



**FEZILE DABI DISTRICT MUNICIPALITY  
FINANCIAL STATEMENTS FOR THE YEAR ENDED  
30 JUNE 2008**

**FEZILE DABI DISTRICT MUNICIPALITY  
INDEX**

---

	<b>Page</b>
Report of the Auditor-General	1
General information	2 - 3
Statement of Financial Position	4
Statement of Financial Performance	5
Statement of Changes in Net Assets	6
Cash Flow Statement	7
Accounting Policies to the Annual Financial Statements	8 - 10
Notes to the Annual Financial Statements	11 - 26
Appendix A: Analysis of Property, Plant and Equipment	27
Appendix B: Segmental Analysis of Property, Plant and Equipment	28
Appendix C: Segmental Statement of Financial Performance	29
Appendix D ( 1) : Actual versus Budget (Revenue and Expenditure)	30
Appendix D ( 2): Actual versus Budget (Acquisition of Property, Plant and Equipment)	31
Appendix E: Disclosure of Grants and Subsidies in Terms of the Municipal Finance Management Act	32
Appendix F: Schedule of External Loans	33

**REPORT OF THE AUDITOR-GENERAL**

---

**GENERAL INFORMATION**

Grading of the Municipality	Low Capacity
Legal form	District Municipality
Registered address	John Voster Road Sasolburg
Postal address	P. O. Box 10 Sasolburg 1947
Auditors	The Auditor - General
Bankers	ABSA Bank

**APPROVAL OF FINANCIAL STATEMENTS**

I am responsible for the preparation of these financial statements, which are set out on page 4 to 33, in terms of Section 126(1) 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 14 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 Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

---

Municipal Manager  
S M MOLALA  
BA(HED),FED(Educ Management), BA(Hons), MA(Geography)

---

Date

---

**GENERAL INFORMATION (CONTINUED)**

**EXECUTIVE MAYOR**

Mr JERT Ramokhoase

**SPEAKER**

Mr S I Mbalo

**MEMBERS OF THE MAYORAL COMMITTEE**

Cllr D Colbert  
Cllr K Khumalo  
Cllr NG Guza  
Cllr KM Mantso  
Cllr DLS George  
Cllr PR Ndayi

FEZILE DABI DISTRICT MUNICIPALITY  
STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2008

4

	Notes	2008 R	2007 R (restated)
<b>NET ASSETS AND LIABILITIES</b>			
<b>Net assets</b>		<b>65 842 018</b>	57 992 378
Capital Replacement Reserve		4 019 492	4 019 492
Revaluation Reserve		9 220 988	-
Accumulated Surplus		52 601 537	53 972 885
<b>Non-current liabilities</b>			
Long-term liabilities	1	38 638 589	42 094 639
<b>Current liabilities</b>		<b>22 726 380</b>	11 234 674
Creditors	2	15 187 863	8 399 410
DWAF	3	4 282 225	-
Current portion of long-term liabilities	1	3 256 292	2 835 263
<b>Total net assets and liabilities</b>		<b>127 206 986</b>	111 321 690
<b>Assets</b>			
<b>Non-current assets</b>		<b>21 007 348</b>	11 369 052
Property, plant and equipment	4	21 007 348	11 112 253
Long - term receivables	5	-	256 799
<b>Current assets</b>		<b>106 199 638</b>	99 952 637
Other debtors	6	1 000 666	148 006
Current portion of long-term debtors	5	95 485	289 228
VAT	7	5 299 752	2 101 039
Investment Deposits	8	94 603 349	85 738 873
Bank and cash	9	5 200 387	11 675 491
<b>Total assets</b>		<b>127 206 986</b>	111 321 689

**FEZILE DABI DISTRICT MUNICIPALITY  
STATEMENT OF FINANCIAL PERFORMANCE  
FOR THE YEAR ENDED 30 JUNE 2008**

5

	Notes	2008 R	2007 R (restated)
<b>Revenue</b>			
RSC: Levies	10	569 243	9 896 629
Rental of building		-	119 463
Interest earned - external investments		8 640 012	5 777 506
Interest earned - outstanding debtors		35 890	161 164
Interest - other		2 145 406	1 899 511
Government grants and subsidies	11	91 371 861	79 763 585
Other income	12	558 318	995 464
<b>Total Revenue</b>		<b>103 320 730</b>	<b>98 613 323</b>
<b>EXPENDITURE</b>			
Employee related costs	13	22 860 282	19 318 289
Remuneration of Councillors	14	3 895 873	3 831 855
Collection costs		74 370	627 355
Depreciation		1 884 632	1 385 305
Repairs and maintenance		496 141	556 261
Interest paid	15	5 180 889	5 822 812
Contracted services	16	7 820 858	6 038 048
Grants and subsidies paid	17	34 510 573	23 516 174
General expenses	32	27 968 462	25 260 761
<b>Total Expenditure</b>		<b>104 692 079</b>	<b>86 356 859</b>
<b>SURPLUS/(DEFICIT) FOR THE YEAR</b>		<b>(1 371 349)</b>	<b>12 256 464</b>

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

FEZILE DABI DISTRICT MUNICIPALITY  
STATEMENT OF CHANGES IN NET ASSETS  
FOR THE YEAR ENDED 30 JUNE 2008

6

	Capital Replacement Reserve	Revaluation Reserve	Accumulated Surplus	TOTAL
	R	R	R	R
<b>2007</b>				
Balance as at 1 July 2006	4 019 492	-	40 811 372	44 830 864
Correction of errors (note 18)	-	-	( 589 049)	( 589 049)
<b>Restated balance at 1 July 2006</b>	<b>4 019 492</b>	<b>-</b>	<b>40 222 322</b>	<b>44 241 814</b>
Net surplus for the year	-	-	10 637 008	10 637 008
Transfer from statement of financial performance	-	-	1 852 961	1 852 961
Transfer to statement of financial performance	-	-	( 358 862)	( 358 862)
Offsetting depreciation	(1 385 305)	-	1 385 305	-
Correction of errors (note 18)	1 385 305	-	234 151	1 619 456
<b>Restated balance at 30 June 2007</b>	<b>4 019 492</b>	<b>-</b>	<b>53 972 885</b>	<b>57 992 378</b>
<b>2008</b>				
Net surplus/(deficit) for the year	-	-	(1 371 349)	(1 371 349)
Revaluation (note 4)	-	9 220 988	-	9 220 988
<b>Balance at 30 June 2008</b>	<b>4 019 492</b>	<b>9 220 988</b>	<b>52 601 537</b>	<b>65 842 017</b>

**FEZILE DABI DISTRICT MUNICIPALITY  
CASH FLOW STATEMENT  
FOR THE YEAR ENDED 30 JUNE 2008**

7

	Notes	2008 R	2007 R (restated)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash receipts from customers, government and others	28	93 248 050	87 841 644
Cash paid to suppliers and employees	29	(91 355 881)	(75 288 451)
Cash generated from / (required by) operating activities	30	1 892 169	12 553 193
Interest received		10 821 308	7 838 182
Interest paid		(5 180 889)	(5 822 812)
<b>NET CASH FROM OPERATING ACTIVITIES</b>		<b>7 532 588</b>	<b>14 568 563</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		(2 558 738)	(2 518 634)
Decrease in non-current receivables		450 542	549 773
<b>NET CASH FROM INVESTING ACTIVITIES</b>		<b>(2 108 196)</b>	<b>(1 968 861)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
New loans raised/repaid		(3 035 022)	(2 732 930)
<b>NET CASH FROM FINANCING ACTIVITIES</b>		<b>(3 035 022)</b>	<b>(2 732 930)</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>			
		<b>2 389 371</b>	<b>9 866 773</b>
Cash and cash equivalents at the beginning of the year		97 414 364	87 547 591
Cash and cash equivalents at the end of the year	31	99 803 736	97 414 364

## **1 BASIS OF PREPARATION**

The 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 General Notice 991 and 992 of 2005.

