

FINANCIAL STATEMENTS
THABO MOFUTSANYANA
DISTRICT MUNICIPALITY
FOR THE YEAR ENDED 30 JUNE 2005



THABO MOFUTSANYANA DISTRICT MUNICIPALITY

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GENERAL INFORMATION

MAYOR: Me P Mopeli

SPEAKER: B J Mthembu

MEMBERS OF THE MAYORAL COMMITTEE:

N Mopeli
Me. C T Yende
Me. A C Msibi
C C Sekete
W R Ndlebe
M J Zwane
Me. M S Moleleki
P Lengoabala

COUNCILLORS:

Councillor	M J Tshabalala	Councillor	T Morallana
Councillor	M E Khumalo	Councillor	M Mpati
Councillor	M P Khabane	Councillor	M P Maduna
Councillor	G N Galloway	Councillor	D C de Klerk
Councillor	B Erasmus	Councillor	M A Mahlaba
Councillor	J J Maseko	Councillor	M J Lebesa
Councillor	F Henning	Councillor	P J Lebesana
Councillor	B E Mzangwa	Councillor	C H E Badenhorst
Councillor	R N H Molefe	Councillor	M V Lemaoana
Councillor	I T Mkhwanzi	Councillor	T J Motaung
Councillor	R C Matee	Councillor	M K Mofokeng
Councillor	T P Mkhonza	Councillor	B Peters
Councillor	T Zimu	Councillor	J Kriek
Councillor	A N Ntheli	Councillor	R F Crowther

GENERAL INFORMATION

GRADING OF THE DISTRICT MUNICIPALITY

Grade 11

AUDITORS

The Auditor - General

BANKERS

ABSA Bank

REGISTERED OFFICE

Private Bag X 810

WITSIESHOEK

9870

1 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. S M Selepe

National Diploma Public Administration

CHIEF FINANCIAL OFFICER:

Mr. N Mokhesi

M Com, B Com (Hons), B Compt

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 _____.

MUNICIPAL MANAGER

ACCOUNTING OFFICER

National Diploma Public Administration

STRATEGIC MANAGER: FINANCE

Mr. N Mokhesi

M Com, B Com (Hons), B Compt



FOREWORD BY THE EXECUTIVE 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 2004. This is in compliance with the provision of the Municipal Financial Management Act (MFMA) which became operational on 01 July 2004. Our compliance with these provisions is indeed commensurate with our rating on the low to high capacity with the matrix in the act.

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

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

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

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

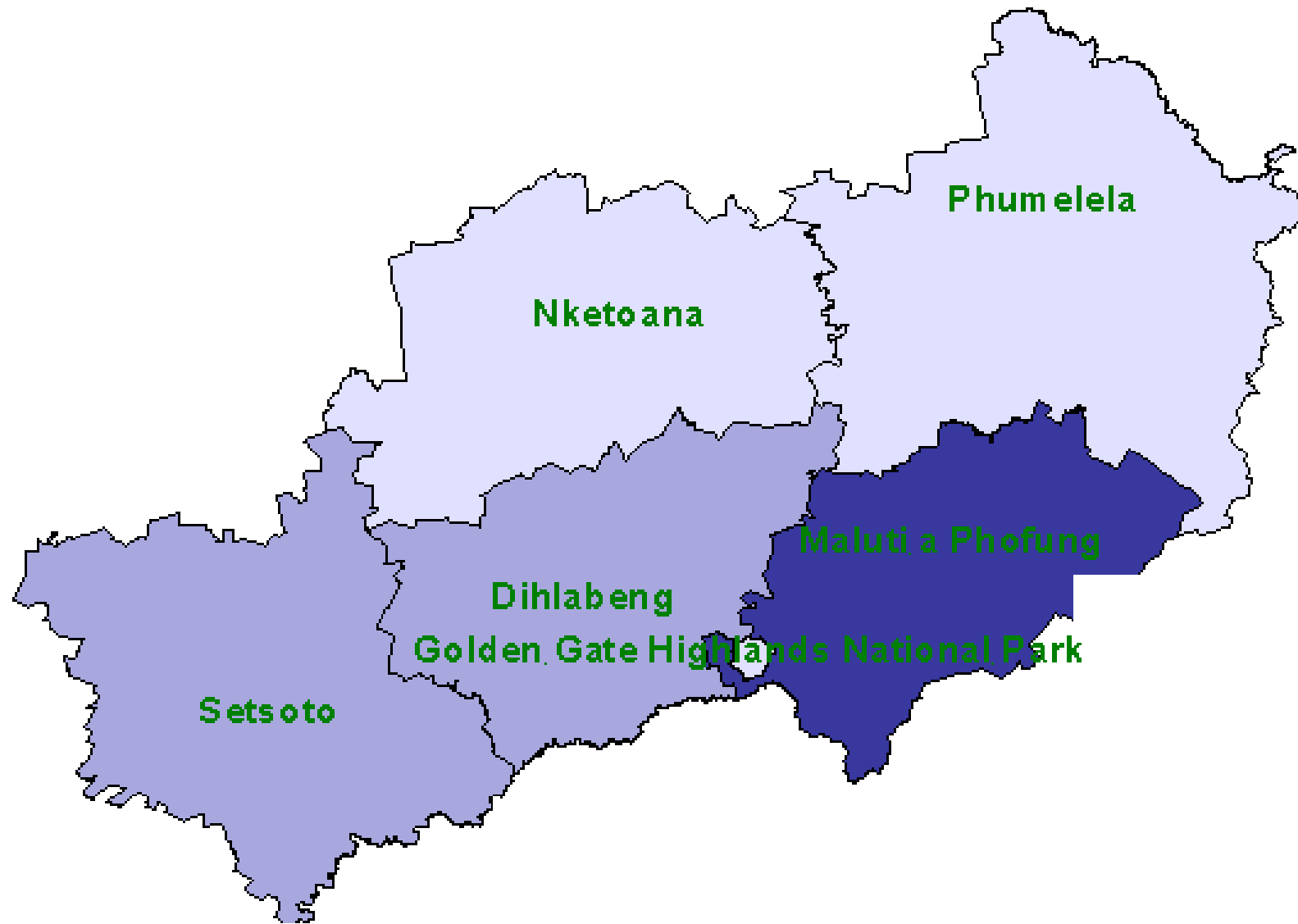
Most importantly it is pleasing to note that our fiduciary responsibility has been carried out with due circumspect. We have never allowed complacency to creep in. Consequently we were frugal yet effective with our expenditure.

