



NORTHERN FREE STATE DISTRICT COUNCIL

FINANCIAL STATEMENTS

30 JUNE 2004

**NORTHERN FREE STATE DISTRICT COUNCIL
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004**



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**NORTHERN FREE STATE DISTRICT COUNCIL
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004**



FOREWORD

We have finally managed to reach a point where we are up-to-date with our financial statements. I appreciate the hard work and team effort demonstrated by the personnel in the Finance department. There are still challenges lying ahead, namely, complying with the various requirements of the Municipal Finance Management Act and ensuring that the Finance department is fully capacitated in terms of human resources and required skills are imparted to staff.

Government is devolving additional responsibilities to Local Government, and it is our responsibility to keep pace with the added responsibilities. Our infrastructure is coming under further strain from rapid urbanisation, increased responsibilities and decreased facilities for proper training and implementation of correct Policies and Procedures.

The challenges facing the Northern Free State District Council and the intricacies of funding its services properly and efficiently are demanding. It is essential that we prioritise our resources to ensure that they are applied to the best advantage.

In conclusion, I would like to express my appreciation to my Management Team, Council Staff and ICL for their support, co-operation and hard work.

.....
B Molotsi – Chief Executive Officer

NORTHERN FREE STATE DISTRICT COUNCIL
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GENERAL INFORMATION

Members of the Executive Committee

Mr M B Sesele (Executive Mayor)
Mrs V Mangwana (Acting Speaker)
Mr K J Khumalo
Mrs M E Khoathela
Mrs G T Hadebe
Mr D P C Colbert
Mrs G N Guza
Mr J E R T Ramokhoase

Normal Elected Councillors

Mr M B Sesele
Mrs B V Mangwana
Mrs G N Guza
Mr K J Khumalo
Mrs M E Khoathela
Mrs G T Hadebe
Mr D P C Colbert
Mrs G N Guza
Mr J E R T Ramokhoase

Grading of Local Authority

Grade 11

Auditors

Auditor-General

Bankers

First National Bank

Saambou Park Lynnwood Manor Pretoria 0081
PO Box 74127 Linwoodridge 0040
Tel: (012) 421-5117

ABSA Bank Limited

Forum Building 19 Nelson Mandela Avenue Bloemfontein 9301
PO Box 323 Bloemfontein 9300
Tel: (051) 401-0500

Nedbank Limited

Edgars Fitchadt Street Sasolburg 1947
PO Box 259 Sasolburg 1947
Tel: (016) 976-0710

Standard Bank

**NORTHERN FREE STATE DISTRICT COUNCIL
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004**



Registered Offices

District Council Building	PO Box 10
John Vorster Road	Sasolburg
Sasolburg 1947	1947
Telephone	(016) 976-0765
Facsimile	(016) 976-0769

Municipal Manager

Mr B Molotsi

Director Finance

Mr B.R. Taye

Approval of the Financial Statements

The Annual Financial Statements set out on Pages 11 to 25 were approved by the Chief Executive Officer and Manager Finance on 03 January 2005.

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B Molotsi – Municipal Manager

.....
B R Taye – Director Finance

**NORTHERN FREE STATE DISTRICT COUNCIL
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REPORT FROM AUDITOR-GENERAL

NORTHERN FREE STATE DISTRICT COUNCIL
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004



TREASURER'S REPORT

1. INTRODUCTION

Herewith a summary of the operating results for the 2003/2004 financial year.

The main role of the District Council is to develop the area falling under its jurisdiction infrastructurally, hence the bulk of its funds are spent on development of the areas.

The compilation of these Financial Statements was done with the assistance of ICL and the Financial Department staff.

2. OPERATING RESULTS

Details of the operating results, per object of income and expenditure, are included in Appendices D and E. The overall operating results for the year are as follows:

	Actual 2003 R	Actual 2004 R	Variance 2003/2004 %	Budget 2004 R	Variance Actual/ Budget 2004 %
Income					
Opening Surplus/(Deficit)	3,066,034	6,522,240		-	
Previous Year Adjustment	-			-	
Operating Income for the Year	<u>96,085,282</u>	<u>110,300,706</u>	14,79%	<u> </u>	
	<u>99,151,316</u>	<u>116,822,946</u>		<u> </u>	
Expenditure					
Operating Expenditure for the Year	96,239,197	100,463,511	4,38%		
Projects	35,330,558	71,027,970	101,03%		
Appropriations	(38,940,679)	(36,200,721)			
Closing Surplus/(Deficit)	<u>6,522,240</u>	<u>(18,467,815)</u>		<u> </u>	
	<u>99,151,316</u>	<u>116,822,946</u>		<u> </u>	

NORTHERN FREE STATE DISTRICT COUNCIL
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004



TREASURER'S REPORT (continued)

2.1 General Services

	Actual 2003 R	Actual 2004 R	Variance 2003/2004 R
Community Services			
Income	93,932,742	107,600,706	14,55%
Expenditure	<u>(126,224,320)</u>	<u>(169,501,190)</u>	(34,28%)
Surplus/(Deficit)	<u>(32,291,578)</u>	<u>(61,900,484)</u>	
Surplus/(Deficit) as % of Income	(34,30)%	(43)%	
Regional Function			
Income	2,152,540	2,700,000	25,43%
Expenditure	<u>(5,345,435)</u>	<u>(1,990,292)</u>	(62,77)%
Surplus/(Deficit)	<u>(3,192,895)</u>	<u>709,708</u>	
Surplus/(Deficit) as % of Income	(148,33)%	26,29%	

Income increased by 14,55% and expenditure increased by 34,283%. The regional function generated R2,700,000 income and expenditure decreased by 62,77%.

