

**THE CONSOLIDATED
ANNUAL FINANCIAL STATEMENTS
OF THE MASILONYANA LOCAL MUNICIPALITY
FOR THE YEAR
ENDED 30 JUNE 2007**

REPORT OF CONSULTANT

to

MASILONYANA LOCAL MUNICIPALITY

On the basis of information provided by the treasurer, I have compiled, in accordance with the Related Service Statement on Compilation Engagements, the balance sheet of the Municipality at 30 June 2007 and the related statements of income, cash flow, notes and schedules for the year then ended as set out on pages 3 to 34. The Council is responsible for this financial information.

Please note that several accounting issues relating to the Municipalities records, could not be resolved due to lack of information. If I were able to obtain this information, the financial statements would have changed substantially.

January 31,2008

MASILONYANA LOCAL MUNICIPALITY

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

CONTENTS	Page
1. Report of the Consultant	1
2. General Information	2 - 3
3. Foreword	4
4. Report of the Auditor - General	5
5. Chief Financial Officer's Report	6 - 10
6. Accounting policies	11 - 13
7. Balance sheet	14
8. Income statement	15
9. Cash flow statement	16
10. Notes to the financial statements	17 - 24
11. Appendices:	
A Statutory funds, reserves and trust funds	25
B External loans and internal advances	26
C Analysis of fixed assets	27 - 28
D Analysis of operating income and expenditure for the year ended 30 June 2007	29
E Detailed income statement for the year ended 30 June 2007	30 - 31
F Statistical information	32 - 34

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

GENERAL INFORMATION

Members of the executive committee:

Councillor K S Koalane
Councillor N G Bosman
Councillor A G Makekema
Councillor J Schmidt

Grading of local authority

Grade 2

Auditor:

The Auditor - General

Bankers

ABSA Bank
Account no: 405 351 7822
Cheque account

Registered office:

P O Box 8
Theunissen
9410

Telephone: 057 - 733 0106
Fax : 057 - 733 1942

Municipal Manager

Mrs MS MABOE- PHIKE

Chief Finance Officer

Mr I Tlatsi

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

MEMBERS

No	Councillors
1	K S Koalane
2	M M Lekaota
3	A G Makekema
4	LL Leshosi
5	I W Martens
6	T Mjuleni
7	J A S van Straaten
8	M Maphobole
9	Z T Ntswabule
10	X J Toki
11	S J Mabitle
12	M R Chalale
13	P T Botha
14	H E Duma (Deceased)
15	D T Chakache
16	S L Kgoe
17	M S Sekele
18	I P Senekoane (Deceased)
19	J Schmidt

EXECUTIVE MAYOR

K S Koalane

APPROVAL OF THE FINANCIAL STATEMENTS

The annual financial statements, as set out on page 3 to 34, were approved by the Municipal Manager on _____ and will be presented to Council for approval.

MUNICIPAL MANAGER

CHIEF FINANCIAL OFFICER

FOREWORD

The foreword by the Mayor was still outstanding at completion of statements

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

**REPORT OF THE AUDITOR-GENERAL TO THE COUNCIL OF MASILONYANA LOCAL MUNICIPALITY
FOR THE FINANCIAL YEAR ENDED ON 30 JUNE 2007**

.
The Auditor-General will table his report.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

CHIEF FINANCIAL OFFICER'S REPORT

1. Operating results

Details of the operating results per department, classification and object of expenditure are included in appendices D and E. The applicable statistics are shown in appendix F. The overall operating results for the year ended 30 June 2007 are as follows:

<i>INCOME</i>	<i>Actual</i> 2006	<i>Actual</i> 2007	<i>Variance</i> 2006/7	<i>Budget</i> 2007	<i>Variance</i> <i>Actual/</i> <i>budget</i>
	R	R	%	R	%
Opening Surplus	22 467 575	(21 817 492)	-197.11%		
Income for the year	63 255 312	71 441 626	12.94%	75 549 149	-5.44%
	85 722 887	49 624 134		75 549 149	
<i>EXPENDITURE</i>					
Expenditure	108 788 959	72 034 230	-33.79%	69 771 490	3.24%
Sundry transfers	(1 248 580)	(6 119 994)	390.16%		
Closing Surplus/(Deficit)	(21 817 492)	(16 290 102)	-25.33%	(5 777 659)	
	85 722 887	49 624 134		75 549 149	

1.1 Rates and General Services

	<i>Actual</i> 2006	<i>Actual</i> 2007	<i>Variance</i> 2006/7	<i>Budget</i> 2007	<i>Variance</i> <i>Actual/</i> <i>Budget</i>
	R	R	%	R	%
Income	46 159 078	52 536 732	13.82%	54 357 107	-3.35%
Expenditure	72 696 019	54 983 413	-24.37%	50 892 659	8.04%
Surplus / (Deficit)	(26 536 941)	(2 446 681)		(3 464 448)	
Surplus / (Deficit) as % of total Income	-57.49%	-4.66%			

MASILONYANA LOCAL MUNICIPALITY
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

CHIEF FINANCIAL OFFICER'S REPORT (CONTINUED)

1.2 Housing Services

	<i>Actual</i> 2006	<i>Actual</i> 2007	<i>Variance</i> 2006/7	<i>Budget</i> 2007	<i>Variance</i> <i>Actual/</i> <i>Budget</i>
	R	R	%	R	%
Income	-	-	0.00%	-	0.00%
Expenditure	464 749	563 106	21.16%	(289 678)	-294.39%
Surplus / (Deficit)	(464 749)	(563 106)		(289 678)	

In accordance with the stipulation of the Housing Act (Act 107 of 1997), the net proceeds of the housing scheme must be transferred to operating account of the Housing Fund. The deficit represents the administration cost to be allocated to the Rate and General Services.