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

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

Her Majesty Queen Mathokoana Mopeli

Executive Mayor



**REPORT OF THE AUDITOR-GENERAL TO THE DISTRICT MUNICIPALITY OF
THABO MOFUTSANYANA FOR THE FINANCIAL YEAR ENDED 30 JUNE 2005**

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.

2 Operating results

Details of the operating results, classification and purpose of expenditure are included in Appendices D and E. The overall operating results for the year ended 30 June 2005 are as follows:

	<i>Actual</i> 2003/2004	<i>Actual</i> 2004/2005	<i>Variance</i>	<i>Budget</i> 2004/2005	<i>Variance</i> Actual / Budget
	R	R	%	R	%
INCOME					
Administration	25 979 759	27 323 616	5.2%	29 247 340	-6.6%
Regional	80 032 858	82 086 313	2.6%	84 607 442	-3.0%
Closing deficit	-	-	-	-	-
	<u>106 012 617</u>	<u>109 409 928</u>	3.2%	<u>113 854 782</u>	-3.9%
EXPENDITURE					
Administration	25 189 023	29 052 599	15.3%	29 556 887	-1.7%
Regional	74 494 109	71 573 090	-3.9%	84 297 129	-15.1%
Closing surplus	6 329 485	8 784 240	38.8%	766	1147386.3%
	<u>106 012 617</u>	<u>109 409 928</u>		<u>113 854 782</u>	

In relation to budgeted amounts, a decrease of 4.7% in administration income can be attributed to reduced interest income and levies.

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

The decreased actual surplus can be attributed to the that Sports, CBPWP and CMIP have been incorporated into one fund MIG.

3 Fixed Assets

The expenditure on fixed assets during the year amounts to R 497 315 (App C) that were financed from income.

4 Income and allocations**4.1 Income**

It should be noted that general dealers (1469) paid R 5 445 040 and the State and Province (51) paid R 5 865 565. Further it could be pointed out that general dealers is the greatest number of levy payers.

4.2 Sub - Regional Income and Allocations

Levies amounting to R 10 591 757 were paid by 1 693 levy payers of Dihlabeng Municipality.

The number of levy payers increased from 5 264 to 5 415 within the year resulting in increased revenues from R 21 600 212 to R 24 227 520.

4.3 Income - Type Summary

Type Description	Number - Levy Payers		Amounts - Levies	
	2004/2005	2003/2004	2004/2005	2003/2004
General Dealers	1 469	1 670	5 445 040	5 332 781
Farmers	1 382	1 805	891 550	1 351 056
Finance	14	19	151 095	569 268
Hotel	114	144	314 841	361 769
Cooperatives	6	11	977 921	1 456 750
Motor	138	163	1 119 653	1 843 015
Municipality	8	5	902 758	750 893
Industries	262	320	1 625 212	2 153 055
Prof. Services	742	1 009	1 466 909	1 492 504
State / Province	39	51	5 865 565	6 127 474
Transport	58	64	157 253	161 647
Others	1 183	3	5 309 722	0
	5 415	5 264	24 227 520	21 600 212

4.4 Sub - Regional Summary

Sub - Region	Number Levy Payers		Amounts - Levied	
	2004/2005	2003/2004	2004/2005	2003/2004
Dihlabeng	1 693	1 607	10 591 757	8 863 417
Maluti a Phofung	1 618	1 595	9 934 445	9 256 709
Nketoana	607	600	1 206 650	1 088 503
Phumelela	510	498	312 465	376 512
Setsoto	987	955	2 182 202	2 015 072
		9		
Total	5 415	5 264	24 227 520	21 600 212

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

Amounts of R 2 859 573 and R 1 528 621 or R 4 388 194 in total are due to the Development Bank of SA in respect of Clarens/Kgubetswana and Harris Smith/42nd Hill respectively. During the year an amount of R 225 647 was redeemed.

5.2 Investments (see note 4)

Investments on hand on 30 June 2005 amount to R 20 477 610 (R 19 012 562 in 2004) due to interest capitalised.

5.3 Bank (see note 17)

The bank balance on hand at 30 June 2005 amounted to R 27 853 478 (R 37 790 032 in 2004) due to R 7 063 917.06 deducted by SARS as a result from the VAT assessment (R 4 780 528.30) and PAYE assessment (R 2 283 388.76).