3. CAPITAL EXPENDITURE AND FINANCING

The expenditure on fixed assets amounts to R4,713,683. [Refer Appendix C].

	Actual 2004 R	Budget 2004 R	Actual 2003 R
Fixed Assets	<u>4,713,683</u>	<u>4,551,000</u>	<u>617,249</u>

The fixed assets were financed as follows:

	Actual 2004 R	Budget 2004 R	Actual 2003 R
Contribution from Operating Income	<u>4,713,683</u>	<u>4,551,000</u>	<u>617,249</u>

**NORTHERN FREE STATE DISTRICT COUNCIL
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004**



TREASURER'S REPORT (continued)

3.1 Section 12(6)(b) Allocation

	Unspent 2004 R	Unspent 2003 R
Operating Income		
Grants	<u>71,027,970</u>	<u>35,330,558</u>

Grants consist of amounts available from the prior year not yet spent as well as the current year not yet spent.

4. EXTERNAL LOANS, INVESTMENTS AND CASH

External loans outstanding at 30 June 2004 amounted to R52,311,723 (2003:R54,270,018). An amount of R8,215,715 (2003:R8,219,706) was used to service these loans consisting of R6,257,420 (2003:R8,153,788) interest and R1,958,295 (2003:R14,032,834) capital repaid. Details are disclosed in Appendix B and Notes 2 and 7 to the Financial Statements.

Investments at 30 June 2004 amounted to R57,671,237 (2003:R51,121,934). Details are disclosed in Note 3 to the Financial Statements.

5. FUNDS AND RESERVES

Details of funds and reserves are disclosed in Appendix A to the Financial Statements.

6. CAUSE FOR CONCERN

A group of levy payers are refusing to pay levies. Their contention is that levies charged by the district municipality are a form of tax, therefore unconstitutional before the law. No action has been taken against these individuals and businesses.

If this trend continues, this will seriously affect our income negatively and impact on our ability to provide services to the community and local municipalities in our district.

7. EXPRESSION OF APPRECIATION

I would like to thank the Executive Mayor, members of the Executive Committee, other Councillors, the Municipal Manager and Departmental Heads for the support they have given me and the Finance personnel during the year. A special word of thanks to the personnel of the Finance Department and ICL for their commitment in preparing the financial statements.

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B R Taye –Director Finance



ACCOUNTING POLICIES

1. BASIS FOR PRESENTATION

- 1.1 The Financial Statements have been prepared so as to conform to the standards laid down by the Institute of Municipal Treasurers and Accountants in its Code of Practice (1996) and the Report on Standardisation of Financial Statements of Local Authorities (5th Edition, as amended).
- 1.2 The Financial Statements are prepared on the historical cost basis. The accounting policies are consistent with those applied in the previous financial year, except if otherwise indicated.
- 1.3 The Financial Statements are prepared on the accrual basis:
- except for levies which are accounted for on the cash basis, all other income is accrued when collectable and measurable; and
 - expenditure is accrued in the year it is incurred.

2. FIXED ASSETS

2.1 Fixed Assets are stated:

- at historical cost; and
- leased assets are not capitalised (i.e. lease payments are expensed in the Income Statement).

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 provision for depreciation. However, certain structural differences do exist. By way of this "provision" assets are written down over their estimated useful lives.

Apart from advances from the various Council funds, assets may be acquired through:

- appropriations from income, where the full cost of the asset forms an immediate and direct charge against operating income, and therefore it is unnecessary to make any further provision for depreciation; and
 - appropriations where the amount representing the value of such contribution is immediately credited to the "Loans Redeemed and other Capital Receipts" account.
- 2.3 All net proceeds from the sale of fixed property are credited to Income.
- 2.4 Capital assets are financed from Council Income.

NORTHERN FREE STATE DISTRICT COUNCIL
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004



ACCOUNTING POLICIES (continued)

3. FUNDS AND RESERVES

3.1 Capital Development Fund

In terms of Government Notice R1524 dated 28 June 1991, the Council established a Capital Development Fund in which the following funds may be deposited:

- unused amounts in the accumulated and reserve funds; and
- any other amounts on which the Council may decide.