1.3 Trading Services

The price of a unit of electricity purchased and fuel as well as postal and telecommunication charges are subject to administered adjustments and as a result therefore expenditure and income are expected to increase or

The following is a summary of the operating results of the Municipality's Trading Services:

Electricity Services

	<i>Actual</i> 2006	<i>Actual</i> 2007	<i>Variance</i> 2006/7	<i>Budget</i> 2007	<i>Variance</i> <i>Actual/</i> <i>Budget</i>
	R	R	%	R	%
Income	9 406 251	11 278 392	17%	10 881 259	3.65%
Expenditure	14 379 295	10 697 318	-25.61%	7 984 533	33.98%
Surplus / (Deficit)	(4 973 044)	581 074		2 896 726	
Surplus / (Deficit) as % of total Income	-52.87%	5.15%			

MASILONYANA LOCAL MUNICIPALITY

FINANCIAL STATEMENT FOR THE YEAR ENDED 30 JUNE 2007

CHIEF FINANCIAL OFFICER'S REPORT (CONTINUED)

Water Services

	<i>Actual 2006</i>	<i>Actual 2007</i>	<i>Variance 2006/7</i>	<i>Budget 2007</i>	<i>Variance Actual/ Budget</i>
	R	R	%	R	%
Income	7 689 982	7 626 501	-0.83%	10 310 783	-26.03%
Expenditure	21 248 896	5 790 392	-72.75%	10 740 756	-46.09%
Surplus / (Deficit)	(13 558 914)	1 836 109		(429 973)	
Surplus / (Deficit) as % of total Income	-176.32%	24.08%			

2. Capital expenditure and financing

The expenditure on fixed assets during the year amounted to R 28 614 247. The actual expenditure consists of the following:

	<i>2007 Actual</i>	<i>2007 Budget</i>	<i>2006 Actual</i>
	R	R	R
Office of the Mayor	-	-	-
Municipal Manager	-	-	-
Traffic services	-	-	-
Directorate- Civil services	-	-	-
Roads and Streets	544 785	1 434 000	821 723
Directorate Financial Services	-	-	-
Public Safety	-	-	-
Municipal Offices	-	-	0
Building and Estates	-	-	-
Sanitation and Refuse	28 061 174	27 215 315	5 307 741
Water	-	-	-
Electricity	8 288	-	1 166 666
	28 614 247	28 649 315	7 296 130

MASILONYANA LOCAL MUNICIPALITY

FINANCIAL STATEMENT FOR THE YEAR ENDED 30 JUNE 2007

CHIEF FINANCIAL OFFICER'S REPORT (CONTINUED)

Resources used to finance the fixed assets were as follows:

	<i>2007 Actual</i>	<i>2007 Budget</i>	<i>2006 Actual</i>
	R	R	R
Contributions ex operating income	2 951 247	1 434 000	374 650
Grants and Subsidies	25 662 999	27 215 315	6 831 920
	28 614 246	28 649 315	7 206 570

3. External loans, investments and cash

External loans outstanding on 30 June 2007 amounted to R1 080 288 as set out in appendix B. During the year loans to the amount of R182 689 were repaid.

Investments and cash were as follows:

	R
Current bank account	0
Cash on hand	79 280
Investments	705 341
	784 621

More information regarding loans and investments are disclosed in the notes (3 and 6) and appendix B to the financial statements.

4. Funds and reserves

The total of all funds and reserves of the Council amounted to R18 022 929 at 30 June 2007. More information regarding funds and reserves are disclosed in the notes (1 and 2) and appendix A to the financial statements.

Fund	R
Statutory Funds	16 443 096
Trust Funds	780 809
Reserves	799 023
Total	18 022 929

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.

FINANCIAL STATEMENT FOR THE YEAR ENDED 30 JUNE 2007

CHIEF FINANCIAL OFFICER'S REPORT (CONTINUED)

6. Expression of appreciation

I am grateful to the Mayor, the Chairman of the 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.

Chief Financial Officer
January 31,2008

ACCOUNTING POLICIES

1 Basis of presentation

- 1.1 The financial statements have been prepared so as to conform to the standard laid down by the Institute of Municipal Finance Officers in its Code of Accounting Practice (1997) and Report on Published Annual Financial Statements (2nd edition - January 1996)
- 1.2 The financial statements are prepared on the historical cost basis, adjusted for fixed assets as fully detailed in accounting policy note 3. The accounting policies are consistent with those applied in the previous year, except if otherwise indicated.
- 1.3 The financial statements are prepared on the accrual basis as stated:
 - Income is accrued when measurable and available to finance operations. Certain direct income is accrued when received, such as certain licenses.
 - Expenditure is accrued in the year it is incurred.

2 Consolidation

The financial statements include the Rate and General Services, Trading Services and the different funds and reserves. All interdepartmental charges are set-off against each other, with the exception of assessment rates, refuse removal, sewerage, electricity, water and premium charged to the fund, which are treated as income and expenditure in the respective departments.

