying values at 1 July 2006</b>	8 124 711	65 148 946	3 777 487	176 506	170 115	101 036	612 995	273 975	78 385 771
Cost	-	65 148 946	6 586 025	645 354	356 034	161 978	1 461 761	1 281 017	75 641 115
Correction of error (Note 33)	-	-	-	-	-	-	-	-	-
Revaluation	8 124 711	-	-	-	-	-	-	-	8 124 711
Accumulated depreciation	-	-	-2 808 538	-468 848	-185 919	-60 942	-848 766	-1 007 042	-5 380 055
- Cost	-	-	2 808 538	468 848	185 919	60 942	848 766	1 007 042	5 380 055
- Revaluation	-	-	-	-	-	-	-	-	-
Acquisitions	-	-	1 287 903	171 530	25 759	-	849 892	221 242	2 556 325
Capital under construction	-	92 178 627	-	-	-	-	-	-	92 178 627
Increases / decreases in revaluation	1 521 914	-	-	-	-	-	-	-	1 521 914
Depreciation	-	-	1 157 887	40 360	72 857	23 143	461 091	152 428	1 907 767
- based on cost	-	-	1 157 887	40 360	72 857	23 143	461 091	152 428	1 907 767
- based on revaluation	-	-	-	-	-	-	-	-	-
Carrying value on disposals	-	-	-128 057	-150 859	-0	-	-10 476	-	-289 393
Cost / revaluation	-	-	-311 792	-435 147	-30 767	-	-105 276	-	-882 981
Accumulated depreciation	-	-	183 735	284 288	30 767	-	94 800	-	593 589
Impaired losses	-	-	-	-	-	-	-	-	-
Other movements	-	-	-	-	-	-	-	-	-
<b>Carrying values at 30 June 2007</b>	9 646 625	157 327 573	3 779 446	156 817	123 017	77 893	991 319	342 789	172 445 478
Cost	-	157 327 573	7 562 137	381 737	351 026	161 978	2 206 376	1 502 259	169 493 086
Revaluation	9 646 625	-	-	-	-	-	-	-	9 646 625
Accumulated depreciation	-	-	-3 782 691	-224 920	-228 009	-84 085	-1 215 058	-1 159 470	-6 694 233
- Cost	-	-	3 782 691	224 920	228 009	84 085	1 215 058	1 159 470	6 694 233
- Revaluation	-	-	-	-	-	-	-	-	-

**DR RUTH SEGOMOTSI MOMPATI DISTRICT MUNICIPALITY**  
**APPENDIX A**  
**SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2008**

	Loan number	Redeemable	Balance at 30 June 2007	Received during the period	Redeemed / written off during the period	Balance at 30 June 2008		Carrying value of PPE	Other costs in accordance with the MFMA
			R	R	R	R		R	R
<b>LONG-TERM LOANS</b>									
DBSA loan @ ZAR-JIBAR-SAFEX + 30 basis points			31 027 752	3 368 076	23 107 578	11 288 250		-	-
Botshelo Water Loan @ 0%			12 000 000	-	3 000 000	9 000 000		-	-
Stannic Finance - Vehicle loan @ Prime less 1.111%	0002	2007	36 843	-	36 843	-		-	-
Stannic Finance - Vehicle loan @ Prime less 1.111%	0003	2007	36 742	-	36 742	-		-	-
Mercedes-Benz Finance - Vehicle loan @ Prime less 1%	0001	2007	-	-	-	-		-	-
ABSA Finance - Vehicle loan @ Prime plus .343%	0001	2008	58 869	-	43 053	15 816		-	-
ABSA Finance - Vehicle loan @ Prime plus .343%	0002	2008	-	-	0	-0		-	-
ABSA Finance - Vehicle loan @ Prime plus .343%	0003	2007	17 607	-	17 607	-		-	-
ABSA Finance - Vehicle loan @ Prime plus .343%	0004	2008	-	-	-	-		-	-
<b>TOTAL EXTERNAL LOANS</b>			<b>43 177 814</b>	<b>3 368 076</b>	<b>26 241 824</b>	<b>20 304 065</b>		<b>-</b>	<b>-</b>

**DR RUTH SEGOMOTSI MOMPATI DISTRICT MUNICIPALITY**  
**APPENDIX B**  
**ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2008**

	Cost / Revaluation					Accumulated depreciation				Carrying value
	Opening balance	Additions	Under construction	Disposals	Closing balance	Opening balance	Additions	Disposals	Closing balance	
	R	R	R	R	R	R	R	R	R	
Land and buildings	9 646 625	2 351 945	-	-	11 998 570	-	-	-	-	11 998 570
Infrastructure	157 327 573	-	78 291 808	-	235 619 381	-	-	-	-	235 619 381
Official vehicles	7 562 144	860 355	-	-1 302 781	7 119 718	3 782 698	1 105 694	-1 106 338	3 782 054	3 337 664
Machinery and equipment	600 940	192 770	-	-209 801	583 908	413 721	66 555	-179 399	300 877	283 032
Office equipment	797 846	105 450	-	-244 822	658 473	567 392	128 658	-227 862	468 188	190 285
Office furniture	744 423	172 062	-	-	916 485	524 283	71 859	-	596 141	320 343
Computer equipment	2 460 160	1 136 628	-	-132 501	3 464 288	1 406 141	732 921	-75 659	2 063 402	1 400 886
Other	-0	-0	-	-	-0	-	-	-	-	-0
<b>TOTAL</b>	<b>179 139 711</b>	<b>4 819 210</b>	<b>78 291 808</b>	<b>-1 889 905</b>	<b>260 360 823</b>	<b>6 694 233</b>	<b>2 105 686</b>	<b>-1 589 257</b>	<b>7 210 662</b>	<b>253 150 161</b>



