

**ANNUAL FINANCIAL STATEMENTS OF  
KHARIEP DISTRICT MUNICIPALITY  
FOR THE YEAR ENDED 30 JUNE 2009**





**XHARIEP DISTRICT MUNICIPALITY  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2009**

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**XHARIEP DISTRICT MUNICIPALITY**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2009**

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**GENERAL INFORMATION**

**Members of the Mayoral Executive Committee (MEC)**

**Executive Mayor** M Ntwanambi

**Councillors**

Councillor  
Councillor

**Grading of municipality**

Grade 3

**Auditor:**

The Auditor - General

**Bankers**

ABSA

**Registered office:**

P.O. Box 136  
Trompsburg  
9913

**Physical address:**

20 Louw Street  
Trompsburg  
9913

Telephone: 051 - 7139300

Fax: 051 - 7130461

**Municipal Manager**

T.L MKHWANE

**Financial Manager**

T Panyani (B.Com)

**APPROVAL OF THE FINANCIAL STATEMENTS**

The annual financial statements as set out on page 4 to 18 were approved by the Municipal Manager on the 31 August 2009.

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**MUNICIPAL MANAGER**

T.L MKHWANE

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**FINANCIAL MANAGER**

T PANYANI

**FOREWORD OF THE EXECUTIVE MAYOR**

The Xharep District Municipality (DC16) was established in terms of the Municipal Structures Act of 1998 and proclaimed in the provincial Gazette No 184 of September 2000. The Municipality comprise of Kopanong Local Municipality in Trompsburg, Mohokare Municipality in Zastron and Letsameang Local Municipality in Koffiefontein

The Xharep District Municipality have since taken its place as a deserving member of the Public Sector in South Africa that have made real tangible changes to its community.

In 2008/2009 we faced the challenge of striving towards meeting all the milestones attached to the provisions of the Municipal Finance Management Act (MFMA) on time. Surely the systems we have put in place, the personnel we have employed and of course the leadership we provide as Council, will ensure that in due course all these provision are met.

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

Unfortunately the financial sustainability of the Municipality became a reality for the year under review and the Department of Local Government and Housing has assisted the Municipality in many ways to sustain operations.

Despite the above-mentioned difficulty as the Mayor of this Council, I believe that a bright future lies in front of us. With hard work and dedication, we can and will make a difference to the lives of all people in our district.

In conclusion, promulgation of Municipal Finance Management Act 56 of 2003 places various challenges on the operations of the Xharep District Municipality. On behalf of the Council we cherish these challenges and victory will be achieved through full co-operation of the Mayoral Committee, Members of the Council and all Portfolio Committees for their work and continued unconditional support.

Let me express my deepest appreciation to the Finance Department for a collective effort and analysis that went into compiling the financial statements.

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Councillor M Ntwanambi  
**Executive Mayor**

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**REPORT FROM THE AUDITOR GENERAL**

**FINANCIAL MANAGER'S REPORT**

**1. Operating results**

Details of the operating results per department, classification and object of expenditure are included in appendices C and D. The applicable statistics are shown in appendix E. The overall operating results for the year ended 30 June 2009 are as follows:

<b>INCOME</b>	<b>Actual 2008</b>	<b>Actual 2009</b>	<b>Variance 2008/09</b>	<b>Budget 2009</b>	<b>Variance Actual/ budget</b>
	<b>R</b>	<b>R</b>	<b>%</b>	<b>R</b>	<b>%</b>
Opening Surplus	-	-	-	-	-
Income for the year	14 747 026	18 336 182	24%	18 343 708	0%
	14 747 026	18 336 182		18 343 708	
<b>EXPENDITURE</b>					
Expenditure	18 047 144	15 114 763	-16%	18 343 708	-18%
Closing Surplus(deficit)	(1 581 459)	3 221 419	-304%	(0)	-
	16 465 684	18 336 182		18 343 708	

**2. Capital expenditure and financing**

The actual expenditure consists of the following:

	<b>2009 Actual</b>	<b>2009 Budget</b>	<b>2008 Actual</b>
	<b>R</b>	<b>R</b>	<b>R</b>
Office and Computer Equipment	669 077	669 077	10 526
	669 077	669 077	10 526

Resources used to finance the fixed assets were as follows:

	<b>2009 Actual</b>	<b>2009 Budget</b>	<b>2008 Actual</b>
	<b>R</b>	<b>R</b>	<b>R</b>
Contributions ex operating income	160 356	150 000	10 526
Grants and subsidies	508 721	519 077	-
	669 077	669 077	10 526

A complete analysis of capital expenditure (actual and budgeted) per department is included in

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**FINANCIAL MANAGER'S REPORT (CONTINUED)**

**3. External loans, investments and cash**

There are no external loans outstanding on 30 JUNE 2009.