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

- Me. Moloi Me (R65 000.00 - People's Bank - July 2002)
- Mr. A Mokotso (R82 052.00 - Free State Development Corporation - August 2004)
- S Mthombeni (R70 000.00 - Standard Bank - November 2004)

Appreciation

I wish to thank the Mayor, Councillors and Municipal Manager as well as the staff for the support they have given me and in particular the local representatives of the Auditor-General for their assistance.

STRATEGIC MANAGER: FINANCE
N MOKHESI

ACCOUNTING POLICY**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.

6.2 Where projects have not been finalised the balances were transferred to the 2004/2005 financial year. This was done due to the late approval of the budget and to allow these institutions to complete the projects.

7 Investments

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

8 Long-term debtors

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

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

9 Leased assets

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

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

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

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 2005			
	Note	2005 R	2004 R
CAPITAL EMPLOYED			
Funds and Reserves		37 891 447	50 352 897
Accumulated surplus	1.1	33 966 961	47 522 510
Capital Development Fund	1.2	3 924 486	2 830 387
Long-term liabilities	2	4 139 595	4 367 957
		<u>42 031 042</u>	<u>54 720 854</u>
EMPLOYMENT OF CAPITAL			
Non-current assets		20 927 635	20 237 853
Fixed assets	3	-	-
Investments	4	20 477 610	19 012 562
Long-term debtors	5	450 026	1 225 291
Net current assets		21 103 406	34 483 001
Current assets		33 619 785	45 115 362
Short-term debtors	6	5 338 710	6 796 766
Cash		27 853 478	37 790 032
Short - term portion of long - term debtors	5	427 596	528 564
Current liabilities		12 516 378	10 632 361
Provisions	7	1 539 137	2 166 266
Creditors	8	10 728 642	8 220 211
Short - term portion of long - term liabilities	2	248 599	245 884
		<u>42 031 042</u>	<u>54 720 854</u>
Me P MOPELI		MR S M SELEPE	
EXECUTIVE MAYOR		MUNICIPAL MANAGER	

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2005

2003 / 2004	2003 / 2004	2003 / 2004		2004 / 2005	2004 / 2005	2004 / 2005	2004 / 2005
Actual	Actual	Actual		Actual	Actual	Actual	Budget
income	expenditure	surplus/	General Services	income	expenditure	surplus/	surplus/
R	R	(deficit)		R	R	(deficit)	(deficit)
		R				R	R
25 979 759	25 189 023	790 736	Administration	27 323 616	29 052 599	(1 728 983)	(309 547)
80 032 858	74 494 110	5 538 748	Regional Services	82 086 313	71 573 090	10 513 223	310 313
<u>106 012 617</u>	<u>99 683 133</u>	<u>6 329 484</u>	TOTAL	<u>109 409 928</u>	<u>100 625 689</u>	<u>8 784 240</u>	<u>766</u>
		13 561 559	Appropriations for the year (refer to note 1)			(22 339 790)	
		<u>27 631 467</u>	Accumulated surplus beginning of the year			<u>47 522 510</u>	
		<u>47 522 510</u>	ACCUMULATED SURPLUS END OF THE YEAR			<u>33 966 960</u>	

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2005			
	Notes	2005 R	2004 R
CASH RETAINED FROM OPERATING ACTIVITIES			(8 523 810) 7 402 964
Cash generated by activities	13	(15 176 321)	21 477 504
Interest received	13	3 096 096	4 379 547
(Increase) / decrease in working capital	14	4 067 455	(17 944 801)
		(8 012 770)	7 912 250
Less: External Interest paid	13	(511 040)	(509 286)
Cash available for operations		(8 523 810)	7 402 964
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	(497 315)	(2 640 329)
NET CASH FLOW		(9 021 125)	4 762 635
CASH EFFECT OF FINANCING ACTIVITIES			
Increase / (decrease) in long-term loans	15	(225 647)	(221 851)
(Increase) / decrease in cash investments	16	(689 782)	(1 389 671)
(Increase) / decrease in cash	17	9 936 554	(3 151 112)
Net cash (generated) / utilised		9 021 124	(4 762 635)

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2005

	Notes	2005 R	2004 R
1 Accumulated funds			
1.1 Accumulated surplus		33 966 961	47 522 511
Accumulated surplus at beginning of the year		47 522 511	27 631 467
Net operating surplus for the year	12	(13 555 550)	19 891 044
1.2 Capital Development Fund		3 924 486	2 830 387
Provisions up to 2004		2 830 387	1 770 261
Provision for 2005		1 094 099	1 060 126
(See Appendix A for more details)			
2 Long-term liabilities			
Annuity loans	<i>App B</i>	4 388 194	4 613 841
		4 388 194	4 613 841
Less: Current portion transferred to current liabilities		248 599	245 884
(Refer to appendix B for more detail)		4 139 595	4 367 957
Carry interest at the rate of 10% per annum and will be fully redeemed in 2015.			
3 Fixed assets			
Fixed assets beginning of the year		4 434 332	1 794 003
Capital expenditure during the year		497 315	2 640 329
Less: Assets written off, transferred or disposed of during the year		-	-
Total fixed assets	<i>App C</i>	4 931 647	4 434 332
Less: Loans redeemed and other capital receipts		4 931 647	4 434 332
Net fixed assets		-	-
4 Investments			
Opening balance		19 012 562	17 355 835
Plus: Interest received		1 465 048	1 656 727
Plus: Capital invested		-	-
Less: Capital withdrawn		-	-
Plus / (Less): Adjustment		-	-
Closing balance		20 477 610	19 012 562
Average rate of interest earned		7.7%	9.7%

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

No investments have been written off during the year.