These standards are summarised as follows:

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GAMAP 4	The Effects of Changes in Foreign Exchange Rates
GAMAP 6	Consolidated Financial Statements and Accounting for Controlled Entities
GAMAP 9	Revenue
GAMAP 7	Accounting For Investments in associates
GAMAP 8	Financial Reporting of Interests in Joint Ventures
GAMAP 12	Inventories
GAMAP 17	Property, Plant and Equipment
GAMAP 19	Provisions, Contingent Liabilities and Contingent asset
GAMAP 6,7 and 8 have been complied to the extent that the requirements in these standards relate to the municipality's separate financial statements.	

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 mentioned standards and aspects or parts of these standards. Details of the exemptions applicable to the municipality have been provided in note 33 to the financial statements.

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

## **2 PRESENTATION CURRENCY**

The annual financial statements are presented in South African Rand.

## **3 GOING CONCERN ASSUMPTION**

These financial statements have been prepared on a going concern basis.

## **4 RESERVES**

### **4.1 Capital Replacement Reserve**

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 be utilised only to finance items of property, plant and equipment. The CRR is reduced by a corresponding amount when 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.

### **4.2 Revaluation Reserve**

The surplus arising from the revaluation of land and buildings is credited to a non-distributable reserve. The revaluation surplus is realised as revalued buildings are depreciated, through a transfer from the revaluation reserve to the accumulated surplus/(deficit). 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.

## 5 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is stated at cost, less accumulated depreciation, except land and buildings, which are revalued at least every five years. Similarly, land is not depreciated as it is deemed to have an indefinite life.

Impairment as well as the review of the useful life of assets and depreciation method is exempted in accordance with the exemptions in Gazette no. 30013 of 29 June 2007

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

Intangible assets are not recognised. This is in terms of the exemptions in Gazette no. 30013 of 29 June 2007. Exemption from Treasury has been obtained.

Depreciation is calculated on cost, using the straight-line method over the estimated useful life of the assets. The annual depreciation rates are based on the following estimated asset lives.

	Years
<b>Other assets</b>	
Office equipment	3-10
Furniture & fittings	3-10
Motor vehicles	5
Buildings	30
Computer equipment	4-5
Miscellaneous equipment	3-7

## 6 REVALUATION OF LAND AND BUILDINGS

Land and buildings are stated at revalued amounts, being the fair value at the date of revaluation less subsequent accumulated depreciation in respect of buildings.

## 7 INVESTMENTS

### Financial Instruments

Financial instruments which include fixed deposits and short term deposits invested in registered commercial banks, are stated at cost.

## 8 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.

## 9 TRADE CREDITORS

Trade creditors are stated at their nominal value.

## 10 REVENUE RECOGNITION

10.1 Interest and rental are recognised on a time proportion basis.

10.2 Government grants are recognised as revenue when all conditions associated with the grant have been met. Where grants have been received but the municipality has not met the condition, a liability is raised.

10.3 Amounts received from government and donors for the purpose of acquiring item of property, plant and equipment are also recognised as revenue.

## 11 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.

## 12 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 each balance sheet date and adjusted to reflect the current best estimate.

## 13 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 purpose of 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.

**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 30 JUNE 2008****14 UNAUTHORISED EXPENDITURE**

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms 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 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.

**15 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. 30 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.

**16 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.

**17 LEASES**

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 capitalized at their cash cost equivalent and the corresponding liabilities are raised. The cost of the item of property, plant and equipment is at appropriate rates on the straight-line basis over its estimated useful life. Lease payments are allocated between the lease finance cost and capital repayments 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, in accordance with the exemptions in Gazette no. 30013 of 29 June 2007

**18 BORROWING COSTS**

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

**19 RETIREMENT BENEFITS**

The municipality provides retirement benefits for its employees and councillors. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year they become payable. The defined benefits funds, which are administered on a provincial basis, are actuarially valued triennially on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities.

**20 COMPARATIVE INFORMATION****20.1 Current year comparatives**

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

**20.2 Prior year comparatives**

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

**21 FINANCIAL ASSETS AND LIABILITIES**

The municipality classifies its financial assets and liabilities in the following categories: at fair value through profit or loss, loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets and liabilities were acquired. Management determines the classification of its financial assets and liabilities at initial recognition.

**21.1 Loans and receivables/payables**

Loans and receivables/payables are non-derivative financial assets/liabilities with fixed or determinable payments that are not quoted in an active market. They are included in current assets/liabilities, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets/liabilities. The municipality's loans and receivables/payables comprise 'trade and other receivables/payables' and cash and cash equivalents in the balance sheet.

	2008 R	2007 R (restated)
<b>1 LONG TERM LIABILITIES</b>		
External loans	41 894 880	44 929 902
Less: Current portion transferred to current liabilities	(3 256 292)	(2 835 263)
<b>Total External Loans</b>	<b>38 638 589</b>	<b>42 094 639</b>

Refer to Appendix F for more detail on long-term liabilities.

<b>2 CREDITORS</b>		
Trade Creditors	10 178 983	4 701 471
Debtors payments not yet received	-	23 029
Retentions	3 010 206	2 236 956
Staff Leave Accrual	1 470 887	1 083 085
Service Bonus Accrual	377 048	354 870
Other creditors	150 739	-
<b>Total Creditors</b>	<b>15 187 863</b>	<b>8 399 410</b>

**3 DWAF**

During the current year the municipality received funds relating to the DWAF grant for Ngwathe Local Municipality. These funds are administered on behalf of Ngwathe Local Municipality and is not included in income of Fezile Dabi District Municipality.

Balance held at the end of the year	<b>4 282 225</b>	-
-------------------------------------	------------------	---

Refer to note 11.4 for more detail regarding the DWAF Grant received

**4 PROPERTY, PLANT AND EQUIPMENT**

**30 June 2008**

**Reconciliation of Carrying Value**

**Carrying values at 01 July 2007**

	Land and Buildings R	Other Assets R	Total R
Cost	6 843 301	4 268 952	11 112 253
Accumulated depreciation	8 355 728	10 048 493	18 404 221
-Cost	(1 512 427)	(5 779 541)	(7 291 968)
-Revaluation	(1 512 427)	(5 779 541)	(7 291 968)
	-	-	-

Acquisitions	237 128	2 321 611	2 558 738
Revaluation	9 220 988	-	9 220 988
Depreciation	( 406 417)	(1 478 215)	(1 884 632)
-based on cost	( 406 417)	(1 478 215)	(1 884 632)
- based on revaluation	-	-	-

**Carrying values at 30 June 2008**

Cost/Revaluation	15 895 000	5 112 348	21 007 348
Accumulated depreciation	15 895 000	12 370 104	28 265 104
-Cost	-	(7 257 756)	(7 257 756)
- Revaluation	-	(7 257 756)	(7 257 756)
	-	-	-

4 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

30 June 2007

Reconciliation of the Carrying Value

	Land and Buildings R	Other Assets R	Total R
<b>Carrying values at 01 July 2006</b>	6 340 426	3 638 498	9 978 924
Cost	7 605 303	8 280 284	15 885 587
Accumulated depreciation	(1 264 877)	(4 641 786)	(5 906 663)
-Cost	(1 264 877)	(4 641 786)	(5 906 663)
-Revaluation	-	-	-
Acquisitions	750 425	1 768 209	2 518 634
Depreciation	(247 550)	(1 137 755)	(1 385 305)
- based on cost	(247 550)	(1 137 755)	(1 385 305)
- based on revaluation	-	-	-
<b>Carrying values at 30 June 2007</b>	6 843 301	4 268 952	11 112 253
Cost	8 355 728	10 048 493	18 404 221
Accumulated depreciation	(1 512 427)	(5 779 541)	(7 291 968)
-Cost	(1 512 427)	(5 779 541)	(7 291 968)
-Revaluation	-	-	-

The municipality's land and buildings were revalued on 26 June 2008 by independent valuers. Valuations were made on the basis of recent market transactions on arm's length terms. The revaluation surplus was credited to revaluation reserve.