The funds in the Capital Development Fund shall be appropriated in accordance with the budget of the Council and in the manner determined by the Council:

- for the interest and redemption of loans; and
- for the financing of such portion of the capital needs of the Council which, in accordance with a decision by the Council, should not be financed out of the current income of the Council.

The Council shall, in addition to the funds referred to in this regulation, not establish any other accumulated or reserve funds without the approval of the Minister.

This fund has not been applied as set out above since 30 June 1999.

4. RETIREMENT FUNDS

The Northern Free State District Council and its employees contribute to the Free State Municipal Pension and Provident Fund, and its Councillors contribute to no retirement fund. The fund provides retirement benefits to such employees.

The retirement benefit plan is subject to the Pension Fund, Act 1956, with pensions being calculated on the final pensionable remuneration paid. Current contributions are charged against operating income on the basis of current service costs. Unfavourable experience adjustments and the cost of securing increased benefits are written off over the lesser of the remaining period of service of employee or five years. Favourable experience adjustments are retained in the retirement benefit plan.

The last actuarial valuation for the Free State Municipal Pension Fund was done 30 June 2001 by Alexander Forbes Consultants and Actuaries, a division of Alexander Forbes Financial Services. The fund was valued at a fair value of R244,690,000.

However, most of the employees joined the Free State Municipal Provident Fund. Individual valuations are supplied to employees annually on 30 June.

5. INVESTMENTS

Investments are shown at a lower of cost or market value if a permanent decline in the value occurred, and are invested in securities prescribed in Regulation 6 of the Regulation for District Council promulgated in Financial Government Notice R1524 dated 28 June 1991.

**NORTHERN FREE STATE DISTRICT COUNCIL
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004**



ACCOUNTING POLICIES (continued)

6. PROVISIONS

Provisions have been established where considered necessary and are reflected in detail in Appendix A. No provisions, as per the IMFO definitions, were provided during the year.

7. PRE-PAID GRANTS AND LONG TERM LIABILITIES

The balance outstanding on Development Bank of South Africa [DBSA] loans taken up as a source of finance in respect of grants to local authorities are recovered from operating income over the periods of the various loans involved.

8. PROJECTS NOT YET STARTED

The balance is calculated based on projects approved and started less projects already paid.

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B Molotsi – Municipal Manager

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B R Taye – Director Finance

NORTHERN FREE STATE DISTRICT COUNCIL
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004



BALANCE SHEET

	Notes	2004/2003 R	2003/2002 R
CAPITAL EMPLOYED			
Funds and Reserves			
Capital Development Fund	1	10,573,174	10,573,174
Trust Funds		1,382,197	1,382,198
Retained Surplus/(Accumulated Deficit)		(18,467,815)	6,522,240
Long Term Liabilities	2	<u>50,317,279</u>	<u>52,294,664</u>
		43,804,835	70,772,275
EMPLOYMENT OF CAPITAL			
Fixed Assets	3	-	-
Prepaid Grants	7	52,311,723	54,270,018
Long Term Debtors	5	<u>2,014,982</u>	<u>1,280,814</u>
		54,326,705	55,550,832
NET CURRENT ASSETS		(10,521,869)	15,221,443
Current Assets			
Debtors	6	71,736,482	57,408,269
Cash		2,212,919	2,967,402
Bank		500	500
Investments	4	11,851,826	3,318,433
		57,671,237	51,121,934
Current Liabilities			
Provisions	8	82,258,351	42,186,826
Creditors	9	1,360,657	1,316,456
Loans : Short Term Portion	2	78,903,250	38,895,016
		1,994,444	1,975,354
		<u>43,804,835</u>	<u>70,772,275</u>

.....
B Molotsi – Municipal Manager



NORTHERN FREE STATE DISTRICT COUNCIL
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004

INCOME STATEMENT

	Actual Income 2003 R	Actual Expenditure 2003 R	Surplus/(Deficit) 2003 R	Actual Income 2004 R	Actual Expenditure 2004 R	Surplus/(Deficit) 2004 R
RATES AND GENERAL						
General Services	93,932,742	126,224,320	(32,291,578)	107,600,706	169,501,190	(61,900,484)
Community Services	93,932,742	126,224,320	(32,291,578)	-	-	-
Subsidies Services	-	-	-	-	-	-
Economic Services	-	-	-	-	-	-
Regional Functions	2,152,540	5,345,435	(3,192,895)	2,700,000	1,990,292	709,708
Housing Services	-	-	-	-	-	-
Trading Services	-	-	-	-	-	-
TOTAL	96,085,282	131,569,755	(35,484,473)	110,300,706	171,491,482	(61,190,776)
Appropriations for the Year			38,940,679			36,200,721
Net Surplus/(Deficit) for the Year			3,456,206			(24,990,055)
Accumulated Surplus at Beginning of Year			3,066,034			6,522,240
Accumulated Surplus/(Deficit) at End of Year			6,522,240			(18,467,815)

NORTHERN FREE STATE DISTRICT COUNCIL
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004