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 of 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 exist. By way of this "provision" assets are written down over their estimated useful life. Apart from advances from the various Council funds, assets may also be acquired through:

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

Grant or donation, where the amount representing the value of such grant or donation is immediately credited to the "Loans redeemed and other capital receipts" account.
- 3.3 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 life of the assets acquired from such loans or advances. Interest is charged to the service concerned at the ruling interest rate applicable at the time that the advance is made.

4 Inventory

Inventory is valued at the lower of cost, determined on the weighted average basis, and net realisable value.

5 Funds and reserves

5.1 Capital Development Fund

The Capital Development Fund per Ordinance 8 of 1962 requires a minimum contribution of 1,0% of the defined income of a local authority.

5.2 Erven trust Fund

Contributions are in terms of section 85 of Ordinance 8 of 1962.

5.3 Renewal Fund

Contributions are in terms of budget.

5.4 Community and infrastructure

The fund originated from the merger with previous black local authorities.

5.5 Leave- pay Provision

A leave provision is built up to finance accumulated leave payments when employees leave the service of the municipality.

6 Retirement benefits

Masilonyana Municipality and its councillors and its employees contribute to the SALA Pension Fund, Free State Municipal Provident Fund, SAMWU National Provident Fund, Municipal Pension Fund for Councillors and the Free State Municipal Pension Fund which provides retirement benefits to such employees. The retirement benefit plan is subject to the Pensions Funds Act, 1956, with pensions being calculated on the final pensionable remuneration paid. Current contribution are charged against operating income on the basis of current service costs.

Unfavourable experience adjustments and the cost of securing increased benefits are written off over the lesser of the remaining period of service of employees or five years. Favourable experience adjustments are retained in the retirement benefit plan. Full actuarial valuations are performed at least every three years.

7 Surpluses and deficits

Any surpluses or deficits arising from the operation of the Electricity and Water services are transferred to Rate and General services. There are no closed accounts and therefore no surplus or deficit is retained in that service for its own use.

8 Treatment of administration and other overhead expenses

The costs of internal support services are transferred to the different services in accordance with the Institute Report on Accounting for Support Services (June 1990).

9 Leased assets

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

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

All other leases are treated as operating leases and the relevant rentals are charged to the operating account in a systematic manner related to the period of use of the assets concerned.

10 Investments

Investments are shown at the lower of cost or market value if a permanent decline in the value occurred, and are invested in the securities prescribed in section 84 of Ordinance 8 of 1962 and section 10 G(9)(a) of Local Government Transition Act of 1993, as amended.

11 Income recognition

11.1 Electricity and Water billings

Meters in industrial areas, premises with high tension supplies, high density residential areas and all other properties are read and billed monthly.

11.2 Assessment Rates

The income from assessment rates is recognised when levied annually and calculated to bill respective tax payers monthly. A rebate of 20% is granted on state property.

CONSOLIDATED BALANCE SHEET AT 30 JUNE 2007

	Notes	2 007 R	2 006 R
CAPITAL EMPLOYED			
Funds and Reserves		17 242 119	16 116 556
Accumulated funds	1	16 443 096	15 318 202
Reserves	2	799 023	798 354
Unappropriated surplus	17	(16 290 103)	(21 817 493)
		952 016	(5 700 937)
Trust funds	3	780 809	778 738
Long-term liabilities	4	733 708	916 397
Consumer deposits: services	5	764 301	715 889
		3 230 835	(3 289 913)
CAPITAL EMPLOYED			
Non-Current Assets/ (Liabilities)		1 801 431	2 482 662
Fixed assets	6	1 756 748	1 939 537
Investments	7	44 683	543 126
Long - term debtors	8	0	0
Net Current Assets/ Liabilities		1 429 404	(5 772 575)
Current Assets		54 322 266	48 430 359
Debtors	10	53 494 429	36 645 650
Short-term portion of long-term debtors	8	87 900	121 343
Stock	9	0	653 813
Cash on hand and bank		79 280	2 255
Short term investments	7	660 658	11 007 298
Current Liabilities		52 892 863	54 202 934
Provisions	11	2 574 971	2 574 971
Creditors	12	49 971 312	54 940 408
Short-term portion of long-term liability	4	346 580	346 580
Bank overdraft		0	(3 659 025)
		3 230 835	(3 289 913)

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2007

	Note	2007 R	2006 R
CASH RETAINED FROM NORMAL ACTIVITIES		14 369 853	20 687 122
Cash generated by activities	18	6 554 504	(42 858 365)
Investment income		287 025	130 867
(Increase) / decrease in working capital	19	(21 082 207)	57 073 018
		(14 240 678)	14 345 520
External interest paid	16	(186 505)	(1 241 205)
Cash available from activities		(14 427 183)	13 104 315
Cash contributions from the public and state		28 797 036	7 582 807
CASH UTILISED IN INVESTING ACTIVITIES			
Investment in fixed assets		(28 614 247)	(7 206 570)
NET CASH FLOW		(14 244 394)	13 480 552
CASH EFFECT OF FINANCING ACTIVITIES			
Increase / (decrease) in long-term loans	20	(182 689)	(376 237)
(Increase) / decrease in cash investments	21	10 845 083	(6 379 974)
(Increase) / decrease in cash on hand	22	3 582 000	(6 724 340)
Net cash generated / (utilised)		14 244 394	(13 480 552)