The revaluation surplus is reconciled as follows:

	2008 R	2007 R (restated)
Balance at the beginning of the year	-	-
Revaluations	9 220 988	-
Surplus realised	-	-
Balance at the end of the year	<u>9 220 988</u>	<u>-</u>

The accumulated depreciation on buildings on the date of the revaluation was eliminated against the cost of the land and buildings.

Accumulated depreciation is reconciled as follows:

Balance at the beginning of the year	7 291 968	(5 906 663)
Depreciation for the year	1 884 632	(1 385 305)
Eliminated at revaluation	<u>(1 918 844)</u>	-
Balance at the end of the year	<u>7 257 756</u>	<u>(7 291 968)</u>

Refer to note 18.4 for error noted regarding the disclosure of depreciation on land & buildings

Refer to Appendix B for more detail

	2008 R	2007 R (restated)
<b>5 LONG TERM RECEIVABLES</b>		
Car loans	95 485	546 027
Less: Current portion transferred to current receivables	<u>( 95 485)</u>	<u>( 289 228)</u>
<b>Total</b>	<u>-</u>	<u>256 799</u>
<b>CAR LOANS</b>		

Before the enactment of the MFMA senior staff were entitled to car loans which attracted interest at 8% to 8.5% per annum and which were repayable over a maximum period of 5 years. The last loan will be repayable in the year 2009.

No advances were made to employees during the year.

<b>6 OTHER DEBTORS</b>		
Fuel deposit	1 000	1 000
Pick n pay card	2 251	2 251
SA Post Office-deposit	15 000	15 000
Prepaid expenses	-	3 350
Other Debtors	198 462	-
Suspense ( Year End Creditor Transactions VAT Reclaimable)	<u>783 953</u>	<u>126 405</u>
<b>Total Other Debtors</b>	<u>1 000 666</u>	<u>148 006</u>

Suspense accounts include payments rejected by the bank (only applicable to previous year).

Current year suspense accounts is in respect of Input VAT on accrued transactions.

<b>7 VAT</b>		
<b>VAT payable/(receivable)</b>	<u>(5 299 752)</u>	<u>(2 101 039)</u>

VAT is payable on the receipt basis. Only when payment is received from debtors is VAT paid over to SARS.

<b>8 INVESTMENT DEPOSITS</b>		
<b>Financial instruments</b>		
Investments	<u>94 603 349</u>	<u>85 738 873</u>
Total Cash Investments	<u>94 603 349</u>	<u>85 738 873</u>

Fixed deposits are for periods which are less than 12 months.

Deposits amounting to R4 019 492 (2007: R4 019 492) are attributable to the Capital Replacement Reserve.

Material deposits amounting to R10 636 291 (2007: R0.00) were withdrawn from Liberty Group Investments and invested elsewhere.

<b>9 BANK AND CASH</b>		
The Municipality has the following bank accounts:		
<b>Cheque Account</b>		
ABSA Bank - Sasolburg		
Account number: 520000100		
Cash book balance at beginning of year - (overdrawn)	<u>1 933 622</u>	<u>1 485 554</u>
Cash book balance at end of year - (overdrawn)	<u>1 029 279</u>	<u>1 933 622</u>
Bank statement balance at beginning of year - (overdrawn)	<u>2 501 797</u>	<u>2 034 731</u>
Bank statement balance at end of year - (overdrawn)	<u>1 108 553</u>	<u>2 501 797</u>

	2008 R	2007 R (restated)
<b>9 BANK AND CASH (CONTINUED)</b>		
<b>Savings Account</b>		
ABSA Bank - Sasolburg		
Account number: 9070399717		
Cash book balance at beginning of year - (overdrawn)	<u>8 603 854</u>	<u>29 519 167</u>
Cash book balance at end of year - (overdrawn)	<u>2 923 411</u>	<u>8 603 854</u>
Bank statement balance at beginning of year - (overdrawn)	<u>8 603 854</u>	<u>29 519 167</u>
Bank statement balance at end of year - (overdrawn)	<u>2 923 411</u>	<u>8 603 854</u>
<b>Sports and recreation bank account-closing balance</b>		
Cash book balance at beginning of year - (overdrawn)	<u>2 065</u>	<u>1 967</u>
Cash book balance at end of year - (overdrawn)	<u>-</u>	<u>2 065</u>
Bank statement balance at beginning of year - (overdrawn)	<u>2 065</u>	<u>1 967</u>
Bank statement balance at end of year - (overdrawn)	<u>-</u>	<u>2 065</u>
<b>Current Account</b>		
Standard Bank - Sasolburg		
Account number: 728670534		
Cash book balance at beginning of year - (overdrawn)	<u>1 135 450</u>	<u>-</u>
Cash book balance at end of year - (overdrawn)	<u>1 247 697</u>	<u>1 135 450</u>
Bank statement balance at beginning of year - (overdrawn)	<u>1 135 450</u>	<u>-</u>
Bank statement balance at end of year - (overdrawn)	<u>1 247 697</u>	<u>1 135 450</u>
<b>Cash float</b>	-	500
<b>Total Bank and Cash</b>	<u>5 200 387</u>	<u>11 675 491</u>
<b>10 RSC LEVIES</b>		
Establishment levies	561 683	8 460 908
Service levies	7 560	1 435 721
<b>Total RSC Levies</b>	<u>569 243</u>	<u>9 896 629</u>
<b>11 GOVERNMENT GRANTS AND SUBSIDIES</b>		
Equitable share	89 871 861	78 263 585
Financial Management Grant	500 000	500 000
MSIG	1 000 000	1 000 000
<b>Total Government Grant and Subsidies</b>	<u>91 371 861</u>	<u>79 763 585</u>
<b>11.1 Equitable Share</b>		
Balance unspent at beginning of year	-	-
Current year receipts	89 871 861	78 263 585
Conditions met - transferred to revenue	<u>(89 871 861)</u>	<u>(78 263 585)</u>
	<u>-</u>	<u>-</u>

The Equitable Share is an unconditional grant and is utilised to assist the local municipalities undertake service delivery.

	2008 R	2007 R (restated)
<b>11 GOVERNMENT GRANTS AND SUBSIDIES (CONTINUED)</b>		
<b>11.2 Financial Management Grant</b>		
Balance unspent at beginning of year	-	-
Current year receipts	500 000	500 000
Conditions met - transferred to revenue	( 500 000)	( 500 000)
	<u>-</u>	<u>-</u>

The purpose of the Financial Management Grant is to assist municipalities to implement financial reforms required by MFMA

**11.3 MSIG**

Balance unspent at beginning of year	-	-
Current year receipts	1 000 000	1 000 000
Conditions met - transferred to revenue	(1 000 000)	(1 000 000)
	<u>-</u>	<u>-</u>

The fund is used to assist the district in building capacity of the local municipalities to perform their functions and stabilise institutional and governance systems as required by the Municipal Systems Act of 2000.