Investments and cash were as follows:

	<b>R</b>	<b>R</b>
	<b>2009</b>	<b>2008</b>
Current bank account	504 773	1 773 760
Investments	9 972 588	7 104 811
	<b>10 477 361</b>	<b>8 878 572</b>

More information regarding investments and cash are disclosed in the notes (4 and 7) to the financial statements.

**4. Funds and reserves**

More information regarding funds and reserves are disclosed in the notes (1 and 2) and appendix A to the financial statements.

**5. Post balance sheet events**

After the Balance Sheet was finalised no additional information was received that could have had an effect on the affairs reflected.

**6. Expression of appreciation**

I am grateful to the Mayor (Chairman), members of the Mayoral Executive Committee, Councillors, the Municipal Manager and all office staff for the support they have given me and to the staff of my own office and in particular to the local representatives of the Auditor-General and the auditors appointed by the Auditor-General for their assistance and support during the year.

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**Financial Manager**

T PANYANI

Bachelor of Commerce (Bcomm)

31 August 2009

**ACCOUNTING POLICY**

**1.1** These 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 Accounting Practice (1997) and Report on Published Annual Financial Statements (Second edition - January 1996)

**1.2** The financial statements are prepared on the historical cost basis, adjusted for fixed assets as more fully detailed in Accounting Policy note 3. The accounting policies are consistent with those applied in the previous year, except if otherwise indicated.

**1.3** The financial statements are prepared on the accrual basis as stated:

- Income is accrued when measurable and available to finance operations. Certain direct income is accrued when received.
- Expenditure is accrued in the year it is incurred

**2.1 Capital Development Fund**

All direct income and earmarked contributions from current income, transfers from accumulated surpluses, interest of the capital development fund, net sales of any assets of council, interest and capital payments on advances or loans granted, unused amounts in accumulated and reserve funds and any other amounts on which Council may decide may be transferred to the capital development fund.

**2.2 Motheo asset share reserve**

The reserve was created as a result of the splitting of the Bloem Area District Council between the Motheo District Municipality and the Xhariep District Municipality. The assets were split 60% Motheo and 40% Xhariep. No contributions are made to the

**3 Fixed Assets**

**3.1** Fixed assets are stated:

- at historical cost; or
- at valuation (based on the market price at date of acquisition), where assets have been acquired by grant or donation, while they are in existence and fit for use, except in the case of bulk assets which are written off at the end off their estimated life as determined by the Treasurer.

**3.2** Depreciation:

The balance shown against the heading "Loans Redeemed and Other Capital Receipts" in the notes to the balance sheet is tantamount to a provision for depreciation, however, certain structural differences do exist. By way of this "Provision" assets are written down over their estimated useful life. Apart from advances from the various council funds, assets may also be acquired through:

Appropriations from income, where the full cost of the asset forms an immediate and direct charge against the operating income, and therefore it is unnecessary to make any further provision for depreciation.

Grant or donation, where the amount representing the value of such a grant or donation is immediately credited to the "Loans Redeemed and Other Capital Receipts" account.

**FINANCIAL STATEMENTS****FOR THE YEAR ENDED 30 JUNE 2009**

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**ACCOUNTING POLICY (continued)**

**3.3** All net proceeds from the sale of fixed property are credited to the Fixed Property sales Fund. Net proceeds from the sale of all other assets are credited either to the Special Capital Fund or the Capital Development Fund.

**3.4** Fixed assets are financed from different sources, including external loans, operating income, endowments and internal advances. These loans and advances are repaid within the estimated lives of the assets acquired from such loans or advances. Interest is charged to the service concerned at the ruling interest rate applicable at

**4 Retirement Benefits**

The Council and the employees contribute to the Free State Municipal Pension Fund, the Free State Municipal Provident Fund and the SAMWU Provident Fund. These funds supply retirement benefits to the relevant employees.