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2007

2006 Actual income	2006 Actual expenditure	2006 Actual surplus/ (deficit)		2007 Actual income	2007 Actual expenditure	2007 Actual surplus/ (deficit)	2007 Budget surplus/ (deficit)
R	R	R		R	R	R	R
46 159 078	72 696 019	(26 536 941)	Services	52 536 732	54 983 413	(2 446 681)	(3 464 448)
32 237 395	31 442 639	794 756	Community services	37 357 244	45 484 914	(8 127 670)	(11 855 683)
145	926 026	(925 881)	Subsidised services	303	929 355	(929 052)	(1 192 061)
13 921 538	40 327 354	(26 405 816)	Economic services	15 179 185	8 569 144	6 610 041	9 583 296
-	464 749	(464 749)	Housing Services	-	563 106	(563 106)	(289 678)
17 096 233	35 628 191	(18 531 958)	Trading services	18 904 894	16 487 711	2 417 183	5 635 794
63 255 312	108 788 959	(45 533 647)	TOTAL	71 441 626	72 034 230	(592 604)	1 881 668
			Appropriations for the year			6 119 994	
		1 248 580	Net surplus / (deficit) for the year			5 527 390	
		(44 285 067)	Accumulated surplus / (deficit) beginning of the year			(21 817 492)	
		22 467 575	ACCUMULATED SURPLUS / DEFICIT AT THE END OF THE YEAR			(16 290 102)	
		(21 817 492)					

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2007

	2007	2006
	R	R
1. ACCUMULATED FUNDS		
Capital Development Fund	9 370 645	8 399 705
Erven Trust Fund	2 683 161	2 554 788
Community Fund	3 737	3 726
Renewal	4 359 293	4 333 791
Infrastructure	26 260	26 192
<i>(Refer to appendix A for more detail)</i>	<u>16 443 096</u>	<u>15 318 202</u>
2. RESERVES		
Loss of Rental Fund	51 712	51 576
Capital Reserve	743 030	742 508
Water Reserve Fund	160	160
Housing	4 121	4 110
<i>(Refer to appendix A for more detail)</i>	<u>799 023</u>	<u>798 354</u>
3. TRUST FUNDS		
Building Maintenance Fund	211 316	210 757
Community Facilities Fund	9 825	9 799
Infant School Fund	10 376	10 347
Civil Defence Fund	20 354	20 299
Library Fund	1 234	1 232
Health Fund	0	0
Leasehold Measurement Fund	1 452	1 445
Sale Commission Fund	8 544	8 522
Infrastructure Development Fund	487 006	485 716
Loan Redemption Fund	29 702	29 621
Schnehage	1 001	1 001
<i>(Refer to appendix A for more detail)</i>	<u>780 809</u>	<u>778 739</u>
4. LONG-TERM LIABILITIES		
State and other loans	1 080 288	1 262 977
Current portion of long term liability	(346 580)	(346 580)
<i>(Refer to appendix B for more detail)</i>	<u>733 708</u>	<u>916 397</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2007 (continued)

	2007	2006
	R	R
5. CONSUMER DEPOSITS		
Electricity and water	764 301	678 902
No guarantees in lieu of Electricity and Water deposits were held		
6. FIXED ASSETS		
Fixed assets beginning of the year	139 860 745	132 654 175
Capital expenditure during the year	28 614 247	7 206 570
Assets written of and prior years adjustments	-	0
Total fixed assets	168 474 992	139 860 745
Less: Loans redeemed and other capital receipts	(166 718 244)	(137 921 208)
Net fixed assets	1 756 748	1 939 537
<i>(Refer to appendix C for more information)</i>		
7. INVESTMENTS		
<i>Unlisted</i>	705 341	11 550 423
Long Term deposits	660 658	543 126
Other Deposits	44 683	11 007 298
Short - term investments	660 658	11 007 298
Long - term investments	44 683	543 126
	705 341	11 550 423
Average rate of the investment	40.7%	1.1%

Section 84 of the Local Government Ordinance (8 of 1962) requires local authorities to invest funds which are not immediately required, with prescribed institutions and the period should be such that it will not be necessary to borrow funds against the investment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2007 (continued)

	2007	2006
	R	R
8. LONG - TERM DEBTORS		
Car loans	87 900	121 343
Current portion transferred to Current Assets.	<u>(87 900)</u>	<u>(121 343)</u>
	<u><u>0</u></u>	<u><u>0</u></u>
9. INVENTORY		
Consumable stock	<u>0</u>	<u>653 812</u>
Inventory include user material, raw material, work in progress and finished goods. Whenever necessary, special provision for obsolete material is made.		
10. DEBTORS		
Current debtors (consumers)	129 771 102	111 077 282
Suspence Debtors	8 416 871	5 843 169
Sundry Debtors	2 253 095	2 253 095
Eskom Deposits	<u>0</u>	<u>80 304</u>
	<u>140 441 067</u>	<u>119 253 850</u>
Amounts paid in advance		0
Provision for bad debts	<u>(86 946 638)</u>	<u>(82 608 199)</u>
	<u><u>53 494 429</u></u>	<u><u>36 645 650</u></u>
11. PROVISIONS		
Audit fees	0	0
Provision for leave	<u>2 574 971</u>	<u>2 574 971</u>
	<u><u>2 574 971</u></u>	<u><u>2 574 971</u></u>
12. CREDITORS		
Trade creditors	12 430 500	11 741 472
Suspence Creditors	6 432 590	22 249 010
Other Creditors	4 499 811	10 990 977
Sundry/other creditors	<u>26 608 411</u>	<u>9 958 950</u>
	<u><u>49 971 313</u></u>	<u><u>54 940 409</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2007 (continued)

	2007	2006
	R	R

13 ASSESSMENT RATES**Actual income**

	R	R
Residential and Commercial	8 684 225	8 684 225

The last general valuation came into effect on 1 July 1996. The basic rate was 6.41c and 1.63c in the Rand on the valuation of land and improvements respectively. The rebate of 20% is granted for state property.