**11.4 DWAF**

Balance held at beginning of year	-	-
Current year receipts	4 800 000	-
Paid out to Ngwathe Local Municipality	( 517 775)	-
Balance held at the end of the year - transferred to liabilities	<u>4 282 225</u>	<u>-</u>

During the current year the municipality received funds relating to the DWAF grant for Ngwathe Local Municipality. These funds are administered on behalf of Ngwathe Local Municipality and is not included in income of Fezile Dabi District Municipality.

**11.5 Changes in levels of government grants**

Based on the allocations set out in the Division of Revenue Act, (Act No.1 of 2007), no significant changes in the level of government grant funding are expected over the forthcoming two financial years.

**12 OTHER INCOME**

Donations received	-	20 415
Recovery of debt from former employees and councillors	14 252	160 772
Skills levy (SETA)	105 643	243 562
Sundries:	402 003	548 966
Telephone deductions: Officials and councillors	198 040	303 494
Various deductions: Officials and councillors	7 540	7 793
Conferences cancelled	-	17 860
Accommodation repaid	-	3 070
Other	196 423	216 748
Tender deposits	36 421	21 750
<b>Total Other Income</b>	<u>558 318</u>	<u>995 464</u>

	2008 R	2007 R (restated)
<b>13 EMPLOYEE RELATED COSTS</b>		
Employee related costs - Salaries and Wages	13 707 967	11 267 376
Employee related costs - Contributions for UIF, pensions and medical aids	3 130 101	2 731 523
Travel, motor car and other allowances	3 451 827	2 932 875
Housing benefits and allowances	246 164	179 189
Overtime payments	149 072	187 730
Annual bonus	984 758	775 978
Performance bonus	126 400	554 236
Redemption of leave	1 063 994	689 381
<b>Total Employee Related Costs</b>	<b>22 860 282</b>	<b>19 318 289</b>
<b>Remuneration of the Municipal Manager</b>		
Annual Remuneration	657 243	481 498
Car Allowance	180 000	148 629
Performance Bonuses	-	135 397
Contributions to UIF, Medical and Provident Funds	25 556	78 418
<b>Total</b>	<b>862 800</b>	<b>843 942</b>
<b>Remuneration of the Chief Finance Officer</b>		
Annual Remuneration	524 959	268 331
Car Allowance	175 454	130 743
Performance Bonuses	-	108 317
Contributions to UIF, Medical and Provident Funds	1 473	66 657
<b>Total</b>	<b>701 886</b>	<b>574 048</b>
<b>Remuneration of Director: LED</b>		
Annual Remuneration	381 555	319 117
Car Allowance	173 030	152 944
Performance Bonuses	90 060	72 000
Contributions to UIF, Medical and Provident Funds	87 311	69 527
<b>Total</b>	<b>731 956</b>	<b>613 588</b>
<b>Remuneration of Director: PMU</b>		
Annual Remuneration	473 260	333 168
Car Allowance	165 257	155 273
Performance Bonuses	56 000	36 286
Contributions to UIF, Medical and Provident Funds	30 059	90 627
<b>Total</b>	<b>724 576</b>	<b>615 354</b>
<b>Remuneration of Director: Social Development</b>		
Annual Remuneration	103 071	338 264
Car Allowance	41 516	161 353
Performance Bonuses	-	108 318
Contributions to UIF, Medical and Provident Funds	5 624	80 671
<b>Total</b>	<b>150 211</b>	<b>688 606</b>
<b>Remuneration of Director: Corporate Services</b>		
Annual Remuneration	346 995	387 378
Car Allowance	141 667	156 217
Performance Bonuses	-	57 600
Contributions to UIF, Medical and Provident Funds	78 946	27 555
<b>Total</b>	<b>567 608</b>	<b>628 750</b>

	2008 R	2007 R (restated)
<b>13 EMPLOYEE RELATED COSTS (CONTINUED)</b>		
<b>Remuneration of Director: Health and Safety</b>		
Annual Remuneration	416 171	-
Car Allowance	170 000	-
Performance Bonuses	-	-
Contributions to UIF, Medical and Provident Funds	95 423	-
<b>Total</b>	<b>681 594</b>	<b>-</b>
<b>14 REMUNERATION OF COUNCILLORS</b>		
Executive Mayor	514 039	519 329
Speaker	399 726	384 263
Mayoral Committee Members	1 806 092	1 554 685
Councillors	937 351	1 146 563
Councillors' pension contribution	238 665	227 015
<b>Total Councillors' Remuneration</b>	<b>3 895 873</b>	<b>3 831 855</b>
<b>In kind benefits</b>		
The Executive Mayor, Deputy Executive Mayor, Speaker and Executive 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.		
<b>15 INTEREST PAID</b>		
Long term liabilities	5 180 889	5 822 812
<b>Total Interest on External Borrowings</b>	<b>5 180 889</b>	<b>5 822 812</b>
<b>16 CONTRACTED SERVICES</b>	<b>7 820 858</b>	<b>6 038 048</b>
These payments are contracts which have been entered into during the current and prior financial year.		
<b>17 GRANTS AND SUBSIDIES PAID</b>		
Metsimaholo Local Municipality	6 878 136	2 131 733
Ngwathe Local Municipality	14 680 948	5 276 249
Moqhaka Local Municipality	4 410 625	6 501 924
Mafube Local Municipality	4 361 515	3 706 918
District Rural areas	4 179 349	5 899 351
<b>Total Grants and Subsidies</b>	<b>34 510 573</b>	<b>23 516 174</b>

The Municipality identifies projects which are funded through grants and subsidies in the various local municipalities within the District. Projects are identified through the Integrated Development Plan. The operation and control of items of property, plant and equipment funded through these grants and subsidies vests in the local municipalities.

2008 R	2007 R (restated)
-----------	-------------------------

**18 CORRECTION OF ERRORS**

The following errors occurred, in relation to the prior financial year, which necessitated corrective action in the current year. The errors were corrected retrospectively in terms of GRAP 3: Accounting Policies, Changes in Accounting Estimates and Errors:

**18.1 Cheques for RSC Levies not written back**

A creditor was provided for before the 2005/06 financial year with regards to refunds to RSC levy payers. Cheques were made out to the levy payers, but these cheques were never presented for payment to the bank. Levy payers had 2 years from the date of the issue of the cheque to claim the levies. In the prior years this amount was included under Other creditors. To date these levies has not been claimed. Management should therefore have written these cheques back during the 2005/06 financial years. The comparative year has been restated in order to ensure accurate comparison between the financial years.

The net effect on the financial statements are as follows:

Decrease in Other Creditors	33 305
Increase in Accumulated Surplus	<u>( 33 305)</u>
Net effect	<u><u>-</u></u>

**18.2 TRC Vierfontein Creditor**

A donation was received from a third party during the 2005/06 financial year. This amount was to be used for the TRC Vierfontein Project running at that time. The project was completed and all expenses paid, but the credit received were not recorded as income. This amount was included in other creditors in the prior year. The comparative year has been restated in order to ensure accurate comparison between the financial years.

The net effect on the financial statements are as follows:

Decrease in Other Creditors	7 915
Increase in Accumulated Surplus	<u>( 7 915)</u>
Net effect	<u><u>-</u></u>

**18.3 Stale Cheques**

Stale cheques that were issued during the 2005/06 financial year were not written back. New cheques were issued for these cheques, but the stale cheques were not reversed. The balance was in a suspense account included under Other Debtors in the prior year. The comparative year has been restated in order to ensure accurate comparison between the financial years.

The net effect on the financial statements are as follows:

Increase in Other Debtors (credit balance under debtors)	4 528
Increase in Accumulated Surplus	<u>( 4 528)</u>
Net effect	<u><u>-</u></u>

**18.4 Investment Income 2005/06**

Interest earned amounting to R348 369.86 on external investments were duplicated in the 2005/06 financial year. The comparative year has been re-stated in order to ensure accurate comparison between the financial years.