The Free State Municipal Pension Fund is subject to the Pension Fund Act of 1956. Pensions are calculated on the average annual pensionable emolument of the two years immediately prior to retirement. Current contributions are charged against income. Beneficial experience adjustments are retained in the retirement benefit plan and applied to improvement of benefits to the employees. Full actuarial valuations are performed at intervals of three years in respect of the Free State Municipal Pension Fund. An actuarial valuation of the provident fund is not compulsory in terms of legislation.

**5 Medical Aid Funds**

Xhariep District Municipality, its employees and Councillors contribute to the following medical aid funds.

LA HEALTH  
BONITAS  
HOSMED

Benefits are being calculated according to the rules of the different funds. Current contributions are charged against operating income.

**6 Investments**

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

**BALANCE SHEET**

**AS AT 30 JUNE 2009**

	Notes	2009 R	2008 R
<b>CAPITAL EMPLOYED</b>			
<b>Funds and Reserves</b>		<b>10 606 233</b>	7 666 600
Statutory funds	1	(1 012 380)	(1 012 380)
Reserves	2	5 861 916	5 861 916
Accumulated surplus / (deficit)		5 756 697	2 817 064
		<b>10 606 233</b>	<b>7 666 600</b>
<b>CAPITAL EMPLOYED</b>			
<b>Non-Current Assets</b>		-	22 031
Fixed assets	3	-	-
Long - term debtors	5	-	22 031
<b>Net Current Assets</b>		<b>10 606 233</b>	7 644 569
<b>Current Assets</b>		<b>11 728 066</b>	9 694 562
Debtors	6	1 203 508	781 589
Short-term portion of long-term debtors	5	39 483	34 401
Cash on hand	7	512 487	1 773 760
Investments	4	9 972 588	7 104 811
<b>Current Liabilities</b>		<b>1 121 833</b>	2 049 992
Provisions	8	261 255	134 132
Creditors	9	860 578	1 915 860
		<b>10 606 233</b>	<b>7 666 600</b>

**XHARIEP DISTRICT MUNICIPALITY**  
**INCOME STATEMENT**  
**FOR THE YEAR ENDED 30 JUNE 2009**

2008 Actual income	2008 Actual expenditure	2008 surplus/ (deficit)		2009 Actual income	2009 Actual expenditure	2009 surplus/ (deficit)
R	R	R		R	R	R
14 747 026	18 047 144	(3 300 117)	<b>Services</b>	<b>18 336 182</b>	<b>15 114 763</b>	<b>3 221 419</b>
14 747 026	18 047 144	(3 300 117)	Community services	18 336 182	15 114 763	3 221 419
<u>14 747 026</u>	<u>18 047 144</u>	<u>(3 300 117)</u>	<b>TOTAL</b>	<u>18 336 182</u>	<u>15 114 763</u>	<u>3 221 419</u>
			Appropriations for the year			-
		1 718 658				
		<u>(1 581 459)</u>	<b>Net surplus / (deficit) for the year</b>			<u>3 221 419</u>
		8 169 686	Adjustment to prior year financial statements see note 10			(281 786)
		(333 847)	Accumulated surplus / (deficit)at begining of year			<u>6 254 380</u>
		<u>6 254 380</u>	<b>Net surplus / (deficit) for the year after adjustments</b>			<u>9 194 013</u>

Refer to appendix C and D for more detail

## CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 JUNE 2009

	Note	2009 R	2008 R
<b>CASH RETAINED FROM NORMAL ACTIVITIES</b>		<b>3 281 525</b>	( 849 469)
Cash generated by activities	13	<b>3 885 123</b>	2 306 572
Investment income		<b>729 531</b>	854 866
(Increase) / decrease in working capital	14	<b>(1 333 129)</b>	(4 010 908)
		<b>3 281 525</b>	( 849 469)
External interest paid		-	-
<b>Cash available from activities</b>		<b>3 281 525</b>	( 849 469)
Cash contributions from the public and state		-	-
<b>CASH UTILISED IN INVESTING ACTIVITIES</b>			
Investment in fixed assets	3	<b>( 669 077)</b>	( 10 526)
<b>NET CASH FLOW</b>		<b>2 612 448</b>	( 859 996)
<b>CASH EFFECT OF FINANCING ACTIVITIES</b>			
(Increase) / decrease in cash investments	15	<b>(3 873 721)</b>	2 167 341
(Increase) / decrease in cash on hand	16	<b>1 261 273</b>	(1 307 345)
<b>Net cash generated / (utilised)</b>		<b>(2 612 448)</b>	859 995