**DR RUTH SEGOMOTSI MOMPATI DISTRICT MUNICIPALITY**  
**APPENDIX C**  
**SEGMENTAL ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2008**

	Cost / Revaluation					Accumulated depreciation				Carrying value
	Opening balance	Additions	Under construction	Disposals	Closing balance	Opening balance	Additions	Disposals	Closing balance	
	R	R	R	R	R	R	R	R	R	
Office of the Executive Mayor	520 980	706 385	-	-	1 227 365	243 438	134 058	-	377 496	849 869
Office of the Speaker	383 914	43 286	-	13 202	413 998	271 573	27 276	4 475	294 373	119 625
Office of the Municipal Manager	95 152	74 318	-	-	169 470	56 905	18 819	-	75 725	93 745
Internal audit	225 757	58 741	-	-	284 498	119 872	158 756	-	278 627	5 871
Budget and treasury office	2 211 695	376 672	-	21 618	2 566 749	1 487 561	246 422	7 467	1 726 516	840 233
Corporate services	10 287 037	2 393 741	-	655 369	12 025 409	683 864	574 424	503 019	755 268	11 270 141
IDP and PIMS	307 304	182 591	-	155 133	334 762	178 076	64 460	108 545	133 991	200 771
Environmental health	12 807	1 883	-	-	14 690	1 423	4 761	-	6 184	8 506
Fire and disaster management	6 115 897	614 925	-	528 235	6 202 587	2 541 577	638 839	495 551	2 684 864	3 517 723
Engineering services	74 447 069	190 333	13 790 538	-	88 427 941	319 677	33 144	-	352 821	88 075 120
Project management unit	83 539 379	37 775	64 501 269	166 662	147 911 761	199 225	49 613	147 889	100 950	147 810 811
Economic development, tourism and agriculture	505 142	138 558	-	189 164	454 536	297 260	101 668	166 142	232 786	221 750
Clinics	487 578	-	-	160 522	327 057	293 783	53 447	156 169	191 061	135 996
<b>TOTAL</b>	<b>179 139 711</b>	<b>4 819 210</b>	<b>78 291 808</b>	<b>1 889 905</b>	<b>260 360 823</b>	<b>6 694 233</b>	<b>2 105 686</b>	<b>1 589 257</b>	<b>7 210 662</b>	<b>253 150 161</b>

**DR RUTH SEGOMOTSI MOMPATI DISTRICT MUNICIPALITY**  
**APPENDIX D**  
**SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2008**

	2008			2007		
	Actual income	Actual Expenditure	Surplus / (Deficit)	Actual income	Actual Expenditure	Surplus / (Deficit)
	R	R	R	R	R	R
Office of the Executive Mayor	5 653 421	6 888 622	-1 235 201	5 982 175	5 406 944	575 231
Office of the Speaker	1 488 063	1 460 423	27 640	1 808 615	1 396 335	412 280
Office of the Municipal Manager	918 007	1 101 702	-183 695	838 794	1 736 192	-897 398
Internal audit	4 495 770	3 521 095	974 675	4 150 894	2 776 958	1 373 936
Budget and treasury office	11 850 691	17 853 556	-6 002 866	10 254 763	6 707 253	3 547 510
Corporate services	9 874 660	12 431 785	-2 557 126	14 634 666	11 062 872	3 571 794
IDP and PIMS	2 946 212	3 448 520	-502 309	4 363 736	8 164 889	-3 801 153
Environmental health	4 250 967	1 474 385	2 776 582	1 671 967	1 252 378	419 589
Fire and disaster management	10 898 273	10 012 824	885 449	7 830 956	8 646 559	-815 603
Engineering services	89 257 989	55 467 615	33 790 374	71 658 750	66 408 641	5 250 109
Project management unit	68 219 522	10 607 406	57 612 117	45 555 365	5 905 511	39 649 854
Economic development, tourism and agriculture	13 553 476	7 544 940	6 008 537	8 344 002	6 113 358	2 230 643
Clinics	3 081 453	1 540 890	1 540 563	2 280 412	1 659 487	620 925
<b>Total</b>	<b>226 488 504</b>	<b>133 353 765</b>	<b>93 134 739</b>	<b>179 375 095</b>	<b>127 237 378</b>	<b>52 137 717</b>

**DR RUTH SEGOMOTSI MOMPATI DISTRICT MUNICIPALITY**  
**APPENDIX E(1)**  
**ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2008**