The effect on the financial statements is as follows:

Decrease in investments	( 348 370)
Decrease in accumulated surplus	<u>348 370</u>
Net effect	<u><u>-</u></u>

	2008 R	2007 R (restated)
<b>18 CORRECTION OF ERRORS (CONTINUED)</b>		
<b>18.5 Service Bonus Accrual</b>		
According to the accounting policy 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. Contrary to GAMAP 19, management did not provide for unpaid service bonuses during the prior year. The comparative year has been re-stated in order to ensure accurate comparison between the financial years.		
The effect on the financial statements is as follows:		
Increase in service bonus accrual		( 354 870)
Increase in employee expenses and decrease in accumulated surplus (contribution to service bonus accrual for 2006/07)		68 443
Decrease in accumulated surplus (for 2005/06)		286 427
Net effect		<u><u>-</u></u>
<b>18.6 Investment Income Prior Year</b>		
Interest earned on external investments amounting to R1 687 899 on investment accounts were not recorded in the financial records of the municipality. Revenue and investments were therefore understated with this amount.		
The effect on the financial statements is as follows:		
Increase in interest earned - external investments and accumulated surplus		(1 687 899)
Increase in investments		1 687 899
Net effect		<u><u>-</u></u>
<b>18.7 Capital Replacement Reserve</b>		
According to the accounting policy the amounts transferred to the CRR are based on the municipality's need to finance future capital projects included in the Integrated Development Plan. In the prior year management incorrectly offset the prior year's depreciation amounting to R1 385 305 against the CRR. Consequently, the CRR was understated and accumulated surplus was overstated with this amount. The comparative year has been re-stated in order to ensure accurate comparison between the financial years.		
The effect on the financial statements is as follows:		
Increase in Capital Replacement Reserve		(1 385 305)
Decrease in Accumulated Surplus		1 385 305
Net effect		<u><u>-</u></u>
<b>18.8 Property, Plant &amp; Equipment</b>		
During the prior financial year the municipality did not disclose the depreciation on land & buildings separately, but included it in the depreciation of other assets. The comparative year has been re-stated in order to ensure accurate comparison between the financial years.		
The effect on the notes to the annual financial statements is as follows:		
Increase in depreciation on land & buildings		247 550
Decrease in depreciation on other assets		( 247 550)
Increase in accumulated depreciation on land and buildings		( 247 550)
Decrease in accumulated depreciation on other assets		247 550
Decrease in net book value of land & buildings		( 247 550)
Increase in the net book value of other assets		247 550
Net effect		<u><u>-</u></u>

2008 R	2007 R (restated)
-----------	-------------------------

**18 CORRECTION OF ERRORS (CONTINUED)**

**18.9 Other Matters**

During the conversion from IMFO to GAMAP/GRAP on 1 July 2005, the opening balance of accumulated surplus was restated. A difference was noted between the restated balance and the original balance amounting to R48 467 985 in respect of adjustments made against the accumulated surplus. Of the total difference R47 662 833 related to prepaid grants to local municipalities with regards to DBSA loans taken out for the municipalities and which was correctly written off against the accumulated surplus. The origin of the remaining R805 152 could not be confirmed. This matter was referred to Council and a write-off was condoned. As the write-off would be against accumulated surplus as it occurred during prior financial years, there is no effect on accumulated surplus.

**18.10 Bank account classified as Investment Deposits**

During the prior financial year a current account amounting to R1 135 449.78 was classified as Investment Deposits in stead of Cash and Cash Equivalents. The relating interest amounting to R104 236 was therefore also included under Interest on external investments instead of other interest received.

The effect on the notes to the annual financial statements is as follows:

Increase in Cash and Cash Equivalents	1 135 450
Decrease in Investment Deposits	(1 135 450)
Decrease in Interest earned - external investments	104 236
Increase in Interest earned - other	( 104 236)
Net effect	<u><u>-</u></u>

**19 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED**

**19.1 Unauthorised expenditure**

Reconciliation of unauthorised expenditure	
Opening Balance	-
Unauthorised expenditure - current year	<b>1 017 658</b>
Approved/condoned by Council	-
Transfer to receivables for recovery	-
Unauthorised expenditure awaiting authorisation	<u><u>1 017 658</u></u>

Expenditure vote of Corporate Services was overspent by R1 017 658 during the year.

This expenditure will be submitted to Council for condonation

**19.2 Irregular expenditure**

Reconciliation of irregular expenditure	
Opening Balance	-
Irregular expenditure - current year	<b>1 678 367</b>
Approved/condoned by Council	-
Transfer to receivables for recovery	-
Irregular expenditure awaiting authorisation	<u><u>1 678 367</u></u>

The above expenditure were in contravention of the Municipality's supply chain management policy, and were spent as follows:

Security related expenditure	625 231	-
Food parcels for Christmas	167 010	-
Event management	661 126	-
Catering	<b>225 000</b>	-
	<u><u>1 678 367</u></u>	<u><u>-</u></u>

This expenditure will be submitted to Council for condonation

	2008 R	2007 R (restated)
<b>19 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED</b>		
<b>19.3 Fruitless &amp; wasteful expenditure</b>		
Reconciliation of fruitless & wasteful expenditure		
Opening Balance	-	-
Fruitless & wasteful expenditure - current year	<b>54 642</b>	-
Approved/condoned by Council	-	-
Transfer to receivables for recovery	-	-
Fruitless & wasteful expenditure awaiting authorisation	<b>54 642</b>	-
	<hr/> <hr/>	<hr/> <hr/>
<p>An employee resigned on 12 September 2007 with effect from 14 September 2007. The full salary was paid out to the employee for the month of September. This expenditure amounted to R26 641.78 and is considered to be wasteful.</p> <p>A councillor was unable to attend a conference after payment for the conference was already made. The costs amounted to R28 000 and is considered wasteful.</p> <p>This expenditure will be submitted to Council for condonation.</p>		
<b>20 ADDITIONAL DISCLOSURE IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT</b>		
<b><u>Contributions to Local Government Organisation</u></b>		
Opening balance	-	-
Current year's contribution	<b>129 675</b>	90 835
Amount paid - current year	<b>(129 675)</b>	(90 835)
Amount paid - previous years	-	-
<b>Balance unpaid (included in creditors)</b>	<hr/> <hr/>	<hr/> <hr/>
<b><u>Audit fees</u></b>		
Opening balance	-	-
Current year's contribution	<b>1 281 017</b>	1 039 662
Amount paid - current year	<b>(1 281 017)</b>	(1 039 662)
<b>Balance unpaid (included in creditors)</b>	<hr/> <hr/>	<hr/> <hr/>
<b><u>VAT</u></b>		
Opening balance	<b>(2 101 040)</b>	517 094
Current year input VAT	<b>(7 757 795)</b>	(5 952 068)
Current year output VAT	<b>79 652</b>	1 385 393
Amount paid (received) - current year	<b>4 479 431</b>	1 948 542
<b>Balance unpaid - included in creditors / (receivable) included in assets</b>	<hr/> <hr/>	<hr/> <hr/>
<b><u>PAYE and UIF</u></b>		
Opening balance	-	-
Current year payroll deductions	<b>4 805 279</b>	4 140 645
Amount paid - current year	<b>(4 805 279)</b>	(4 140 645)
Amount paid - previous years	-	-
<b>Balance unpaid (included in creditors)</b>	<hr/> <hr/>	<hr/> <hr/>
<b><u>Pension and Medical Aid Deductions</u></b>		
Opening balance	-	-
Current year payroll deductions and council contributions	<b>3 025 520</b>	2 912 574
Amount paid - current year	<b>(3 025 520)</b>	(2 912 574)
Amount paid - previous years	-	-
<b>Balance unpaid (included in creditors)</b>	<hr/> <hr/>	<hr/> <hr/>

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2008

	2008 R	2007 R (restated)
<b>21 CAPITAL COMMITMENTS</b>		
Commitments in respect of capital expenditure		
Approved and contracted for:		
Infrastructure	-	-
Approved but not yet contracted for:		
Vehicles	-	760 273
Telephone System	-	-
Furniture & equipment	-	410 273
Air Conditioners	-	350 000
This expenditure will be financed from:		
Income	-	760 273
Government Grants	-	-
<b>Total</b>	<b>-</b>	<b>760 273</b>

**22 RETIREMENT BENEFIT INFORMATION**

Councillors and employees belong to two defined benefit retirement funds which are the Free State Pension Fund and the Councillors Pension Fund. These Funds are subject to triennial actuarial valuation. The last valuation of the Free State Municipal Pension Fund was performed in June 2002. The Free State Municipal Pension Fund, net assets that are available for benefits at 30 June 2002 was R 1 169 565.00.