14. COUNCILLOR'S AND MANAGER'S REMUNERATION

	R	R
Mayor's allowance	299 799	281 501
Councillors' allowances	1 248 243	1 172 059
Medical Aid contributions	2 933	2 754
Pension fund : Councillors	83 511	78 784
Municipal Manager	388 100	366 132
Technical Manager	405 206	158 333
Chief Financial Officer	419 910	396 142
Strategic Manager	396 142	
Social & Community Manager	167 833	
Corporate Manager	427 877	403 657
	<u>3 839 554</u>	<u>2 859 363</u>

15. AUDITOR'S REMUNERATION

Audit fees	<u>362 697</u>	<u>547 858</u>
------------	----------------	----------------

16 FINANCING TRANSACTIONS

Total interest earned or paid:

Interest earned	287 025	130 867
Interest paid	<u>186 505</u>	<u>1 241 205</u>

Capital charges debited to operating account:

Interest: External	186 505	1 241 205
Internal	0	0
Redemption: External	182 689	148 248
Internal	0	0
	<u>369 194</u>	<u>1 389 453</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2007 (continued)

	2007	2006
	R	R
17 APPROPRIATIONS		
Appropriation account		
Accumulated surplus / (deficit): beginning of the year	(21 817 493)	22 467 574
Operating surplus / (deficit) for the year	(592 604)	(45 533 647)
Appropriations for the year:		
- Prior year adjustments	6 119 994	1 248 580
Adjustments against bank and cash	55 256	0
Adjustments against expenditure	(311 721)	8 288
Adjustments against income	3 695 371	(54 052)
Adjustments against creditors	-	1 539 431
Adjustments against loans	3 344 985	0
Adjustments current year	-	0
Other adjustments previous years	(663 897)	(245 087)
Accumulated surplus / (deficit): end of the year	<u>(16 290 103)</u>	<u>(21 817 493)</u>
OPERATING ACCOUNT		
Capital expenditure		
Contributions to:		
Capital Development Fund	720 000	640 000
Audit fees	0	-
Bad debts	4 338 439	53 233 930
Leave Encashment	0	-
	<u>5 058 439</u>	<u>53 873 930</u>
18 CASH GENERATED BY OPERATIONS		
Surplus/(deficit) for the year	(592 604)	(45 533 647)
Adjustments in respect of previous years'	6 119 994	1 248 580
Appropriation charged against income	1 127 634	316 364
Capital development fund	720 000	640 000
Interest received	287 025	130 867
Other Funds and Reserves	120 609	40 181
Provisions and reserves	0	(494 684)
Interest paid		
External loans	186 505	1 241 205
Redemption		
Internal Advances	-	0
External loans	-	0
Investment income:		
Expenditure against Funds and Reserves	-	0
Interest on investments received	<u>(287 025)</u>	<u>(130 867)</u>

MASILONYANA LOCAL MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2007 (continued)

	2007	2006
	R	R
19 (INCREASE)/DECREASE IN WORKING CAPITAL		
(Increase)/decrease in debtors	(16 815 335)	28 275 976
(Increase)/decrease in stock	653 812	0
(Increase)/decrease in creditors	(4 920 684)	28 797 042
	<u>(21 082 207)</u>	<u>57 073 018</u>
20 INCREASE/(DECREASE) IN LONG - TERM LOANS - EXTERNAL		
Loans raised	-	-
Loans repaid/written off	(182 689)	(376 237)
	<u>(182 689)</u>	<u>(376 237)</u>
21 (INCREASE)/DECREASE IN CASH ON HAND		
Investment made		-6 379 975
Investment realised	10 845 082	0
	<u>10 845 082</u>	<u>(6 379 975)</u>
22 (INCREASE)/DECREASE IN CASH ON HAND		
Cash balance: beginning of the year	3 659 024	(3 065 316)
Cash balance: end of the year	77 023	3 659 024
	<u>3 582 001</u>	<u>(6 724 340)</u>
23 RETIREMENT BENEFITS		
The personnel and councillors are members of the SALA Pension Fund, Free State Municipal Provident Fund, SAMWU National Provident Fund, Municipal Pension Fund for Councillors and the Free State Municipal Pension Fund.		
24 CONTINGENT LIABILITIES AND CONTRACTUAL OBLIGATIONS		
Repo wild 1001 CC T/A Makhulu construction vs Masilonyana Municipality Case number	48 205	48 205
Guarantees to banks for loans to employees	57 000	57 000
	<u>105 205</u>	<u>105 205</u>
25 CAPITAL COMMITMENTS		
Commitments in respect of capital expenditure:		
Approved	87 127 646	21 311 941
	<u>87 127 646</u>	<u>21 311 941</u>
This expenditure will be financed from :		
MIG		