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

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

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2005 (continued)

		2005	2004
		R	R
5 Long-term debtors			
Vehicle loans	<i>App G1</i>	1 007 837	1 753 855
		1 007 837	1 753 855
Transferred to the Asset Register		(130 215)	-
Short-term portion of long-term debtors		(427 596)	528 564
		450 026	1 225 291
6 Current Debtors			
Councillors Overpayments	<i>App G3</i>	285 451	519 464
Other receivables	<i>App G2</i>	5 053 259	4 560 603
(see Appendix G)		5 338 710	5 080 067
7 Provisions			
Leave pay		989 137	1 416 266
Audit fees		550 000	750 000
		1 539 137	2 166 266
8 Creditors			
Salaries		493 494	129 023
MSIG Funds Unspent		2 918 728	2 918 728
Sundry creditors		5 148 742	1 496 429
Grants received in advance		330 000	330 000
Short-term loan DBSA		132 124	141 978
SARS Income Tax		-	77 609
ISRPD Payable		305 555	305 555
Transnet Foundation		-	500 000
Drought Relief Project		1 100 000	-
Special Intervention Project		300 000	-
PwC - Matlakala		-	2 500
SITA Loan payable		-	514 000
MSIG Funds Received in Advance		-	1 804 390
		10 728 642	8 220 212
9 Councillors' remuneration			
Mayor's Allowance		-	-
Councillor's Allowance		2 208 322	1 940 830
Housing		347 341	339 494
Medical		69 251	3 068
Personal Facility		27 808	22 056
Travel		461 286	474 571
		3 114 008	2 780 019
10 Auditors' remuneration			
Audit fees		550 000	750 000

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2005 (continued)

	2005	2004
	R	R
11 Finance transactions		
Total external interest earned:		
Interest earned on investments	550 000	1 861 408
Other interest earned	2 546 096	2 518 138
	<u>3 096 096</u>	<u>4 379 546</u>
Capital charges debited to the operating account		
Interest - external	511 040	509 286
Redemption - external	-	-
	<u>511 040</u>	<u>509 286</u>

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

12 Appropriations

Appropriation account

Operating surplus for the year	8 784 240	6 329 485
Adjustment relating to previous years	<u>(22 339 790)</u>	13 561 559
Wrong transfer from TMDM		450 000
Wrong allocation of Thabo Mofutsanyana D/M		211 835
Overstatement of Machesa AMJR account		32
Works expenses 2001 / 2		(48 134 216)
Works expenses 2002 / 3		(122 078)
Provision of TMDM 2001 / 2 projects unspent		(1 235 686)
Provision of TMDM 2002 / 3 projects unspent		9 248 054
CBPWP deficit written off		(8 655 011)
Adjustment of the opening balance of the investment		(204 681)
CBPWP appropriation transferred to TMDM		51 572 104
Reversal of net salaries processes and not paid		44 553
Outstanding payments written back	210 428	435 985
Thabo Mofutsanyana Control account		(374 845)
Interest on Investment understated		5 267
Interest on motor loans accrued		10 688
Payments for 2002/3 made on behalf of CBPWP		(414 083)
Reversal of creditors in 2003		248 636
Reversal of deferred interest capitalised to short-term loan		(18 260)
Reversal of Income accrued in 2002/3		12 841 513
Equitable share received in 2002/3 for 2003/4		(5 595 407)
Reversal of Income receivable in 2002/3		(3 646 676)
Public Works Cash Book Balance		7 680 265
CBPWP grant received in 2002/3 for 2003/4		(876 928)
Assets Unaccounted for	20	15 812
PY Thaele's legal fees capitalised		-
Adjustment of salaries posted in the previous year		42
Income incorrectly accounted for	21	(7 063 736)
Me. Lebenya's motor loan		(130 215)
Vat assessment for the period 1999 to 2004	22	(12 785 531)
PAYE assessment for the period 1999 to 2004		(2 283 389)
Amount Received for ICT support		(287 347)
Petty Cash		-
Old C B P W P		-
Tourism		-
Provision for overpayment of councillors	App G - 3	74 645
Net operating surplus for the year	<u>(13 555 550)</u>	<u>19 891 044</u>

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2005 (continued)

		2005	2004
		R	R
13 Cash generated by operations			
Surplus/(deficit) for the year		8 784 240	6 329 485
Adjustments in respect of previous years' operating transactions	12	(22 339 790)	13 561 559
Appropriations charged against income:		964 286	5 456 721
- Provisions		(627 129)	1 756 266
- Capital Development Fund	App A	1 094 099	1 060 126
- Fixed Assets	App C	497 315	2 640 329
Capital Charges:			
- Interest paid :			
- to internal funds		-	-
- on external funds		511 040	509 286
- Redemption:			
- of internal advances		-	-
- of external loans		-	-
- Deferred charges written off		-	-
Investments income (operating account)			
Non - operating expenditure			
Expenditure charged against Provisions and Reserves		(3 096 096)	(4 379 547)
		<u>(15 176 321)</u>	<u>21 477 504</u>
14 (Increase) / Decrease in working capital			
(Increase)/decrease in debtors		1 559 024	(1 705 147)
Increase/(decrease) in creditors, consumer deposits		2 508 431	(16 239 654)
		<u>4 067 455</u>	<u>(17 944 801)</u>
15 Increase/(decrease) in long-term loans - external			
Loans repaid/written off		(225 647)	(221 851)
		<u>(225 647)</u>	<u>(221 851)</u>
16 (Increase)/decrease in investments			
Balance: beginning of the year		(20 237 853)	(18 848 182)
Investments made		(689 782)	(1 389 671)
		<u>(20 927 635)</u>	<u>(20 237 853)</u>
17 (Increase)/decrease in cash			
Cash balance: beginning of the year		37 790 032	34 638 920
Less: Cash balance: end of the year		27 853 478	37 790 032
		<u>9 936 554</u>	<u>(3 151 112)</u>