CASH FLOW STATEMENT

	Notes	2004 R	2003 R
CASH RETAINED FROM OPERATING ACTIVITIES			
Surplus/(Deficit) for the Year			(35,484,473)
		21,754,674	31,696,383
Cash Generated by Operations	20	22,044,162	29,388,874
Interest and Other Income		5,324,889	(7,369,470)
(Increase)/Decrease in Working Capital	16	(40,762,717)	(9,732,550)
		(13,393,666)	12,286,853
Capital Charges Paid		(8,215,715)	(5,879,046)
Cash Available from Operations		(21,609,381)	6,407,807
Provision Retention to Sundry Creditors			600,230
Cash Contributions from the Public and the State		43,364,055	24,688,346
CASH UTILISED IN INVESTING ACTIVITIES			
Corrections made to opening balances			1,382,197
Investment in Fixed Assets		(4,713,683)	617,249
NET CASH FLOW		17,040,991	(1,788,644)
Increase/(Decrease) in Long Term Loans	17	(1,958,295)	(6,227,511)
(Increase)/Decrease in Cash Investments	18	(6,549,303)	(3,501,619)
(Increase)/Decrease in Cash	19	(8,533,393)	7,940,486
Net Cash Generated/(Utilised)		(17,040,991)	(1,788,644)

NORTHERN FREE STATE DISTRICT COUNCIL
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004



NOTES TO THE FINANCIAL STATEMENTS

	2004 R	2003 R
1. ACCUMULATED FUNDS		
Capital Development Fund	<u>10,573,174</u>	<u>10,573,174</u>
Trust Funds	<u>1,382,197</u>	<u>1,382,197</u>
<p>The Capital Development Fund has become redundant and should be written off. No contributions have been made to this fund. Trust funds are representative of the balances in the Bank accounts of the deficit rural councils. [Refer Appendix A].</p>		
2. LONG TERM LIABILITIES		
DBSA Loans (Refer Appendix B)	54,270,018	60,149,064
<u>Plus: DBSA Interest for the Year</u>	6,257,420	8,153,786
<u>Less: DBSA Redemption</u>	<u>8,215,715</u>	<u>14,032,832</u>
	52,311,723	54,270,018
<u>Less: Short Term Portion transferred to Current Liabilities</u>	<u>1,994,444</u>	<u>1,975,354</u>
	<u>50,317,279</u>	<u>52,294,664</u>
<p>Annuity Loans Loans are redeemable up to 20 years. Interest is charged at rates varying between 10% and 16,5%. The loans are unsecured. [Refer Appendix B]</p>		
3. FIXED ASSETS		
Fixed Assets at Beginning of Year	8,087,570	7,470,321
Capital Expenditure during the Year	<u>4,713,683</u>	<u>617,249</u>
	<u>12,801,253</u>	<u>8,087,570</u>
<u>Less: Disposals or Written Off</u>	<u>-</u>	<u>14,800</u>
Total Fixed Assets	12,801,253	8,072,770
<u>Less: Loans Redeemed and Other Capital Receipts</u>	<u>(12,801,253)</u>	<u>(8,072,770)</u>
Net Fixed Assets	<u>-</u>	<u>-</u>
[Refer Appendix C]		

NORTHERN FREE STATE DISTRICT COUNCIL
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004



NOTES TO THE FINANCIAL STATEMENTS (continued)

	2004 R	2003 R
4. INVESTMENTS		
Portfolio Account	-	-
Long Term Investment	14,055,567	7,331,356
Money Market	-	-
Short Term Deposits (Call Monies)	<u>43,615,670</u>	<u>43,790,578</u>
	<u>57,671,237</u>	<u>51,121,934</u>
Management Valuation of Unlisted Investment	<u>57,671,237</u>	<u>51,121,934</u>
Average Gross Rate of Return on Investments	6%	6%
<p>In terms of Regulation 6 of the Financial Regulations for District Councils, under Government Notice No. R1524 dated 28 July 1991, the District Councils have invested funds which are not immediately required, with prescribed institutions. The periods are such that it will not be necessary to borrow funds against the investments as a plenary rate to meet commitments.</p>		
5. LONG TERMS DEBTORS		
Motor Vehicle Loans	2,678,672	1,735,332
<u>Less: Short Term Portion transferred to Current Assets</u>	<u>663,691</u>	<u>454,518</u>
	<u>2,014,982</u>	<u>1,280,814</u>
<p>Motor Vehicle Loans are granted at 8% to 8,5% to staff members who qualify. Study Loans are granted at 8%. Study Loans are paid off over the period of study or earlier.</p>		
6. DEBTORS		
Short Term Portion of Motor Vehicle Loans	663,691	545,518
Prepaid Salaries	31,743	-
Study Loans	23,979	15,012
VAT Repayable	1,491,505	2,495,872
Fuel Deposit	1,000	1,000
Pick 'n Pay Card	<u>1,000</u>	<u>1,000</u>
	<u>2,212,919</u>	<u>2,967,402</u>