	<b>2009</b>	2008
	<b>R</b>	R
<b>1 STATUTORY FUNDS</b>		
Capital Development Fund	<b>(1 012 380)</b>	(1 012 380)
<i>(Refer to appendix A for more detail)</i>	<b>(1 012 380)</b>	(1 012 380)
<b>2 RESERVES</b>		
Motheo Asset Share Reserve	<b>5 861 916</b>	5 861 916
<i>(Refer to appendix A for more detail)</i>	<b>5 861 916</b>	5 861 916
<b>3 FIXED ASSETS</b>		
Fixed assets beginning of the year	<b>17 901 884</b>	17 891 358
Capital expenditure during the year	<b>669 077</b>	10 526
Assets written of and prior years adjustments	<b>317 006</b>	-
<b>Total fixed assets</b>	<b>18 887 967</b>	17 901 884
Less: Loans redeemed and other capital receipts	<b>(18 887 967)</b>	(17 901 884)
<b>Net fixed assets</b>	<b>-</b>	-
<i>(Refer to appendix B for more information)</i>		
<b>4 INVESTMENTS</b>		
<u>Unlisted</u>		
Short term deposits	<b>9 972 588</b>	7 104 811
Total investments	<b>9 972 588</b>	7 104 811
Management's valuation of listed and unlisted investments	<b>9 972 588</b>	7 104 811
Average rate of return on investments	<b>7.28%</b>	11.72%

No investments have been written off during the year

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

In accordance with Financial Regulation 6 of the District Councils Act, 1985 (No 109 of 1985) requires local authorities to invest funds, whether held in trust or otherwise, in prescribed securities.

**XHARIEP DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2009**

12

	2009 R	2008 R
<b>5 LONG - TERM DEBTORS</b>		
Car loans	188 334	485 504
Study loans	-	177
Less: Provision for bad debts	<u>(148 851)</u>	<u>(429 250)</u>
	39 483	56 431
Less: Current portion transferred to current assets	<u>(39 483)</u>	<u>(34 401)</u>
<b>Total</b>	<u>-</u>	<u>22 031</u>
<b>6 CONSUMER DEBTORS</b>		
Current debtors	1 203 508	785 267
Amounts paid in advance	-	-
	<u>1 203 508</u>	<u>785 267</u>
Less: Provision for bad debts	-	(3 678)
	<u>1 203 508</u>	<u>781 589</u>
<b>7 CASH AND CASH EQUIVALENTS</b>		
Bank	504 773	1 773 760
Credit Card Balance	7 714	-
	<u>512 487</u>	<u>1 773 760</u>
ABSA: Brandwag (334334) Account (4053628182) Balance	<u>504 773</u>	<u>1 773 760</u>
<b>8 PROVISIONS</b>		
Leave	<u>261 255</u>	<u>134 132</u>
	<u>261 255</u>	<u>134 132</u>
<b>9 CREDITORS</b>		
Sundry/other creditors	860 578	1 915 860
Amounts received in advance	-	-
<b>Total</b>	<u>860 578</u>	<u>1 915 860</u>
<b>10 Appropriations</b>		
Appropriation account:		
Accumulated surplus: beginning of the year	2 817 064	(333 847)
Operating (deficit)/surplus for the year	3 221 419	(3 300 117)
Appropriations for the year:	<b>(281 786)</b>	6 451 028
<b>Prior year adjustments</b>		
Incorrect Automatic system transfer	-	1 718 658
No movement in creditors account for past two financial years	-	(6 398 150)
No movement in debtors account for past two financial years	-	11 920 277
Money owed to long-term debtor, but have left Council's employment	-	2 997
Unable to confirm the long-term debtor that owed the money	-	3 353
Correction of opening bank balance on the financial system	-	101 046
Correction of opening balance of Mr. K Sebusi's long-term loan	-	23 470
Levy income debtor not provided for in the previous financial year	-	188 191
Electricity purchases not provided for in the prior year	-	(11 839)
Kopanong debtor not created in the prior year	-	621 683
System generated closing journal	-	(1 718 658)
Movement in Appropriation	<b>(281 786)</b>	-
Accumulated surplus : end of the year	<u>5 756 697</u>	<u>2 817 064</u>