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2005 (continued)

	2005	2004
	R	R
18 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.		
19 Contingent liabilities		
Office rental	3 500 000	154 000
Municipal Services	1 500 000	360 000
	<u>5 000 000</u>	<u>514 000</u>

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

20 Assets unaccounted for

Assets	-	15 813
--------	---	--------

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

21 Municipal Infrastructure Grant Income

MIG income received in advance amounting to R 7 063 736.16 was erroneously accounted for in the 2003/2004 financial year instead of 2004/2005 financial year (see note 12 appropriations).

22 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.

23 Comparative figures

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

APPENDIX A: STATUTORY FUNDS, RESERVES AND TRUST FUNDS

	Balance on 01/07/04	Contributions during the year	Net Surplus during the year	Adjustments relating to previous years	Expenditure / transfers during the year	Balance on 30/06/05
	R	R	R		R	R
STATUTORY FUNDS						
Capital Development Fund	<u>2 830 387</u>	<u>1 094 099</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3 924 486</u>

APPENDIX B: EXTERNAL LOANS

EXTERNAL LOANS	Balance on 01/07/04	Received during the year	Redeemed or written off during the year	Balance on 30/06/05
Annuity Loans - DBSA	R	R	R	R
Clarens / Kgubetswana	3 008 263	-	148 689	2 859 573
42nd Hill (Harrismith)	1 605 578	-	76 957	1 528 621
	<u>4 613 841</u>	<u>-</u>	<u>225 647</u>	<u>4 388 194</u>

APPENDIX C: ANALYSIS OF FIXED ASSETS

Expenditure 2003 / 2004	Service	Budget 2004 / 2005	Balance on 01/07/04	Expenditure during the year	Redeemed, transferred or written off	Balance on 30/06/05
R		R	R	R	R	R
1 440 329	General Service	500 000	3 250 145	497 315	-	3 747 460
1 200 000	Capital projects	-	1 200 000		-	1 200 000
<u>2 640 329</u>	TOTAL FIXED ASSETS	<u>500 000</u>	<u>4 450 145</u>	<u>497 315</u>	<u>-</u>	<u>4 947 460</u>
	LESS: LOANS REDEEMED AND OTHER CAPITAL RECEIPTS		4 450 145	497 315	-	4 947 460
	Contributions ex operating income		3 250 145	497 315	-	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 2005**

2004 Actual R		2005 Actual R	2005 Budget R
INCOME - ADMINISTRATION			
12 297 927	Service Levy	9 701 896	10 000 000
9 302 285	Establishment Levy	14 525 624	14 000 000
4 379 547	Interest	3 096 096	5 247 340
<u>25 979 759</u>		<u>27 323 616</u>	29 247 340
80 032 858	REGIONAL SERVICES	82 086 313	84 607 442
8 207 067	CBPWP	-	-
41 170 326	Municipal Infrastructure Grant	62 481 359	62 608 910
19 273 382	Equitable Share	13 797 897	13 622 000
3 150 000	MSIG	3 500 000	3 550 000
1 000 000	Local Govt Financial Management Grant	-	452 000
2 900 000	Sports and recreation	-	-
4 332 083	Other	2 307 057	4 374 532
<u>106 012 617</u>		<u>109 409 928</u>	<u>113 854 782</u>
25 189 023	EXPENDITURE - ADMINISTRATION	29 052 599	29 556 887
10 209 700	Salaries	13 264 205	10 909 395
11 690 018	General expenses	12 163 346	12 601 986
2 780 019	Allowance Councillors	3 114 008	5 595 506
-	Contribution to Fixed Assets	-	-
-	Interest on external loans	-	-
509 286	- Interest paid	511 040	450 000
74 494 109	REGIONAL SERVICES	71 573 090	84 297 129
5 618 979	CBPWP	-	-
40 868 980	Municipal Infrastructure Grant <i>AppF-1</i>	58 702 407	62 608 910
-	Local Govt Financial Management Grant	-	452 000
15 132 152	Maluti-a-Phofung arrear allocation	-	-
2 176 488	Sports and recreation	-	-
7 646 005	Special Projects <i>AppF-2</i>	2 156 315	3 427 558
-	District Funded Projects <i>AppF-3</i>	3 388 455	6 316 529
-	Local Economic Development <i>AppF-4</i>	923 709	1 487 600
-	Allocations to Municipalities <i>AppF-5</i>	3 987 724	7 004 532
3 051 505	Municipal Systems Improvement Grant <i>AppF-6</i>	2 414 481	3 000 000
<u>6 329 485</u>	Surplus (Deficit) for the year	<u>8 784 240</u>	766
<u>106 012 617</u>	TOTAL	<u>109 409 928</u>	<u>113 854 782</u>