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2007 (continued)

	2007	2006	
	R	R	
26 CAPITAL DEVELOPMENT FUND			
Outstanding advances to borrowing services			
Accumulated funds	9 370 645	8 399 705	
Less: Internal investments	0	0	
(Refer to appendix A and B for more detail)	<u>9 370 645</u>	<u>8 399 705</u>	
27 ERVEN TRUST FUND			
Outstanding advances to borrowing services			
Accumulated fund	2 683 161	2 554 788	
Less: External investment	705 341	11 550 423	
Less: Internal investments	-	-	
(Refer to appendix A and B for more detail)	<u>1 977 820</u>	<u>(8 995 636)</u>	
28 RENEWAL FUND			
Outstanding advances to borrowing services			
Accumulated fund	4 359 293	4 333 791	
Less: Internal investments	-	0	
(Refer to appendix A and B for more detail)	<u>4 359 293</u>	<u>4 333 791</u>	
29 BANK OVERDRAFT			
The bank overdraft is secured for R1 500 000. A portion of Winburg townlands serves as security for the bank overdraft			
30 COUNCILLOR'S CONSUMER ACCOUNTS			
No councillors account was in arrears for more than 90 days in the applicable financial year. (Section 124(1)(b) of the MFMA No. 56 of 2003)			
31 INVESTMENTS			
(Also refer to note 7)			
BANK	TYPE	2 007	2 006
		R	R
FNB	Fixed Deposit	85 875	Not Disclosed
FNB	Fixed Deposit	43 964	Not Disclosed
FNB	Fixed Deposit	175 921	Not Disclosed
ABSA	Savings Account	8 323	Not Disclosed
ABSA	Savings Account	92 040	Not Disclosed
ABSA	Fixed Deposit	200 000	Not Disclosed
ABSA	Fixed Deposit	11 002	Not Disclosed
ABSA	Fixed Deposit	8 072	Not Disclosed
ABSA	Fixed Deposit	13 667	Not Disclosed
ABSA	Call Account	9 945	Not Disclosed
ABSA	Savings Account	11 849	Not Disclosed

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2007 (continued)

		2 007	2 006
		R	R
Senwes Shares	Shares	21 225	Not Disclosed
Senwesbel Shares	Shares	23 458	Not Disclosed
		44 683	0

32 DEBTORS

		2 007	2 006
Debtors outstanding in days		1 233	Not Disclosed

APPENDIX A: STATUTORY FUNDS, RESERVES AND TRUST FUNDS AS ON 30 JUNE 2007



	Balance on 01-07-05	Adjust	Contri- butions during the year	Interest on invest- ment	Other income	Operating expend during the year	Capital expenditure for the year	Balance on 30-06-06
	R	R	R	R	R	R	R	R
ACCUMULATED FUNDS								
Capital Development Fund	8 399 705		720 000	250 940				9 370 645
Renewal Fund	4 333 791			25 502				4 359 293
Erven Fund	2 554 788	120 609		7 764				2 683 161
Community	3 726			11				3 737
Infrastructure	26 192			68				26 260
	<u>15 318 202</u>	<u>120 609</u>	<u>720 000</u>	<u>284 285</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16 443 096</u>
RESERVES								
Loss of rental	51 576			136				51 712
Capital Reserve	742 508			522				743 030
Water Reserve	160			-				160
Housing	4 110			11				4 121
	<u>798 354</u>	<u>-</u>	<u>-</u>	<u>669</u>	<u>0</u>	<u>-</u>	<u>-</u>	<u>799 023</u>
TRUST FUNDS								
Building Mantainance Fund	210 757			559				211 316
Community Facilities Fund	9 799			26				9 825
Infant School Fund	10 347			29				10 376
Cevil Defence Fund	20 299			55				20 354
Library Fund	1 232			2				1 234
Health Fund	0			-				-
Leasehold Measurement Fund	1 445			7				1 452
Sales Commission Fund	8 522			22				8 544
Infrastructure Development Fund	485 716			1 290				487 006
Loan Redemption Fund	29 621			81				29 702
Schnehage	1 001	-		-				1 001
	<u>778 739</u>	<u>-</u>	<u>-</u>	<u>2 070</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>780 809</u>
TOTAL	<u>16 895 295</u>	<u>120 609</u>	<u>720 000</u>	<u>287 025</u>	<u>0</u>	<u>-</u>	<u>-</u>	<u>18 022 929</u>