NORTHERN FREE STATE DISTRICT COUNCIL
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004



NOTES TO THE FINANCIAL STATEMENTS (continued)

	2004 R	2003 R
7. PREPAID GRANTS		
Opening Balance	54,270,018	60,149,064
Restatement of Opening Balance	-	-
	<u>54,270,018</u>	<u>60,149,064</u>
(Redemption)/Increase in Loans	<u>(1,958,295)</u>	<u>(5,879,046)</u>
Grants to Local Authorities financed by External Loans	<u>52,311,723</u>	<u>54,270,018</u>
8. PROVISIONS		
Audit Fees	528,371	534,924
Accounting fees	293,415	260,000
Leave – Provident Fund	<u>538,872</u>	<u>521,532</u>
	<u>1,360,657</u>	<u>1,316,456</u>
9. CREDITORS		
Debtors not yet received	3,087,962	1,429,471
TRC – Kroonkop	2,063,326	2,063,326
TRC – Vierfontein	7,915	7,915
SARS VAT	13,816	-
Trade Creditors	2,671,394	676
Unclaimed Monies	30,190	30,189
Outstanding deposits-Debtors	-	32,881
Projects – Work-in-Progress	67,774,300	34,730,327
Retention Fund	<u>3,253,671</u>	<u>600,231</u>
	78,903,250	38,895,016
Short Term Portion of Long Term Liabilities	<u>1,994,444</u>	<u>1,975,353</u>
	<u>80,897,694</u>	<u>40,870,370</u>
10. CAPITAL COMMITMENTS		
Commitments in respect of Allocations to Local Bodies		
Grants – Approved but not yet Contracted for		-
Grants – Approved and Contracted for	<u>64,115,210</u>	<u>52,250,000</u>
	<u>64,115,210</u>	<u>52,250,000</u>
11. CAPITAL DEVELOPMENT FUND		
Accumulated Funds	-	-
Less: Grants to Local Bodies	-	-
This note is not required in the Current Year.	-	-

NORTHERN FREE STATE DISTRICT COUNCIL
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004



NOTES TO THE FINANCIAL STATEMENTS (continued)

	2004	2003
	R	R
12. COUNCILORS' REMUNERATION		
Executive Mayor	343,568	-
Salaries and Contributions	1,777,671	1,072,129
Travelling	493,300	-
Session Allowances	145,392	338,667
	<u>2,759,931</u>	<u>1,410,796</u>
13. AUDITORS' REMUNERATION		
Audit Fees		
Current Year	528,371	298,680
Under-Provision Prior Years	31,629	236,244
	<u>560,000</u>	<u>534,924</u>
14. FINANCE TRANSACTION		
Total External Interest Earned or Paid		
Interest Earned	3,743,682	4,475,057
Interest Paid	<u>(6,257,420)</u>	<u>(8,153,786)</u>
	<u>(2,513,738)</u>	<u>(3,678,729)</u>
Capital Charges debits to Operating Account		
Interest	6,257,420	8,153,786
Redemption	1,958,295	5,697,307
	<u>8,215,715</u>	<u>13,851,093</u>

NORTHERN FREE STATE DISTRICT COUNCIL
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004



NOTES TO THE FINANCIAL STATEMENTS (continued)

	2004 R	2003 R
15. APPROPRIATIONS		
Appropriation Account		
Unappropriated Surplus at the Beginning of Year	6,522,240	3,066,034
Operating surplus/(deficit) for the Year	(61,190,776)	(35,484,473)
Appropriations for the Year	36,200,721	38,940,679
Prior Year Adjustments		76,043,466
Contribution to Capital Expenditure		(617,249)
Contribution to Grants – Capital Projects	35,697,413	(35,330,557)
Provisions	1,397,989	
Other corrections	(2,228,819)	272,749
Vat Repayable Account Correction	1,334,138	(1,157,087)
Audit Fee Corrections		(270,643)
Accumulated Surplus/(Deficit) for the Year	<u>(18,467,815)</u>	<u>6,522,240</u>
Operating Account		
Fixed Assets	4,713,683	617,249
Provision for Audit Fees	560,000	534,924
Provision for Leave – Provident Fund	587,989	521,532
Provision for Accounting Fees	250,000	260,000
	<u>6,111,672</u>	<u>1,993,705</u>
16. INCREASE/(DECREASE) IN WORKING CAPITAL		
(Increase)/Decrease in Debtors	754,483	(3,431,395)
Increase/(Decrease) in Creditors	40,008,234	(6,391,155)
	<u>40,762,717</u>	<u>(9,732,550)</u>
17. INCREASE/(DECREASE) IN EXTERNAL LONG TERM LOANS		
Loans Repaid to DBSA	-	(14,032,832)
Increase in DBSA loans		8,153,786
Loans beginning of period	52,294,664	
Loans end of period	<u>50,317,279</u>	<u>5,879,046</u>
	<u>1,958,295</u>	<u>5,879,046</u>