	<b>2009</b>	2008
	R	R
<b>11 COUNCILLOR'S REMUNERATION</b>		
Mayor's allowances	<b>254 477</b>	280 309
Speakers allowances	<b>375 265</b>	216 480
Councillor's allowances	<b>629 484</b>	720 267
Mayoral Committee allowances	<b>347 992</b>	704 204
Councillor's pension contributions	<b>127 716</b>	135 752
Councillor's medical aid contributions	<b>22 554</b>	29 060
<b>Total</b>	<b>1 757 489</b>	2 086 072

Salaries, allowances and benefits to councillors of the municipality are within upper limits of the framework envisaged in section 219 of the

**In Kind Benefits**

The Executive Mayor, Speaker and Mayoral Committee Members are full time. The Mayor and Speaker are provided with an office and secretarial support at the cost of the Council. The Executive Mayor has the use of a Council owned vehicle for official duties.

**Certification by the Municipal Manager**

I certify that the remuneration of Councillors and in-kind benefits are in accordance with the Public Office Bearers Act and the Minister of Provincial and Local Government's determination in accordance with that Act.

**12 FINANCING TRANSACTIONS**

*Total interest earned or paid:*

Interest earned	<b>729 531</b>	854 866
Interest paid	-	-
	<b>729 531</b>	854 866

**13 CASH GENERATED BY OPERATIONS**

Surplus/(deficit) for the year	<b>3 221 419</b>	(3 300 117)
Adjustments in respect of previous years' operating transactions	<b>720 778</b>	6 418 874
Interest received	<b>(726 151)</b>	(822 711)
Appropriations charged against income:	<b>669 077</b>	10 526
Fixed assets	<b>669 077</b>	10 526
Adjustments to funds, Reserves and Provisions	-	-
Capital Development Fund	-	-
Provisions and reserves	-	-
Non-operating income:		
Motheo asset share reserve	-	-
Capital development fund	-	-

	2009	2008
	R	R
<b>13 CASH GENERATED BY OPERATIONS (continued)</b>		
Non-operating expenditure:		
Motheo asset share reserve	-	-
Capital development fund	-	-
	<u>3 885 123</u>	<u>2 306 572</u>
<b>14 (INCREASE)/DECREASE IN WORKING CAPITAL</b>		
(Increase)/decrease in debtors and long-term debtors	(404 970)	2 791 803
Increase/(decrease) in creditors & provisions	(928 159)	(6 802 711)
	<u>(1 333 129)</u>	<u>(4 010 908)</u>
<b>15 (INCREASE)/DECREASE IN EXTERNAL CASH INVESTMENTS</b>		
Investment realised	855 810	3 000 000
Interest capitalised	(729 531)	(832 659)
Investment made	(4 000 000)	-
	<u>(3 873 721)</u>	<u>2 167 341</u>
<b>16 (INCREASE)/DECREASE IN CASH ON HAND</b>		
Cash balance: beginning of the year	1 773 760	466 415
Less Cash balance: end of the year	512 487	1 773 760
	<u>1 261 273</u>	<u>(1 307 345)</u>
<b>17 EMPLOYEE RELATED COSTS</b>		
Employee related costs - Salaries and Wages	3 393 333	4 829 595
Employee related costs - Contributions for UIF, pensions and medical aids	316 711	840 148
Leave Payment	178 855	-
Travel, motor car and other allowances	312 372	1 199 424
Housing benefits and allowances	97 029	306 744
Other allowances	396 885	-
	<u>4 695 184</u>	<u>7 175 911</u>

	2009	2008
	R	R
<b>17 EMPLOYEE RELATED COSTS (continued)</b>		
<b>17.1 Remuneration of the Municipal Manager</b>		
Annual Remuneration	270 089	312 345
Leave payment	30 210	6 337
Car Allowance	57 831	58 099
Acting allowance	107 791	228 283
Cell phone allowance	10 200	11 000
Contributions to UIF, Medical and Pension Funds	31 122	-
	<u>507 243</u>	<u>616 064</u>
<b>17.3 Remuneration of the Corporate Manager</b>		
Annual Remuneration	529 131	452 264
Performance Bonuses/Annual	37 528	-
Housing Allowance&Home Own	30 041	28 800
Car Allowance	139 054	136 431
Public Office	12 231	-
Acting allowance	24 283	-
Cell phone allowance	9 785	8 800
Contributions to UIF, Medical and Pension Funds	1 248	-
	<u>783 300</u>	<u>626 295</u>
<b>17.4 Remuneration of the Finance Manager</b>		
Annual Remuneration	366 322	393 552
Performance Bonuses	30 527	-
Leave payment	43 678	-
Phone Allowance	21 003	-
Car Allowance	112 500	112 500
Cell phone allowance	9 600	8 800
Contributions to UIF, Medical and Pension Funds	1 497	-
	<u>585 127</u>	<u>514 852</u>