APPENDIX E: DETAILED INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2005

2003 / 2004				2004 / 2005			2004 / 2005
2003 / 2004	2003 / 2004	Actual		2004 / 2005	2004 / 2005	Actual	2004 / 2005
Actual	Actual	surplus/		Actual	Actual	surplus/	Budget
income	expenditure	(deficit)		income	expenditure	(deficit)	surplus/
R	R	R		R	R	R	(deficit)
							R
106 012 617	99 683 132	6 329 485	GENERAL SERVICES	109 409 928	100 625 689	8 784 240	766
75 700 775	66 848 104	8 852 671	REGIONAL FUNCTIONS	79 779 256	71 573 090	8 206 165	310 313
8 207 067	5 618 979	2 588 088	CBPWP	-	-	-	-
41 170 326	40 868 980	301 346	Municipal Infrastructure Grant (App F1)	62 481 359	58 702 407	3 778 952	-
19 273 382	-	19 273 382	Equitable share	13 797 897	-	13 797 897	13 622 000
1 000 000	-	1 000 000	Local Government Financial Management Grant	-	-	-	-
3 150 000	3 051 505	98 495	MSIG (App F6)	3 500 000	2 414 481	1 085 519	550 000
-	15 132 152	(15 132 152)	Maluti-a-Phofung arrear allocation	-	-	-	-
2 900 000	2 176 488	723 512	Sports and recreation	-	-	-	-
-	-	-	Other Capital Projects	-	10 456 202	(10 456 202)	(13 861 687)
8 711 630	8 155 291	556 339	PAYMENT OF COSTS LOCAL AUTHORITIES	3 096 096	511 040	2 585 056	4 797 340
4 332 083	7 646 005	(3 313 922)	Grants	-	-	-	-
4 379 547	509 286	3 870 261	Interests	3 096 096	511 040	2 585 056	4 797 340
21 600 212	24 679 737	(3 079 525)	ADMINISTRATION	26 534 577	28 541 559	(2 006 982)	(5 106 887)
-	12 989 719	(12 989 719)	Salaries and allowances	-	16 378 213	(16 378 213)	(16 504 901)
21 600 212	-	21 600 212	Levies	24 227 520	-	24 227 520	24 000 000
-	11 690 018	(11 690 018)	General services	-	12 163 346	(12 163 346)	(12 601 986)
-	-	-	Capital expenditure - Fixed assets and Loans	-	-	-	-
-	-	-	Other	2 307 057	-	2 307 057	-
<u>106 012 617</u>	<u>99 683 132</u>	6 329 485	TOTAL	<u>109 409 928</u>	<u>100 625 689</u>	8 784 240	<u>766</u>
		13 561 559	Appropriations for the year (refer to note 12)			(22 339 790)	
		<u>19 891 044</u>	Net surplus for the year			<u>(13 555 550)</u>	

APPENDIX F: Summary of allocations for the year ended 30 June 2005

Description	Ref	Estimate 2004/2005	Expenditure 2004/2005	Balance 30/06/2005
Municipal Infrastructure Grant	<i>F1</i>	62 608 910	58 702 407	3 906 503
Special projects	<i>F2</i>	3 427 558	2 156 315	1 271 244
District Funded Projects	<i>F3</i>	6 316 529	3 388 455	2 928 074
Local Economic Development Projects	<i>F4</i>	1 487 600	923 709	563 891
Allocations to Municipalities	<i>F5</i>	7 004 532	3 987 724	3 016 808
Municipal Systems Improvement Grant	<i>F6</i>	3 000 000	2 414 481	585 519
Total		83 845 129	71 573 090	12 272 039

APPENDIX F1 : Municipal Infrastructure Grant (MIG) for the year ended 30 June 2005

Description	Estimate 2004/2005	Expenditure 2004/2005	Balance 30/06/2005
Dihlabeng Mig	19 606 507	18 596 963	1 009 544
Maluti A Phofung Mig	7 275 987	6 734 520	541 467
Nketoana Mig	3 857 021	3 993 287	(136 266)
Phumelela Mig	13 488 574	12 892 512	596 062
Setsoto Mig	7 491 911	8 589 868	(1 097 957)
Dwaf Mig	6 232 000	5 405 025	826 975
Mig Capacity Building	1 200 000	1 060 933	139 067
Meqheleng Peach Scheme	2 500 000	1 429 299	1 070 701
Establishment Of Pmu	956 910	-	956 910
Total	62 608 910	58 702 407	3 906 503

APPENDIX F2 : Special Projects for the year ended 30 June 2005

Description	Estimate 2004/2005	Expenditure 2004/2005	Balance 30/06/2005
D - Farming Community	100 000	-	100 000
N - Farming Community	400 000	385 865	14 135
S - Farming Community	200 000	-	200 000
Intabazwe Veg & Poultry	40 000	11 850	28 150
Intabazwe Sanitation	300 000	288 956	11 044
Intabazwe Sewing & Knitting	23 000	23 500	(500)
Intabazwe Beads Project	87 000	40 800	46 200
Hiv Aids	300 000	4 590	295 410
Mayoral Discretionary Fund	0	27 475	(27 475)
Yard Connection To Aged Homes	200 000	41 371	158 629
Rural Toilets & Windmill	250 000	198 179	51 821
Golden Gate (3 Boreholes)	150 000	-	150 000
Diatalawa Hall Renovation	140 000	-	140 000
Arlington Boreholes	150 000	-	150 000
Moral Regeneration	60 000	18 607	41 393
External Donations	-	110 000	(110 000)
Youth Advisory Centre	50 000	50 000	-
Sport Development Program	102 295	102 295	-
Solidarity Youth Fund	240 000	323 736	(83 736)
Feasibility Studies -Youth	105 263	105 263	-
National Youth Service Project	100 000	-	100 000
Youth Participation	180 000	272 126	(92 126)
Agricultural Development Proj-	250 000	151 700	98 300
Total	3 427 558	2 156 315	1 271 244