NORTHERN FREE STATE DISTRICT COUNCIL
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004



NOTES TO THE FINANCIAL STATEMENTS (continued)

	2004 R	2003 R
18. (INCREASE)/DECREASE IN CASH INVESTMENTS		
Investments at Beginning of Year	51,121,934	47,620,315
Investments at End of Year	<u>(57,671,237)</u>	<u>(51,121,934)</u>
	<u>(6,549,303)</u>	<u>(3,501,619)</u>
19. (INCREASE)/DECREASE IN CASH ON HAND		
Cash Balance at Beginning of Year	3,318,433	11,259,419
Less: Cash Balance and End of Year	<u>11,851,826</u>	<u>3,318,933</u>
	<u>(8,533,393)</u>	<u>7,940,486</u>
20. CASH GENERATED BY OPERATIONS		
Surplus/(Deficit) for the Year	(61,190,776)	(35,484,473)
Adjustments – Previous years Operating Transactions		76,043,466
Appropriations Charged against Income	71,777,422	(602,449)
Interest and other income	(5,324,889)	-
Provisions and Reserves	1,360,657	-
Projects Expenditure		-
Retentions and WIP	71,027,971	-
Fixed Assets	4,713,683	(602,449)
Capital Charges	8,215,715	14,032,832
Interest Paid to Internal Advances	-	-
Interest Paid to External Loans	6,257,420	8,153,786
Redemption of Internal Advances	-	-
Redemption of External Loans	1,958,295	5,879,046
Grants and Subsidies Received from the State	(43,364,055)	(24,688,346)
Non-Operating Expenditure		(87,844)
Debited to Funds		87,844
Debited to Provisions and Reserves		-
Adjustments-appropriation account	46,605,856	
Cash generated from operations	<u>22,044,162</u>	<u>29,388,874</u>
21. RETIREMENT BENEFITS		

The last Actuarial Valuation of the Free State Local Authority Pension Fund was done on 30 June 2001.



NORTHERN FREE STATE DISTRICT COUNCIL
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004

APPENDIX A
ACCUMULATED FUNDS, TRUST FUNDS, RESERVES AND PROVISIONS

Accumulated Funds	Balance at 30 June 2003 R	Contribution during the Year R	Interest on Investments R	Other Income R	Correction during the Year R	Balance at 30 June 2004 R
Capital Development Fund	-	-	-	-	-	-
Grants Closed and Written Back	-	-	-	-	-	-
Provision – Other	(1,460,240)	-	-	-	-	(1,460,240)
Contribution Net Surplus	-	-	-	-	-	-
DBSA Loan	12,033,424	-	-	-	-	(12,033,424)
Sundry Investment Loans	-	-	-	-	-	-
Internal Loans	10,573,174	-	-	-	-	10,573,174
Less: Long-Term Debtors	1,382,197	-	-	-	-	00000000
Internal loans	11,955,371	-	-	-	-	10,573,174



NORTHERN FREE STATE DISTRICT COUNCIL
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004

APPENDIX B
EXTERNAL LOANS AND INTERNAL ADVANCES

EXTERNAL LOANS – ANNUITY LOANS DBSA

ys/Tumahole : Project 10055 : Upgrading of Waste Water Treatment Works : R5,555,000 @ 10% p.a. over 20 years
okeng/Kroonstad : Project 10054 Element 1 : Upgrading Main Sub-Station : R4,369,268 @ 10% p.a. over 20 years
okeng/Kroonstad : Project 10054 Element 2 : Upgrading Main Sub-Station : R3,668,095 @ 12% p.a. over 20 years
onstad/Maokeng/Brentpark : Project 10057 : Water Supply : R6,500,000 @ 12% p.a. over 20 years
kwallo/Vredefort : Project 10056 : Water Supply : R6,000,000 @ 12% p.a. over 20 years
ritoma/Heilbron : Project 10058 : Water Supply : R17,100,000 @ 10% p.a. over 20 years
oenskroon : Project 10066 : Water Supply : R1,051,000 @ 10% p.a. over 20 years
adela : Project 10076 Element 1 : Bulk Water Pipeline : R632,697 @ 10% p.a. over 20 years
adela : Project 10076 Element 2 : Internal Water Reticulation : R1,350,616 @ 10% p.a. over 20 years
olburg : Project 10243 Element 5 : Bergius Street Tar : R2,000,000 @ 15,25% p.a. over 18 years
olburg : Project 13304 : Leitrim Water Network : R2,760,000 @ 16,50% p.a. over 19 years
olburg : Project 13304 Element 2 : Land Acquisition : Leitrim : R2,100,000 @ 16,5% p.a. over 19 years
olburg/Kroonstad : Project 10243 : Refinancing : R2,800,000 @ 15,25% p.a. over 18 years