	2009	2008
	R	R
<b>18 GOVERNMENT GRANTS AND SUBSIDIES</b>		
Thetha Grant	705 000	-
Equitable share	9 614 005	7 733 922
MSIG	735 000	1 000 000
DPLG	5 000 000	4 000 000
Financial Management Grant	500 000	500 000
Total Government Grant and Subsidies	<u>16 554 005</u>	<u>13 233 922</u>
<b>18.1 Equitable Share</b>		
Balance unspent at beginning of year		
Current year receipts	9 614 005	7 733 922
Conditions met - transferred to revenue	<u>(9 614 005)</u>	<u>(7 733 922)</u>
Conditions still to be met - transferred to liabilities	<u>-</u>	<u>-</u>
<b>18.2 MSIG</b>		
Balance unspent at the beginning of the year	-	-
Current year receipts -	735 000	1 000 000
Conditions met - transferred to revenue	<u>(735 000)</u>	<u>(1 000 000)</u>
Conditions still to be met - transferred to liabilities	<u>-</u>	<u>-</u>
<p>This grant was used to assist in building capacity in the district and local municipalities to ensure that the new developmental system of local government is fully implemented.</p>		
<b>18.3 Financial management grant</b>		
Balance unspent at beginning of year	-	-
Balance unspent at the beginning of year	-	-
Current year receipts	500 000	500 000
Conditions met - transferred to revenue	<u>(500 000)</u>	<u>(500 000)</u>
Conditions met - transferred to liabilities	<u>-</u>	<u>-</u>
<b>18.4 DPLG</b>		
Balance unspent at the beginning of year	862 145	-
Current year receipts	5 000 000	4 000 000
Conditions met - transferred to revenue	<u>(5 263 158)</u>	<u>(3 137 855)</u>
Conditions met - transferred to liabilities	<u>598 987</u>	<u>862 145</u>

	2009	2008
	R	R
<b>19 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT</b>		
<b>19.1 Contributions to organized local government</b>		
Opening balance	-	-
Council subscriptions	120 000	36 845
Amount paid - current year	(120 000)	(36 845)
Amount paid - previous years	-	-
<b>Balance unpaid (included in creditors)</b>	<u>-</u>	<u>-</u>
<b>19.2 Audit Fees</b>		
Opening balance	-	-
Current year audit fee	822 123	1 277 444
Amount paid - current year	(822 123)	(1 277 444)
Amount paid - previous years	-	-
<b>Balance unpaid (included in creditors)</b>	<u>-</u>	<u>-</u>
<b>19.3 VAT</b>		
Opening balance	128 289	(3 400 135)
Movement in control account	685 380	4 649 820
VAT received/paid during the year	(605 490)	(1 121 397)
<b>Balance unpaid (included in debtors)</b>	<u>208 178</u>	<u>128 289</u>
All VAT returns have been submitted by the due date throughout the year		
<b>19.4 PAYE</b>		
Opening balance	-	-
Current year payroll deductions	1 221 761	1 456 916
Amount paid - current year	(1 071 518)	(1 456 916)
Amount paid - previous years	-	-
<b>Balance unpaid (included in creditors)</b>	<u>150 243</u>	<u>-</u>
<b>19.5 Pension and Medical Aid Deductions</b>		
Opening Balance	-	-
Current year payroll deductions	565 909	844 681
Amount paid - current year	(565 909)	(844 681)
Amount paid - previous years	-	-
<b>Balance unpaid (included in creditors)</b>	<u>-</u>	<u>-</u>