This valuation indicates that the fund is in sound financial position. The estimated liability of the funds is R 817 138.00 which is adequately financed.

No new information was available at balance sheet date.

No information was available for the Councillors Pension Fund when the financial statements were prepared.

**23 CONTINGENT LIABILITY**

There were no contingent liabilities at the balance sheet date.

**24 CONTINGENT ASSET**

During the current year the municipality instituted legal action against entities that did not submit and pay RCS levies for periods before 30 June 2006. This may result in the possible inflow of revenue amounting to R22 655 066.87 (2007: R0.00). According to Council's legal advisors, it is probable that the proceedings will result in the recovery of the amount but this recovery is not virtually certain.

**25 IN - KIND DONATION AND ASSISTANCE**

No in-kind donation and assistance were received by the municipality during the year.

**26 COMPARISON WITH THE BUDGET**

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

**27 EVENTS AFTER BALANCE SHEET DATE**

There were no events after balance sheet date.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2008

	2008 R	2007 R (restated)
<b>28 CASH RECEIVED FROM CUSTOMERS, GOVERNMENT AND OTHERS</b>		
Total revenue	103 320 730	98 613 323
Adjusted for items presented separately:		
Interest received on investments	(8 640 012)	(5 777 506)
Interest on outstanding debtors	(35 890)	(161 164)
Interest- other	(2 145 406)	(1 899 511)
Adjustments in respect of previous years' operating transactions	-	(358 862)
Adjustment to prior year's profit in respect of error (refer to note 18)	-	(348 370)
DWAF Received (refer to note 11.4)	4 800 000	-
Adjusted for changes in working capital:		
(Increase)/decrease in VAT receivable	(3 198 713)	(2 101 039)
(Increase)/decrease in other debtors	(852 659)	(125 227)
	<u>93 248 050</u>	<u>87 841 644</u>
<b>29 CASH PAID TO SUPPLIERS AND EMPLOYEES</b>		
Total expenditure	104 692 079	86 356 859
Adjusted for non-cash items:		
Depreciation	(1 884 632)	(1 385 305)
Adjustments in respect of previous years' operating transactions	-	(1 852 961)
DWAF Paid (refer to note 11.4)	517 775	-
Adjusted for items presented separately		
Interest paid	(5 180 889)	(5 822 812)
Adjusted for changes in working capital:		
(Increase)/decrease in creditors	(6 788 453)	(2 824 425)
(Increase)/decrease in unspent conditional grants	-	300 000
(Increase)/decrease in VAT payable	-	517 094
	<u>91 355 881</u>	<u>75 288 451</u>
<b>30 CASH GENERATED FROM / (REQUIRED BY) OPERATING ACTIVITIES</b>		
Reconciliation of net operating profit to cash generated in operations		
Net operating profit/(loss)	(1 371 349)	12 256 464
Adjusted for:		
Depreciation	1 884 632	1 385 305
Investment income	(8 640 012)	(5 777 506)
Interest on outstanding debtors	(35 890)	(161 164)
Interest- other	(2 145 406)	(1 899 511)
Interest paid	5 180 889	5 822 812
Adjustments in respect of previous years' operating transactions	-	1 494 099
Adjustment to prior year's profit in respect of error (refer to note 18)	-	(348 370)
DWAF (refer to note 11.4)	4 282 225	-
Changes in working capital:		
(Increase)/decrease in other debtors	(852 659)	(125 227)
(Decrease)/Increase in conditional grants	-	(300 000)
(Decrease)/increase in creditors	6 788 453	2 824 425
(Increase)/decrease in VAT	(3 198 713)	(2 618 133)
	<u>1 892 169</u>	<u>12 553 193</u>
<b>31 CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>		
Bank and cash	5 200 387	11 675 491
Investments	94 603 349	85 738 873
	<u>99 803 736</u>	<u>97 414 364</u>

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2008

	2008 R	2007 R (restated)
<b>32 GENERAL EXPENSES</b>		
General expenses include the following significant figures:		
Campaigns Executive Mayor	<b>3 594 130</b>	1 953 373
Public Participation Meetings	<b>1 351 259</b>	1 288 279
NCOP Visit	-	986 499
Agricultural Projects	<b>60 065</b>	952 650
Audit fees	<b>1 281 017</b>	1 039 662
Shared service centre implementation	<b>485 191</b>	2 220 974
Special programmes	<b>734 051</b>	970 948
Security Related Serv. & Investigations	<b>1 329 588</b>	-
Donations & Grants Executive Mayor	<b>1 377 085</b>	( 129 056)
Rent - Equipment	<b>1 907 436</b>	397 592
Accommodation and subsistence	<b>899 125</b>	699 847
Other	<b>14 949 515</b>	14 879 994
	<b><u>27 968 462</u></b>	<b><u>25 260 761</u></b>

33 DETAILS OF THE EXEMPTION IN TERMS OF GENERAL NOTICE 552 OF 2007

FINANCIAL REPORTING STANDARD		EXTENT OF EXEMPTION FROM STANDARD
<b>GRAP 3</b>	Accounting policies, changes in accounting estimates and errors	Identification and impact of GRAP standards that have been issued but are not yet effective and changes to accounting policies (paragraphs 14,19 and 30 - 31)
<b>GAMAP 17</b>	Property, plant and equipment (PPE)	Review of useful life of items of PPE recognized in the annual financial statements (paragraphs 59 - 61, and 77)
		Review of depreciation method applied to PPE recognized in the annual financial statements (paragraphs 62 and 77)
		Impairment of non-cash-generating assets (paragraphs 64 - 69 and 75(e)(v) - (vi))
		Impairment of cash-generating assets (paragraphs 63 and (e)(v) - (vi))
<b>IAS 36 (AC 128)</b>	Impairment of assets	Entire standard
<b>GAMAP 12</b>	Inventories	The entire standard as far as it relates to immovable capital assets inventory that is accounted for in terms of GAMAP 17
		The entire standard to the extent that it relates to water stock that was not purchased by the municipality
<b>IAS 40 (AC 135)</b>	Investment property	The entire standard to the extent that the property is accounted for in terms of GAMAP 17
		Disclosure of the fair value of investment property if the cost model is applied and where the municipality has recognised the investment property in terms of this standard (paragraphs 79(e)(i) - (ii))
<b>IAS 17 (AC 105)</b>	Leases	Recognising operating lease payments / receipts on a straight - line basis if the amounts are recognised on the basis of the cash flows in the lease agreement. (SAICA circular 12/06 paragraph 8 - 11 and paragraphs 33, 34, 50, 51 of IAS 17 / AS 105)
<b>IAS 38 (AC 129)</b>	Intangible assets	The entire standard except for the recognition, measurement and disclosure of computer software and website costs (SIC32/AC 432) and all other costs are expensed.
<b>IAS 19 (AC 116)</b>	Employee benefits	Defined benefit accounting as far as it relates to defined benefit plans accounted for as defined contribution plans and the defined benefit obligation disclosed by narrative information. (paragraphs 29,48-119, 120A(c) - (q))
<b>GAMAP 9</b>	Revenue	Initial measurement of fair value discounting all future receipts using an imputed rate of interest. (SAICA circular 09/06 and paragraph 12)
<b>IAS 39 (AC 133)</b>	Financial instruments: Recognition and measurement	Initially measuring financial assets and financial liabilities at fair value. (SAICA circular 09/06, paragraph 43, AG 79, AG 64 and AG 65 of IAS 39 / AC 133)
<b>IFRS 5 (AC 142)</b>	Non-current assets held for sale and discontinued operations	Classification, measurement and disclosure of non-current assets held for sale (paragraphs 6 - 14, 15 - 29 )in so far as it relates to non-current assets held for sale), 38 - 42)