TOTAL

GRANTS TO LOCAL AUTHORITIES – PRE-PAID GRANTS

vital Development Fund

	Operating 01 July 2003 R	Yearly interest R	Capital Reduction R	Redeemed R	Closing 30 June 2004 R
	5,057,343.35	501,543.50	232,018.45	733,561.91	4,825,324.90
	4,987,530.49	494,620.00	228,815.64	723,435.64	4,758,714.85
	2,263,378.85	270,281.30	72,690.81	342,972.05	2,190,688.04
	7,094,729.72	846,142.89	264,820.82	1,110,963.71	6,829,908.90
	6,535,252.61	779,417.66	243,937.51	1,023,355.20	6,291,315.07
	16,740,623.49	1,663,678.52	624,592.88	2,288,271.59	16,116,030.61
	862,845.68	85,634.92	36,898.68	122,533.60	825,947.00
	518,592.75	51,429.56	23,791.74	75,221.30	494,801.01
	910,832.95	90,328.53	41,786.75	132,115.28	869,046.20
	1,868,264.09	284,039.06	46,657.12	330,696.18	1,821,606.97
	2,743,932.69	452,373.30	43,381.23	495,754.53	2,700,551.46
	1,979,468.88	326,341.39	31,295.18	357,636.57	1,948,173.70
	2,707,221.20	411,588.83	67,608.81	479,197.64	2,639,612.39
	54,270,018.00	6,257,419.46	1,958,295.74	8,215,715.20	52,311,751.10
	54,270,018	-	-	-	10,573,174



**NORTHERN FREE STATE DISTRICT COUNCIL
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004**

**APPENDIX B
EXTERNAL LOANS AND INTERNAL ADVANCES**

	Opening 30 June	Yearly interest	Capital Reduction	Redeemed	Closing 30 June 04
	R	R	R	R	R
INTERNAL LOANS – ANNUITY LOANS DBSA					
s/Tumahole : Project 10055 : Upgrading of Waste Water Treatment Works : R5,555,000 @ 10% p.a. over 20 years	5,057,343	501,544	232,018	733,562	4,825,325
keng/Kroonstad : Project 10054 Element 1 : Upgrading Main Sub-Station : R4,369,268 @ 10% p.a. over 20 years	4,987,530	494,620	228,816	723,436	4,758,715
keng/Kroonstad : Project 10054 Element 2 : Upgrading Main Sub-Station : R3,668,095 @ 12% p.a. over 20 years	2,263,379	270,281	372,691	342,972	2,190,688
msstad/Maokeng/Brentpark : Project 10057 : Water Supply : R6,500,000 @ 12% p.a. over 20 years	7,094,730	846,143	264,821	1,110,964	6,829,909
wallo/Vredefort : Project 10056 : Water Supply : R6,000,000 @ 12% p.a. over 20 years	6,535,253	779,418	243,938	1,023,355	6,291,315
itona/Heilbron : Project 10058 : Water Supply : R17,100,000 @ 10% p.a. over 20 years	16,740,623	1,663,679	2624,593	2,288,272	16,116,031
xenskroon : Project 10066 : Water Supply : R1,051,000 @ 10% p.a. over 20 years	862,846	85,635	36,899	122,534	825,947
dela : Project 10076 Element 1 : Bulk Water Pipeline : R632,697 @ 10% p.a. over 20 years	518,593	51,430	23,792	75,221	494,801
dela : Project 10076 Element 2 : Internal Water Reticulation : R1,350,616 @ 10% p.a. over 20 years	910,833	90,329	41,787	132,115	869,046
lburg : Project 10243 Element 5 : Bergius Street Tar : R2,000,000 @ 15,25% p.a. over 18 years	1,868,264	284,039	46,657	330,696	1,821,607
lburg : Project 13304 : Leirim Water Network : R2,760,000 @ 16,50% p.a. over 19 years	2,743,933	452,373	43,381	495,755	2,700,551
lburg : Project 13304 Element 2 : Land Acquisition : Leirim : R2,100,000 @ 16,5% p.a. over 19 years	1,979,469	326,341	31,295	357,637	1,948,174
lburg/Kroonstad : Project 10243 : Refinancing : R2,800,000 @ 15,25% p.a. over 18 years	2,707,221	411,589	67,609	479,198	2,639,612
TOTAL	54,270,017	6,257,420	1,958,295	8,215,715	52,311,721
GRANTS TO LOCAL AUTHORITIES – PRE-PAID GRANTS					
Local Development Fund	10,573,174	-	-	-	10,573,174

NORTHERN FREE STATE DISTRICT COUNCIL
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004