	2009	2008
	R	R
<b>19 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (continued)</b>		
<b>19.6 Current Account (Primary Bank Account)</b>		
ABSA Bank - Bloemfontein Branch Account number: 4053628182		
Cash book balance at beginning of year - (overdrawn)	1 773 760	466 415
Cash book balance at end of year - (overdrawn)	<u>512 487</u>	<u>1 773 760</u>
Bank statement balance at beginning of year - (overdrawn)	1 181 879	749 866
Bank statement balance at end of year - (overdrawn)	<u>512 487</u>	<u>1 181 879</u>

**20 CAPITAL COMMITMENTS**

Commitments in respect of capital expenditure:

- Approved and contracted for	<u>669 077</u>	-
	<u>669 077</u>	-

This expenditure will be finance from:

- Internal sources	150 000	-
- External sources	<u>519 077</u>	-
	<u>669 077</u>	-

No amounts were budgeted for capital expenditure for 2007/8 financial year

**21 CONTINGENT LIABILITY**

No information was available for contingent liabilities

**22 RETIREMENT BENEFITS**

The Free State Municipal Pension Fund is subject to the Pension Fund Act of 1956. Pensions are calculated on the average annual pensionable emolument of the two years immediately prior to retirement. Current contributions are charged against income. Beneficial experience adjustments are retained in the retirement benefit plan and applied to improvement of benefits to the employees. Full actuarial valuations are performed at intervals of three years in respect of the Free State Municipal Pension Fund. An actuarial valuation of the provident fund is not compulsory in terms of legislation. Details of the actuarial valuation could not be obtained.

**23 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE**

	R	R
<b>23.1 Irregular expenditure</b>		
Reconciliation of irregular expenditure	-	-
Opening balance	-	-
Irregular expenditure current year	-	1 793 843
Approved or condoned by council	<u>-</u>	<u>1 793 843</u>
<b>23.2 Unauthorised expenditure</b>		
Reconciliation of unauthorised expenditure	-	-
Opening balance	-	-
Unauthorised expenditure current year	-	3 028 987
Approved or condoned by council	<u>-</u>	<u>3 028 987</u>

**24 Going Concern**

During the compilation of the financial statements, management became aware of the going concern risks relating to the municipality in line with section 138 and 137 of the MFMA. The following issues

The municipality has made substantial operating deficits in the last 3 years, R3 725 918, R333 847 and R3 077 117 in the 2006, 2007 and 2008 financial years respectively.

There is limited income received from other sources, including the RSC levy which was discontinued at 30 June 2006. The entity does not receive adequate income to continue operations should the government cease to provide grants and subsidies.

The municipality was placed under Section 139 of the MFMA: Mandatory provincial interventions arising from the financial crises, from 1 August 2008.

APPENDIX A: STATUTORY FUNDS, RESERVES AND TRUST FUNDS AS ON 30 JUNE 2009

	Balance on 01-07-08	Net surplus/ (deficit)	Interest on investment	Other income	Operating expenditure during the year	Balance Surplus/ (deficit) 30-06-09
	R	R	R	R	R	R
<b>STATUTORY FUNDS</b>						
Capital Development Fund	(1 012 380)	-	-	-	-	(1 012 380)
	<u>(1 012 380)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1 012 380)</u>
<b>RESERVES</b>						
Motheo Asset Share Reserve	5 861 916	-	-	-	-	5 861 916
	<u>5 861 916</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5 861 916</u>
<b>TOTAL</b>	<u>4 849 536</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4 849 536</u>

**XHARIEP DISTRICT MUNICIPALITY**  
**FINANCIAL STATEMENTS**  
**APPENDIX B FIXED ASSETS**

<b>Expenditure</b>		<b>Budget</b>	<b>Balance on</b>	<b>Expenditure</b>	<b>Corrections</b>	<b>Balance on</b>
<b>2008</b>	<b>Services</b>	<b>2009</b>	<b>01-07-08</b>	<b>during</b>	<b>or</b>	<b>30-06-09</b>
<b>R</b>		<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>
	<b>RATES AND</b>					
-	<b>GENERAL SERVICES</b>	-	17 901 884	669 077	317 006	18 887 967
-	<b>Community services</b>	-	17 901 884	669 077	317 006	18 887 967
-	Councillors	-	167 848	48 324	-	216 172
-	Municipal Manager	-	5 263	43 534	-	48 797
-	Corporate Services	-	-	21 838	-	21 838
-	Directorate Financial Services	-	17 728 773	555 381	317 006	18 601 160
-	<b>TOTAL FIXED ASSETS</b>	-	17 901 884	669 077	317 006	18 887 967
	<b>LESS: LOANS REDEEMED AND</b>					
-	<b>OTHER CAPITAL RECEIPTS</b>	-	(17 901 884)	(669 077)	(317 006)	(18 887 967)
-	Contributions ex operating income	-	(14 003 362)	(160 356)	(317 006)	(14 480 724)
-	Grants and Subsidies	-	(3 898 522)	(508 721)	-	(4 407 243)
-	<b>NET FIXED ASSETS</b>	-	-	-	-	-