33 DETAILS OF THE EXEMPTION IN TERMS OF GENERAL NOTICE 552 OF 2007 (CONTINUED)

FINANCIAL REPORTING STANDARD		EXTENT OF EXEMPTION FROM STANDARD
<b>IFRS 7 (AC144)</b>	Financial instruments: Disclosures	Entire standard to be replaced by IAS 32 (AC125) issued August 2006 and effective for financial statements covering periods beginning on or after 1 January 1998
<b>IAS 14 (AC 115)</b>	Segment reporting	Entire Standard
<b>IFRS 8 (AC 145)</b>	Operating segments	Entire Standards
<b>IAS 11 (AC 109)</b>	Construction contracts	Entire Standard
<b>IFRS 3 (AC 140)</b>	Business combinations	Entire Standard
<b>IAS 20 (AC 134)</b>	Accounting for government grants and disclosure of government assistance	Entire standard excluding paragraph 24 and 26, replaced by paragraph 08 of GAMAP 12, paragraph 25 of GAMAP 17 and paragraphs 42 - 46 of GAMAP 9

## APPENDIX A

## ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT

## FOR THE YEAR ENDED 30 JUNE 2008

	COST						Accumulated Depreciation					Carrying Value	Budget Additions 2008
	Opening balance	Additions	Revaluation	Transfer Out	Disposals	Closing balance	Opening balance	Depreciation	Transfer Out	Disposals	Closing balance		
<b>Other Assets</b>													
Buildings	8 355 728	237 128	9 220 988	(1 918 843)	-	<b>15 895 001</b>	1 512 427	406 417	(1 918 843)	-		<b>15 895 001</b>	<b>500 000</b>
Office equipment	1 280 286	-	-	-	-	<b>1 280 286</b>	671 361	215 424	-	-	<b>886 785</b>	<b>393 501</b>	-
Furniture and Fittings	2 700 211	631 897	-	-	-	<b>3 332 109</b>	1 510 108	327 765	-	-	<b>1 837 874</b>	<b>1 494 235</b>	<b>2 333 000</b>
Computer equipment	4 061 960	508 779	-	-	-	<b>4 570 739</b>	2 384 402	565 167	-	-	<b>2 949 569</b>	<b>1 621 170</b>	<b>600 000</b>
Miscellaneous equipment	202 379	-	-	-	-	<b>202 379</b>	116 657	28 125	-	-	<b>144 782</b>	<b>57 597</b>	-
Motor Vehicles	1 803 657	1 180 934	-	-	-	<b>2 984 591</b>	1 097 013	341 733	-	-	<b>1 438 746</b>	<b>1 545 845</b>	<b>1 200 000</b>
<b>TOTAL</b>	<b>18 404 220</b>	<b>2 558 738</b>	<b>9 220 988</b>	<b>(1 918 843)</b>	<b>-</b>	<b>28 265 104</b>	<b>5 906 663</b>	<b>1 884 632</b>	<b>-</b>	<b>-</b>	<b>7 257 755</b>	<b>21 007 348</b>	<b>4 633 000</b>

The amounts disclosed as transfers relates to accumulated depreciation on land that were eliminated on revaluation of land and buildings.

Refer to note 4 for the reconciliation of accumulated depreciation.

## APPENDIX B

## SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT

FOR THE YEAR ENDED 30 JUNE 2008

	COST						Accumulated Depreciation					Carrying
	Opening balance	Additions	Revaluation	Transfer	Disposals	Closing balance	Opening balance	Depreciation	Transfer	Disposals	Closing balance	Value
Executive & Council	9 571 397	358 198	9 220 988	(1 918 843)	-	<b>17 231 741</b>	2 342 750	533 628	(1 918 843)	-	<b>957 535</b>	<b>16 274 206</b>
Corporate Support Services	709 997	39 948	-	-	-	<b>749 945</b>	229 441	93 209	-	-	<b>322 650</b>	<b>427 296</b>
Municipal Manager	204 531	-	-	-	-	<b>204 531</b>	125 537	22 226	-	-	<b>147 763</b>	<b>56 768</b>
Finance	649 511	-	-	-	-	<b>649 511</b>	515 604	52 059	-	-	<b>567 663</b>	<b>81 848</b>
Information Technology	4 434 050	508 779	-	-	-	<b>4 942 829</b>	2 326 779	694 283	-	-	<b>3 021 062</b>	<b>1 921 767</b>
PMU	1 724 565	1 418 062	-	-	-	<b>3 142 626</b>	1 245 267	308 620	-	-	<b>1 553 888</b>	<b>1 588 739</b>
Environmental Health	565 725	205 751	-	-	-	<b>771 476</b>	135 766	121 980	-	-	<b>257 746</b>	<b>513 730</b>
Disaster Management	1 096	-	-	-	-	<b>1 096</b>	384	219	-	-	<b>603</b>	<b>493</b>
LED	288 212	28 000	-	-	-	<b>316 212</b>	220 137	26 662	-	-	<b>246 799</b>	<b>69 413</b>
PIMMS	255 135	-	-	-	-	<b>255 135</b>	150 302	31 744	-	-	<b>182 047</b>	<b>73 088</b>
<b>TOTAL</b>	<b>18 404 220</b>	<b>2 558 738</b>	<b>9 220 988</b>	<b>(1 918 843)</b>	<b>-</b>	<b>28 265 104</b>	<b>7 291 968</b>	<b>1 884 632</b>	<b>(1 918 843)</b>	<b>-</b>	<b>7 257 756</b>	<b>21 007 348</b>

The amounts disclosed as transfers relates to accumulated depreciation on land that were eliminated on revaluation of land and buildings.  
Refer to note 4 for the reconciliation of accumulated depreciation.

## APPENDIX C

SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE  
FOR THE YEAR ENDED 30 JUNE 2008

2007 REVENUE	2007 EXPENSES	2007 Surplus/ (Deficit)		2008 REVENUE	2008 EXPENSES	2008 Surplus/ (Deficit)
R	R	R		R	R	R
-	20 860 355	(20 860 355)	Executive & Council	-	21 587 301	(21 587 301)
-	7 114 563	(7 114 563)	Corporate Support Services	-	8 197 132	(8 197 132)
-	4 026 562	(4 026 562)	Municipal Manager	-	8 418 941	(8 418 941)
-	3 335 385	(3 335 385)	Finance	-	6 162 765	(6 162 765)
-	5 788 029	(5 788 029)	PIMMS	-	3 751 079	(3 751 079)
-	4 659 963	(4 659 963)	Information Technology	-	2 036 952	(2 036 952)
-	28 398 282	(28 398 282)	PMU	-	38 728 643	(38 728 643)
-	5 052 309	(5 052 309)	Environmental Health	-	7 119 943	(7 119 943)
-	1 964 867	(1 964 867)	Disaster Management	-	2 176 156	(2 176 156)
-	5 156 544	(5 156 544)	LED	-	6 571 286	(6 571 286)
98 613 323	-	98 613 323	Income	103 320 730	-	103 320 730
98 613 323	86 356 859	12 256 464	<b>TOTAL</b>	103 320 730	104 750 199	(1 429 469)

The municipality has restated Appendix C to reflect errors noted in terms of GRAP 3: Accounting Policies, Changes in Accounting Estimates and Errors.