	2008				Explanation of significant variances greater than 10% versus budget
	Actual R	Budget R	Variance R	Variance %	
<b>REVENUE</b>					
Rental of facilities and equipmen	406 959	350 000	56 959	16%	Budget not aligned to contract
Interest earned - external investment:	6 413 736	4 000 000	2 413 736	60%	Better than expected interest rates earned and higher average bank balance due to capital spending later than anticipated
Interest earned - bank	3 554 591	1 750 000	1 804 591	103%	Better than expected interest rates earned and higher average bank balance due to capital spending later than anticipated
Interest earned - outstanding debtor:	30 571	50 000	-19 429	-39%	Interest on levies outstanding - can not be anticipated
Government grants and subsidie:	214 745 798	208 132 190	6 613 608	3%	-
Other income	636 789	38 400	598 389	1558%	Mainly due to bad debts recovered
Public contributions and donations	-	-	-	0%	-
Impairment reversal of PPE	297 550	-	297 550	100%	Impairment reversal was anticipated in 3 years
Gains on disposal of property, plant and equipmen	402 510	-	402 510	100%	Profit on sale of vehicles not anticipated
<b>TOTAL REVENUE</b>	<b>226 488 504</b>	<b>214 320 590</b>	<b>12 167 913</b>	<b>6%</b>	
<b>EXPENDITURE</b>					
Employee related costs	28 622 135	30 501 830	1 879 695	6%	Vacant posts not filled
Remuneration of councillors:	3 198 415	3 240 303	41 888	1%	-
Bad debts	4 760 158	-	-4 760 158	-100%	Provision for bad debts not anticipated for this year
Collection costs	-	-	-	0%	-
Depreciation	2 105 686	1 807 000	-298 686	-17%	Additional PPE aquired leading to higher depreciation
Impairment of PPE	33 230	-	-33 230	-100%	Impairment not anticipated at this time
Repairs and maintenance	1 778 974	1 246 000	-532 974	-43%	Higher than anticipated expenditure due to moving of offices leading to expenditure incurred to settle staff in new temporary offices
Interest paid	2 624 971	3 357 233	732 262	22%	DBSA bucket eradication loans - new loans taken up in 2008/09 financial year
Bulk purchases	32 133 745	34 875 850	2 742 105	8%	R3m to Botshelo Water provided for in total in the 2006/07 financial year
Contracted services:	8 310 462	6 099 353	-2 211 108	-36%	Rural sanitation project expenditure better than anticipated
Grants and subsidies paic	34 194 423	28 112 184	-6 082 239	-22%	NURP project expenditure improved
General expense:	15 543 667	11 223 130	-4 320 537	-38%	Mainly due to higher than anticipated travel, telephone and insurance costs
Loss on disposal of property, plant and equipmer	47 898	-	-47 898	-10%	-
<b>TOTAL EXPENDITURE</b>	<b>133 353 765</b>	<b>120 462 883</b>	<b>-12 890 882</b>	<b>-11%</b>	
<b>NET SURPLUS / (DEFICIT) FOR THE YEAR</b>	<b>93 134 739</b>	<b>93 857 708</b>	<b>-722 969</b>	<b>-1%</b>	

**DR RUTH SEGOMOTSI MOMPATI DISTRICT MUNICIPALITY**

**APPENDIX E(2)**

**ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2008**

	2008						Explanation of significant variances greater than 10% versus budget
	Actual R	Under construction R	Total additions R	Budget R	Variance		
					R	%	
Office of the Executive Mayo	706 385	-	706 385	25 000	-681 385	-2726%	New mayoral vehicle acquired during the year
Office of the Speake	43 286	-	43 286	-	-43 286	-100%	New PA appointed - equipment replacement during year
Office of the Municipal Manage	74 318	-	74 318	-	-74 318	-100%	New PA appointed - additional equipment and furniture required
Internal audit	58 741	-	58 741	75 000	16 259	22%	Savings on equipment purchases
Budget and treasury office	376 672	-	376 672	100 000	-276 672	-277%	New photo copier and scanner purchased to support local municipalities
Corporate services	2 393 741	-	2 393 741	16 110 000	13 716 259	85%	New office building to commence in 2008/09
IDP and PIMS	182 591	-	182 591	45 000	-137 591	-306%	New printer purchased to support GIS project
Environmental health	1 883	-	1 883	240 000	238 117	99%	Expenditure to take place in 2008/09 - transfer of staff had taken place later than anticipated
Fire and disaster managemen	614 925	-	614 925	3 050 497	2 435 572	80%	Disaster management centre project moved to 2008/09 financial year
Engineering services	190 333	13 790 538	13 980 872	24 272 503	10 291 631	42%	Capital spending projections later than expected
Project management unit	37 775	64 501 269	64 539 044	54 394 900	-10 144 145	-19%	Capital spending projections later than expected
Economic development, tourism and agriculture	138 558	-	138 558	70 000	-68 558	-98%	Additional computers and furniture purchased to equip new staff members
Clinics	-	-	-	-	-	0%	-
<b>TOTAL</b>	<b>4 819 210</b>	<b>78 291 808</b>	<b>83 111 018</b>	<b>98 382 899</b>	<b>15 271 882</b>	<b>16%</b>	