FINANCIAL STATEMENTS

APPENDIX C: ANALYSIS OF OPERATING INCOME AND EXPENDITURE

2008 Actual		2009 Actual	2009 Budget
R		R	R
13 233 922	<b>Grants and subsidies</b>	<b>17 238 240</b>	17 004 000
7 733 922	Equitable share	<b>9 614 005</b>	9 614 000
1 000 000	MSIG	<b>735 000</b>	735 000
-	Thetha Grant	<b>705 000</b>	705 000
500 000	Financial Management Grant	<b>500 000</b>	500 000
-	Umsobomvu Youth	-	450 000
4 000 000	DPLG	<b>5 684 235</b>	5 000 000
1 513 104	<b>Operating income</b>	<b>1 097 942</b>	1 339 708
255 214	- Rental Income	<b>235 776</b>	600 000
1 257 890	- Interest and other income	<b>862 166</b>	739 708
<u>14 747 026</u>	<b>Total Income</b>	<u><b>18 336 182</b></u>	<u>18 343 708</u>
	<b>EXPENDITURE</b>		
9 261 983	Salaries, wages and allowances	<b>8 328 344</b>	9 842 055
8 512 597	General expenses	<b>6 323 907</b>	7 902 596
262 037	Repairs and maintenance	<b>302 156</b>	449 057
10 526	Contributions to fixed assets	<b>160 356</b>	150 000
<u>18 047 144</u>	<b>Total expenditure</b>	<u><b>15 114 763</b></u>	<u>18 343 708</u>

FINANCIAL STATEMENTS

APPENDIX D: DETAILED INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2009

2008 Actual income	2008 Actual expenditure	2008 surplus / (deficit)		2009 Actual income	2009 Actual expenditure	2009 surplus / (deficit)	2009 Budget surplus / (deficit)
R	R	R		R	R	R	R
			<b>RATES AND GENERAL SERVICES</b>				
14 747 026	18 047 144	(3 300 117)		18 336 182	15 114 763	3 221 419	(0)
14 747 026	18 047 144	(3 300 117)	<b>Community services</b>	18 336 182	15 114 763	3 221 419	(0)
-	3 247 875	(3 247 875)	Council General Expenses	-	2 628 332	(2 628 332)	(4 224 967)
-	5 660 377	(5 660 377)	Municipal Manager	-	3 825 933	(3 825 933)	(7 774 918)
-	4 097 740	(4 097 740)	Directorate Corporate Services	-	4 564 094	(4 564 094)	(3 156 604)
-	357 417	(357 417)	Directorate Community Services	-	-	-	-
-	-	-	Directorate PMU	-	-	-	-
-	4 655 456	(4 655 456)	Directorate Finance	-	4 096 404	(4 096 404)	(3 187 220)
-	28 280	(28 280)	Directorate PIMS Center	-	-	-	-
14 747 026	-	14 747 026	Income Division	18 336 182	-	18 336 182	18 343 708
14 747 026	18 047 144	(3 300 117)	<b>TOTAL</b>	18 336 182	15 114 763	3 221 419	(0)
		1 718 658	Appropriation for the year			-	
		(1 581 459)	<b>Net surplus/(deficit) for the year</b>			3 221 419	
		8 169 686	Adjustment to prior year financial statements (Refer to note 10)			(281 786)	
		(333 847)	Accumulated surplus / (deficit)at beginning of year			6 254 380	
		6 254 380				9 194 013	

**XHARIEP DISTRICT MUNICIPALITY**  
**FINANCIAL STATEMENTS**  
**APPENDIX E: STATISTICAL INFORMATION**

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23

**2009**                      2008

**Statistical Information**

**General information**

Population	135 245	135 245
Number of local bodies		
Local Authorities	<b>3</b>	3
Number of Employees	<b>42</b>	42