## FEZILE DABI DISTRICT MUNICIPALITY

30

## APPENDIX D (1)

## ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE)

## FOR THE YEAR ENDED 30 JUNE 2008

	<u>2008</u> <u>Actual ( R )</u>	<u>2008</u> <u>Budget ( R )</u>	<u>2008</u> <u>Variance ( R )</u>	<u>2008</u> <u>Variance (%)</u>	<u>Explanation of Significant Variances</u> <u>greater than 10% versus Budget</u>
<b>REVENUE</b>					
RSC: Levies	569 243	280 000	289 243	103.30%	More levies were recovered due to investigations done by SARS
Rental of building	-	-	-	0.00%	
Interest earned - external investments	8 640 012	1 500 000	7 140 012	476.00%	Investment income was greater than anticipated due to interest rate increases as well as better cash management.
Interest earned - outstanding debtors	35 890	12 000	23 890	199.08%	Due to investigations done by SARS more levies were payable as well as interest on these levies.
Interest - other	2 145 406	400 000	1 745 406	436.35%	Investment income was greater than anticipated due to interest rate increases as well as better cash management.
Government grants and subsidies	91 371 861	92 368 000	( 996 139)	-1.08%	
Other income	558 318	131 000	427 318	326.20%	Implementation of Supply Chain Management.
<b>Total Revenue</b>	<b>103 320 730</b>	<b>94 691 000</b>	<b>8 629 730</b>	<b>9.11%</b>	
<b>EXPENDITURE</b>					
Employee related costs	22 860 282	28 139 000	(5 278 718)	-18.76%	Vacant positions not filled.
Remuneration of Councillors	3 895 873	4 616 000	( 720 127)	-15.60%	Vacant seats on council due to death of councillors during the year.
Collection costs	74 370	100 000	( 25 630)	-25.63%	Contract for debt collection was suspended.
Depreciation	1 884 632	1 053 000	831 632	78.98%	Acquisitions of PPE.
Repairs and maintenance	496 141	608 000	( 111 859)	-18.40%	Wear and tear not as expected, therefore less repairs.
Interest paid	5 180 889	8 600 000	(3 419 111)	-39.76%	Budgeted amount includes redemption of capital as well as interest paid on DBSA loans.
Contracted services	7 820 858	10 440 000	(2 619 142)	-25.09%	Decrease attributable due to the following: 1-No disasters occurred during the year, therefore the emergency fund was not used. 2-Establishment of district centre was not completed during the current year. 3-Less training were needed during the year than what was anticipated.
Grants and subsidies paid	34 510 573	35 500 000	( 989 427)	-2.79%	
General expenses	27 968 462	33 978 650	(6 010 188)	-17.69%	Improved implementation of Supply Chain Management resulted in better control over general expenses.
<b>Total Expenditure</b>	<b>104 692 079</b>	<b>123 034 650</b>	<b>(18 342 571)</b>	<b>-14.9%</b>	
<b>NET SURPLUS/(DEFICIT) FOR THE YEAR</b>	<b>(1 371 349)</b>	<b>(28 343 650)</b>	<b>26 972 301</b>	<b>-95.16%</b>	

FEZILE DABI DISTRICT MUNICIPALITY

APPENDIX D (2)

ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT)

FOR THE YEAR ENDED 30 JUNE 2008

	<u>2008</u> <u>Actual</u>	<u>2008</u> <u>Under</u> <u>Construction</u>	<u>2008</u> <u>Total</u> <u>Additions</u>	<u>2008</u> <u>Budget</u>	<u>2008</u> <u>Variance</u>	<u>2008</u> <u>Variance</u>	<u>Explanation of Significant Variances</u> <u>greater than 10% versus Budget</u>
	R	R	R	R	R	%	
Executive & Council	358 198	-	358 198	-	358 198	0.00%	
Corporate Support Services	39 948	-	39 948	40 000	( 52)	-0.13%	
Municipal Manager	-	-	-	-	-	0.00%	
Finance	-	-	-	-	-	0.00%	
Information Technology	508 779	-	508 779	2 600 000	(2 091 221)	-80.43%	Implementation of Shared Services System was not completed during the current year. Implementation of the system will continue during the new financial year.
PMU	1 418 062	-	1 418 062	1 765 000	( 346 938)	-19.66%	Access control system to buildings only contracted for during July 2008.
Environmental Health	205 751	-	205 751	200 000	5 751	2.88%	
Disaster Management	-	-	-	-	-	0.00%	
LED	28 000	-	28 000	28 000	-	0.00%	
PIMMS	-	-	-	-	-	0.00%	
<b>TOTAL</b>	<b>2 558 738</b>	<b>-</b>	<b>2 558 738</b>	<b>4 633 000</b>	<b>(2 074 262)</b>	<b>-44.77%</b>	



## APPENDIX F

SCHEDULE OF EXTERNAL LOANS  
AS AT 30 JUNE 2008

EXTERNAL LOANS	Loan Number	Redeemable	Balance at 01/07/2007	Received during the year	Redeemed written off during the year	Balance at 30/06/2008
			R	R	R	R
<b>LONG-TERM LOANS</b>						
Stock Loan @ 10%-TUMAHOLE-PARYS	10055	08/12/2014	3 972 584	-	343 322	<b>3 629 262</b>
Stock Loan @ 10%-MAOKENG	10054/1	11/03/2016	3 917 746	-	338 583	<b>3 579 163</b>
Stock Loan @ 12.00%-MAOKENG	10054/2	08/12/2014	1 911 933	-	116 141	<b>1 795 792</b>
Stock Loan @ 12.00%-MAOKENG-BRENTPARK	10057	09/10/2015	5 815 536	-	423 016	<b>5 392 520</b>
Stock Loan @ 12.00%-MOKWALLO-VREDEFORT	10056	05/09/2015	5 356 934	-	389 658	<b>4 967 276</b>
Stock Loan @ 10%-PHIRITONA-HEILBRON	10058	09/01/2016	13 817 836	-	924 405	<b>12 893 431</b>
Stock Loan @ 10%-VILJOENSKROON	10066	19/12/2014	690 284	-	54 603	<b>635 680</b>
Stock Loan @ 10%-ZAMDELA	10076/1	08/12/2014	407 359	-	35 205	<b>372 154</b>
Stock Loan @ 10%-ZAMDELA	10076/2	08/12/2014	715 467	-	61 833	<b>653 634</b>
Stock Loan @ 15,25%-SASOLBURG	10243	17/08/2016	1 630 107	-	84 331	<b>1 545 777</b>
Stock Loan @ 16,50%-SASOLBURG	13304/1	06/07/2018	2 516 559	-	82 333	<b>2 434 226</b>
Stock Loan @ 16,50%-SASOLBURG	13304/2	07/07/2018	1 815 442	-	59 395	<b>1 756 047</b>
Stock Loan @ 15,25.00%-SASOLBURG-KROONSTAD	10243	08/07/2018	2 362 118	-	122 199	<b>2 239 919</b>
<b>Total long-term loans</b>			44 929 903	-	3 035 024	<b>41 894 880</b>