APPENDIX C
ANALYSIS OF FIXED ASSETS

Expenditure 2003 R	RATES AND GENERAL		Budget 2004 R	Balance at 30 June 2003 R	Expenditure during the year 2004 R	Correction of Opening Balance 2004 R	Balance at 30 June 2004 R
671,249			1,025,000	1,838,341	954,058		2,807,199
671,249	Community Services		1,000,000	860,830	953,294		1,828,577
-	Council and General		-	63,528			63,528
-	Chief Executive Officer		25,000	914,330	764		915,094
-	Administration						
-	Regional Function		2,000	136,362			136,362
-	Tourism		2,000	136,362	-		136,362
-	Land & Building		2,500,000	3,848,887	3,577,606		7,426,493
-	Finance		-	354,570	-		354,570
-	Information Technology		320,000	1,727,776	152,148		1,879,924
-	Technical Services		171,000	166,834	29,871		196,705
671,249	Total Fixed Assets		4,018,000	8,072,770	4,713,683		12,801,253
	Less: Loans Redeemed and Other Capital Receipts						
	Contribution ex Operating Income			8,072,770	4,713,683		12,801,253
	Net Fixed Assets						

NORTHERN FREE STATE DISTRICT COUNCIL
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004



APPENDIX D
ANALYSIS OF OPERATING INCOME AND EXPENDITURE

Actual 2003 R		Actual 2004 R	Budget 2004 R
96,085,282	INCOME	110,300,706	97,504,028
64,027,466	Levies	61,738,517	62,000,000
7,369,470	Interest	5,198,134	6,412,828
370,206	Debtors	311,980	300,000
4,475,057	Investment	3,743,682	5,500,000
145,977	Vehicle and Study loans	162,828	162,828
2,378,230	Bank	979,644	450,000
24,301,765	State Grants	43,237,300	28,741,200
-	Management Support Grant	135,586	-
-	IDP Review Grant	81,200	81,200
-	MIG	12,051,441	-
-	Special Projects	1,336,926	-
-	FMG Grant	1,000,000	1,000,000
2,143,611	Sports and Recreation	2,700,000	1,440,000
8,929	Tourism	87,646	30,000
3,450,716	MSIG	2,385,000	2,385,000
18,698,509	CMIP	20,799,000	21,144,000
-	Equitable Share	1,435,501	1,436,000
-	DWAF	1,225,000	1,225,000
386,581	Other Income	126,755	350,000
371,781	Sundry Income	126,755	350,000
14,800	Sale of assets	-	-
96,085,282		110,300,706	97,504,028
	EXPENDITURE		
1,789,044	Section 12(6)(a)	1,990,292	2,757,646
1,789,044	Sports and recreation	1,990,292	2,757,646
1,789,044	Total Section 12(6)(a)	1,990,292	2,757,646

NORTHERN FREE STATE DISTRICT COUNCIL
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004



Actual 2003 R		Actual 2004 R	Budget 2004 R
	Section 12(6)(b)		
63,566,815	Development Aid: Grants	57,994,927	99,115,210
34,730,327	Development Aid: Grants	67,774,300	-
600,231	Development Aid: (Ret)	3,253,671	-
98,897,373	Total Section 12(6)(b)	129,022,898	99,115,210
	Section 12(6)(c)		
8,617,286	Salaries, Wages and	11,197,159	14,562,387
1,410,796	Councillor Allowances	145,392	200,000
8,189,330	General Expenditure	15,785,012	10,436,001
-	FMG Expenditure	80,729	80,729
617,249	Contributions to Assets	4,713,683	4,551,000
272,580	Repairs and Maintenance	340,602	330,600
8,219,706	Capital Charges	8,215,715	9,000,000
27,326,947	Total Section (6)(c)	40,478,292	31,060,717
131,569,755	Gross Expenditure	171,491,482	132,933,573
	Surplus/(Deficit) for the Year		
(35,484,473)	Prior year Surplus	(61,190,776)	(34,092,619)
3,066,034		6,522,240	7,775,062
(32,418,439)		(54,668,536)	(26,317,557)
38,940,679	Appropriations	36,200,721	-
6,522,240	Surplus/(Deficit) for the Period	(18,467,815)	-

NORTHERN FREE STATE DISTRICT COUNCIL
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004



APPENDIX E
DETAILED INCOME STATEMENT

	Actual Income 2003 R	Actual Expenditure 2003 R	Surplus/(Deficit) 2003 R	Actual Income 2004 R	Actual Expenditure 2004 R	Surplus/(Deficit) 2004 R
RATES AND GENERAL						
General Services	93,932,742	126,224,320	(32,291,578)	107,600,706	169,501,190	(61,900,484)
Community Services	93,932,742	126,224,320	(32,291,578)	-	-	-
Subsidies Services	-	-	-	-	-	-
Economic Services	-	-	-	-	-	-
Regional Functions	2,152,540	5,345,435	(3,192,895)	2,757,646	1,990,292	767,354
Housing Services	-	-	-	-	-	-
Trading Services	-	-	-	-	-	-
TOTAL	96,085,282	131,569,755	(35,484,473)	110,300,706	171,491,482	(61,190,776)
Appropriations for the Year			38,940,679			36,200,721
Net Surplus/(Deficit) for the Year			3,456,206			(24,990,055)
Accumulated Surplus at Beginning of Year			3,066,034			6,522,240
Accumulated Surplus/(Deficit) at End of Year			6,522,240			(18,467,815)