APPENDIX F3 : District Funded Projects for the year ended 30 June 2005

Description	Estimate 2004/2005	Expenditure 2004/2005	Balance 30/06/2005
Contr To The Collection Of Sc	32 105	32 105	-
Liaise With Trad Leadership	60 000	35 239	24 761
Renovation Of Statues	100 000	-	100 000
Fractal Umqobothi Tasting Fest	31 000	37 880	(6 880)
Heritage Day Celebration	49 500	49 458	42
Sadara Projects	50 000	43 860	6 140
Children Art Competition	50 000	-	50 000
Organise Science Week Activity	36 614	86 614	(50 000)
Life Skills Development	60 000	42 000	18 000
Porverty Alleviation	100 000	-	100 000
Land Reform Facilitation	20 000	-	20 000
Arlington Sports Field	150 000	131 579	18 421
Ups Tmdm Rural Roads	400 000	-	400 000
Arlington Ups Of R & U Roads	150 000	109 200	40 800
Rosendal Graveyard	75 000	-	75 000
Rosendal New Graveyard	-	49 357	(49 357)
Paul Roux Graveyard	75 000	132 833	(57 833)
Marquard Graveyard	75 000	62 402	12 598
Vrede Graveyard	75 000	62 672	12 328
Warden Graveyard	75 000	70 817	4 183
Clarens Community Hall	100 000	161 827	(61 827)
Fourisburg Graveyard	100 000	36 826	63 174
Arlington Graveyard	100 000	50 124	49 876
Makeng / Sekoto / Thabong Footbridges	224 750	132 159	92 591
Namahadi Graveyard	150 000	49 020	100 980
Rosendal Sports Complex	175 000	270 921	(95 921)
Ha-Sethunya Footbridge	250 000	110 577	139 423
Mandela Park Footbridge	200 000	147 159	52 841
Other Capital Projects	130 060	-	130 060
Drought Relief Programme	1 100 000	-	1 100 000
Special Intervention Programme	300 000	-	300 000
Infrastructural Prof Fees	100 000	-	100 000
Itc Infrastructure	300 000	183 123	116 877
Kleks Vly	1 200 000	964 503	235 497
Disaster Management Centre	12 500	-	12 500
Intabazwe Sports Field	-	24 102	(24 102)
Furniture And Equipment	210 000	312 098	(102 098)
Total	6 316 529	3 388 455	2 928 074

APPENDIX F4 : Local Economic Development Projects for the year ended 30 June 2005

Description	Estimate 2004/2005	Expenditure 2004/2005	Balance 30/06/2005
Upgrad Tourist Inform Centre	187 600	90 442	97 158
Restoration Of Heritage Sites	0	120 906	(120 906)
Signage	400 000	13 480	386 520
Establishment Of Fresh Produce	150 000	3 562	146 438
Establishment Of Flea Market	750 000	695 318	54 682
Total	1 487 600	923 709	563 891

APPENDIX F5 : Allocations to Municipalities for the year ended 30 June 2005

Description	Estimate 2004/2005	Expenditure 2004/2005	Balance 30/06/2005
Dihlabeng-Farming Communities	200 000	-	200 000
Dihlabeng-Paul Roux Resevior	800 000	911 398	(111 398)
Geotech Investigation (Map)	400 000	-	400 000
Qwa Qwa Rural Projects	200 000	-	200 000
Conversion Of Goods Shed	100 000	-	100 000
Manufacturing Of Coffins	100 000	-	100 000
Piggery And Poultry	200 000	-	200 000
Hawkers Stall/Rural Sanitation	350 000	324 325	25 675
Arlington Sanitation	550 000	346 800	203 200
Survey & Drilling At Lindley	100 000	99 600	400
Phumelela Farming Community	200 000	-	200 000
Phumelela - Other	800 000	119 487	680 513
Setsoto Farming Community	200 000	-	200 000
Paving Bricks (Ficksburg)	800 000	739 723	60 277
Hpp Dihlabeng Capex	851 132	501 132	350 000
Hpp Maluti A Phofung Capex	569 200	569 200	-
Hpp Setsoto Capex	175 000	175 000	-
Hpp Phumelela Capex	409 200	201 060	208 140
Total	7 004 532	3 987 724	3 016 808

APPENDIX F6 : Municipal Systems Improvements Grants (MSIG) projects for the year ended 30 June 2005

Description	Estimate 2004/2005	Expenditure 2004/2005	Balance 30/06/2005
T Admin & Operational Cost	200 000	186 508	13 492
N Performance Managemnt System	75 000	76 300	(1 300)
M Performance Management Syste	75 000	75 000	-
P Performance Management Syste	95 000	72 000	23 000
T Impl Of Powers & Funtion	250 000	204 504	45 496
T Community Participation/Trai	200 000	197 145	2 855
S Community Participation	95 000	95 000	-
S Service Delivery Options	125 000	125 000	-
P Integrated Dev Planning	50 000	50 000	-
D Ward Committee Participation	210 000	160 000	50 000
D Financil Management For	50 000	7 425	42 575
S Intergrated Development Plan	50 000	100 000	(50 000)
D-Provision Of Computers	50 000	-	50 000
D-Policy Formulatoin,Developmt	50 000	-	50 000
N Ward Management System	85 000	85 000	-
N Culture Of Service Delivery	125 000	125 000	-
N Legislative Framework Of	50 000	50 000	-
M Comm Participation System	150 000	150 000	-
M Stdisation Of Procedures	100 000	-	100 000
P - Restructuring Hr	80 000	-	80 000
P -Community Participation	90 000	26 768	63 232
P Section 78 Processes To	80 000	-	80 000
D Intergrated Development Plan	50 000	50 000	-
P-Standardised Procedures And	40 000	18 000	22 000
P-Centarlised Computer System	70 000	85 836	(15 836)
N Intergrated Development Plan	50 000	112 000	(62 000)
M-Integrated Dev Planning	50 000	50 000	-
P-Integrated Dev Planning	50 000	-	50 000
T-Performance Managment	205 000	237 995	(32 995)
S-Performance Managment System	75 000	75 000	-
D-Performance Managment System	75 000	-	75 000
Total	3 000 000	2 414 481	585 519