APPENDIX B: EXTERNAL LOANS AND INTERNAL ADVANCES AS ON 30 JUNE 2007

EXTERNAL LOANS	Interest Rate in	Redeemable Dates	Balance on 01-07-06	Received during the year	Arrears Capitilised	Redeemed or written off during the year	Balance on 30-06-07
			R	R	R	R	R
Loan 41	16.0%	2014	14 700			(778)	13 922
Loan 41	16.0%	2014	18 476			(974)	17 502
Loan 41	16.0%	2014	17 738			(818)	16 920
Loan 41	16.0%	2014	8 047			(545)	7 502
L11 100003	14.0%	2015	42 169			0	42 169
L6 100008	9.3%	2015	45 512			(4 831)	40 681
L7 100009	9.7%	2015	10 047			(1 058)	8 989
CGE 6	17.0%	2007	67 719			(43 282)	24 437
CGE 10	16.4%	2012	86 950			2 811	89 761
Loan 41	16.0%	2014	36 850			(1 947)	34 903
CGE 7	17.0%	2008	8 685			(4 535)	4 150
CGE 5	17.0%	2007	5 643			(3 607)	2 036
Loan 41	16.0%	2014	40 535			(2 142)	38 393
CGE 8	17.0%	2008	14 475			(7 205)	7 270
CGE 9	17.0%	2007	10 158			(6 492)	3 666
CGE 14 100036	9.5%	2010	29 097			(1 409)	27 688
Loan 19 99995	11.7%	2008	1 663			(296)	1 367
Loan 40 97777	13.3%	2014	220 299			5 915	226 214
Loan 41	16.0%	2014	47 905			(4 152)	43 753
L8 100010	10.0%	2015	20 487			(2 145)	18 342
L28	16.0%	2015	184 251			(11 355)	172 896
L29	19.0%	2015	0			99	99
L31 100017	15.1%	2005	18 796			(8 321)	10 475
E3 100022	8.0%	2006	8 665			(4 013)	4 652
E4	11.5%	2005	0			0	0
E5	12.5%	2006	2 114			0	2 114
E6 100025	13.0%	2006	3 637			(1 760)	1 877
E7	17.0%	2007	11 740			(11 740)	0
E8 100027	17.1%	2008	30 295			(4 073)	26 222
L31	8.0%	2015	0			0	0
L1 100021	16.5%	2005	256 324			(64 039)	192 285
			<u>1 262 977</u>	<u>-</u>	<u>-</u>	<u>(182 689)</u>	<u>1 080 288</u>
TOTAL			<u>1 262 977</u>	<u>-</u>	<u>-</u>	<u>(182 689)</u>	<u>1 080 288</u>

**APPENDIX D: ANALYSIS OF OPERATING INCOME AND EXPENDITURE
FOR THE YEAR ENDED 30 JUNE 2007**

2 006		2 007	2 007
Actual		Actual	Budget
R		R	R
INCOME			
20 067 831	Grants and subsidies	23 712 037	29 258 000
20 067 831	- Central and Provincial Government	23 712 037	29 258 000
43 187 481	Operating income	47 729 589	46 291 149
8 684 225	- Assesment rates	9 250 948	10 703 501
8 778 300	- Sale of electricity	8 615 714	10 881 259
5 583 889	- Sale of water	5 371 362	10 310 783
20 141 066	- Other income and service charges	24 491 564	14 395 606
<u>63 255 312</u>		<u>71 441 626</u>	<u>75 549 149</u>
EXPENDITURE			
23 716 656	Salaries, wages and allowances	34 187 201	33 423 707
84 221 534	General expenses	33 720 695	27 255 457
6 631 303	- Purchasing of electricity	7 163 334	5 326 659
250 025	- Purchasing of water	286 588	39 159
77 340 206	- Other expenses	26 270 773	21 889 639
345 252	Repairs and maintenance	188 245	6 086 840
130 867	Capital charges	266 843	1 227 442
374 650	Contributions to fixed assets	2 951 247	1 434 200
0	Contributions to Funds and Reserves	720 000	343 844
108 788 959	Gross expenditure	72 034 230	69 771 490
0	Amounts charged out	0	
<u>108 788 959</u>	Net expenditure	<u>72 034 230</u>	<u>69 771 490</u>

APPENDIX C: ANALYSIS OF FIXED ASSETS AT 30 JUNE 2007

Expenditure 2006	Services	Budget 2007	Balance on 01-07-06	Expenditure during the year	Corrections or written off	Balance on 30-06-07
R		R	R	R	R	R
RATES AND						
6 129 464	GENERAL SERVICES	-	84 164 439	28 605 959	-	112 770 398
821 723	Community services	-	41 840 084	544 785	-	42 384 869
-	Health Service	-	282 755	-	-	282 755
-	Disaster Management	-	48 200	-	-	48 200
-	Properties	-	13 259 722	-	-	13 259 722
-	Nursery School	-	380 550	-	-	380 550
-	Camps	-	9 064	-	-	9 064
-	Traffic services	-	353 912	-	-	353 912
-	Public safety	-	239 437	-	-	239 437
821 723	Streets and Roads	-	24 309 720	544 785	-	24 854 505
-	Cemetries and parks	-	2 351 094	-	-	2 351 094
-	Low cost housing	-	605 631	-	-	605 631
-	Subsidised services	-	7 065 574	-	-	7 065 574
-	Public Health	-	-	-	-	0
-	Ambulance	-	7 915	-	-	7 915
-	Swimming Pool	-	1 812 503	-	-	1 812 503
-	Libraries	-	1 256 560	-	-	1 256 560
-	Fire Brigade	-	218 621	-	-	218 621
-	Clinics	-	1 521 695	-	-	1 521 695
-	Municipal Offices	-	2 248 280	-	-	2 248 280
5 307 741	Economic services	-	35 258 781	28 061 174	-	63 319 955
-	Dumping Site	-	-	-	-	-
5 307 741	Sanitation and Refuse	-	34 863 451	28 061 174	-	62 924 625
-	Available Stands	-	395 330	-	-	395 330

APPENDIX C: ANALYSIS OF FIXED ASSETS AT 30 JUNE 2007 (Continued...)