APPENDIX G: DEBTORS - SUMMARY

Debtors: Summary	Balance 01/07/2004	Movement 2004/2005	Balance 30/06/2005
Debtors: Summary			
Motor vehicle loans	1 753 853	(746 016)	1 007 837
Other receivables	6 277 305	(1 224 046)	5 053 259
Councilor's overpayments	519 464	(234 013)	285 451
Total	8 550 622	(2 204 075)	6 346 548

APPENDIX G1: DEBTORS - VEHICLE LOANS

Debtors: Vehicles Loans	Balance 01/07/2004	Capital	Interest	Balance 30/06/2005
Vehicle loans				
Sefantsi M M *	240 581	240 581	9 295	-
Moloi M P	238 569	71 048	16 518	167 521
Mokotso M A *	87 260	87 260	2 246	-
Selepe S M	97 236	46 958	6 082	50 278
Mbuli D	68 352	39 918	4 026	28 434
Seoke M W	238 569	71 048	16 518	167 521
Mokgathe L I	186 629	70 220	12 393	116 409
Moloi L T	243 184	70 665	16 901	172 519
Lebenya TP **	137 910	7 695	5 852	130 215
Moema A	215 563	40 624	25 659	174 939
Total	1 753 853	746 016	115 488	1 007 837
Transferred to assets				(130 215)
Short - term portion of the long term loan				(427 596)
				450 026

APPENDIX G2: SHORT-TERM DEBTORS - OTHER RECEIVABLES

Other Receivables	Notes	Balance 01/07/2004	Movement 2004/2005	Balance 30/06/2005
Other Receivables				
Thaele PY		180 133	30 107	210 240
Advance Travel and Subsistence		1 750	-	1 750
P Mopeli Advance travel		500	-	500
A Moema Advance travel and subsistence		600	-	600
D Mbuli		650	-	650
Other sundry debtors		-	130 471	130 471
Levy Debtors				15 325
Advance Payments		-	-	777 277
Medical / Cell PJ du Plessis		868	-	868
Motaung Tshepo: M/V Accident		1 000	-	1 000
CM Mofokeng: Vehicle Misuse		825	-	825
Overpayment Holiday Inn BFN		186	-	186
VAT Receivable		5 778 233	(1 889 417)	3 888 816
Mokhesi N travel shortfall		462	(462)	-
DBSA ICT Support		287 347	287 347	-
Interest on Motor Loan: M Seoke		4 415	-	4 415
Interest on Motor Loan: L Mokgatle		1 880	-	1 880
Interest on Motor Loan: L Moloi		2 194	-	2 194
Interest on Motor Loan: M Sefantsi		2 200	-	2 200
Assets Unaccounted for	20	15 812	-	15 812
Mayoral - Computer and Cell		3 462	-	3 462
Corporate - Tape Recorder, Laptop and Printer		9 620	-	9 620
Municipal Manager - Printer		1 770	-	1 770
Tourism - Camera		960	-	960
Total		6 277 305	(1 441 954)	5 053 259

APPENDIX G3: DEBTORS - COUNCILLORS OVERPAYMENTS

Debtors: Councillors Overpayments	Balance 01/07/2004	Movement 2004/2005	Balance 30/06/2005
Councillor			
Yende CT	19 965	(14 237)	5 728
Msibi AC	23 426	(15 921)	7 505
Sekete CC	22 373	(16 190)	6 183
Pakane NJ	25 643	-	25 643
Khumalo ME	11 601	(8 422)	3 179
Ndlebe WR	19 965	(14 237)	5 728
Khabane MP	21 053	(8 294)	12 759
Galloway GW	11 601	(8 422)	3 179
Erasmus B	21 653	(14 453)	7 200
Lemaoana MV	29 016	(17 889)	11 127
Maseko JJ	17 106	(11 725)	5 381
Mokoena M	27 983	-	27 983
Kriek J	16 214	(10 812)	5 402
Tshabalala MJ	16 214	(10 812)	5 402
Mpati M	18 936	(11 362)	7 574
Maduna MS	16 232	(10 821)	5 411
De Klerk DC	16 232	(10 821)	5 411
Motaung TJ	24 806	(7 587)	17 219
Morallana TR	4 188	(4 188)	-
Crowther RF	765	(4 171)	(3 406)
Mofokeng MK	-	(1 729)	(1 729)
Mthembu BJ	19 707	(14 920)	4 787
Wisiki N	14 184	(2 759)	11 425
Mopeli N	19 964	(14 236)	5 728
Vries W	21 253	-	21 253
Mokoena MS	27 519	-	27 519
Mokoena MA	27 518	-	27 518
Mokhabi L	24 347	-	24 347
Total	519 464	(234 013)	285 451
Debt written off : Councillor Wisiki (Deceased)			(11 425)
			274 027

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