Expenditure 2006	Service	Budget 2007	Balance on 01-07-06	Expenditure during the year	Corrections or written off	Balance on 30-06-07
R		R	R	R	R	R
1 166 666	TRADING SERVICES	0	55 696 306	8 288	0	55 704 594
1 166 666	Electricity	-	8 710 516	8 288	-	8 718 804
-	Water	0	46 781 345		-	46 781 345
-	HOUSING SERVICES	-	204 446	-	-	204 446
7 296 130	TOTAL FIXED ASSETS	0	139 860 745	28 614 247	0	168 474 992
	LESS: LOANS REDEEMED AND OTHER CAPITAL RECEIPTS		137 921 208	0	28 797 036	166 718 244
3 214 861	General Expenditure					
329 427	Loans redeemed and advances repaid		18 975 852	-	182 789	19 158 641
279 382	Contributions ex operating income		2 000 692	-	2 951 247	4 951 939
2 606 052	Grants and Subsidies		102 930 302	-	25 663 000	128 593 302
-	Public Contributions		5 011 459	-	-	5 011 459
-	Provision and Reserves		8 409 714	-	-	8 409 714
-	Erven Fund		593 189	-	-	593 189
4 081 269	NET FIXED ASSETS		1 939 537	28 614 247	(28 797 036)	1 756 748
-	Plus Cash and Bank		0	0		0
			1 939 537	28 614 247		1 756 748

APPENDIX E: DETAILED INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2007

2006 Actual income	2006 Actual expenditure	2006 Actual surplus / (deficit)		2007 Actual income	2007 Actual expenditure	2007 Actual surplus / (deficit)	2007 Budget surplus / (deficit)
R	R	R		R	R	R	R
RATES AND GENERAL SERVICES							
46 159 078	72 696 019	(26 536 941)		52 536 732	54 983 413	(2 446 681)	(3 464 448)
32 237 395	31 442 639	794 756	Community services	37 357 244	45 484 914	(8 127 670)	(11 855 683)
-	1 561 407	(1 561 407)	Office of the Mayor	-	2 563 970	(2 563 970)	(2 811 205)
3 133	800 099	(796 967)	Municipal Manager	2 683	1 470 094	(1 467 411)	(2 493 238)
104 771	6 780 909	(6 676 138)	Public Works	108 168	13 680 285	(13 572 117)	(11 489 022)
20 204 003	10 003 603	10 200 400	Council General Expenses: Full Time	22 021 128	9 852 146	12 168 982	(6 666 852)
-	3 122 165	(3 122 165)	Directorate Corporate Services	-	4 101 706	(4 101 706)	(4 790 355)
0	1 449 137	(1 449 137)	Health Services (Community)	45	5 418 225	(5 418 180)	(1 501 465)
121 533	416 838	(295 305)	Traffic services	62 685	387 289	(324 604)	(421 055)
123 656	408 157	(284 501)	Properties	99 238	220 019	(120 781)	0
47 470	628 267	(580 797)	Townhall and Offices	46 262	679 306	(633 044)	(351 272)
-	626 442	(626 442)	Parks and Recreation	-	593 764	(593 764)	(767 392)
-	-	-	Administration and provisions	-	-	-	-
1 511 829	4 910 894	(3 399 066)	Directorate Financial Services	4 224 156	5 862 036	(1 637 880)	21 381 235
10 017 409	504 650	9 512 759	Assessment Rates	10 687 531	482 080	10 205 451	0
103 592	230 071	(126 479)	Cemetries	105 349	173 996	(68 647)	(1 945 062)
145	926 026	(925 881)	Subsidised Services	303	929 355	(929 052)	(1 192 061)
0	4 989	(4 989)	Disaster Management	-	369	(369)	(51 120)
145	921 038	(920 892)	Libraries	303	928 985	(928 682)	(1 140 941)

APPENDIX E: DETAILED INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2006 (Continued...)

2006 Actual income	2006 Actual expenditure	2006 Actual surplus / (deficit)		2006 Actual income	2006 Actual expenditure	2006 Actual surplus / (deficit)	2006 Budget surplus / (deficit)
R	R	R		R	R	R	R
13 921 538	40 327 354	(26 405 816)	Economical Services	15 179 185	8 569 144	6 610 041	9 583 296
5 266 969	14 850 830	(9 583 862)	Refuse Removal	5 753 394	3 131 000	2 622 394	4 465 807
8 654 569	25 476 523	(16 821 954)	Cleaning services and Sewerage	9 425 791	5 438 143	3 987 648	5 117 489
-	464 749	(605 736)	Housing Services	-	563 106	(563 106)	(289 678)
-	464 749	(605 736)	Housing Services	-	563 106	(563 106)	(289 678)
17 096 233	35 628 191	820 884	TRADING SERVICES	18 904 894	16 487 711	2 417 183	5 635 794
9 406 251	14 379 295	1 485 315	Electricity	11 278 392	10 697 318	581 074	2 896 726
7 689 982	21 248 896	(664 431)	Water Services	7 626 501	5 790 392	1 836 109	2 739 068
63 255 312	108 788 959	(45 533 647)	TOTAL	71 441 626	72 034 230	(592 604)	1 881 668
		1 248 580	Appropriation for the year			6 119 994	
		(44 285 067)	Net surplus/(deficit) for the year			5 527 390	
		22 467 574	Accumulated surplus/ (deficit) at the beginning of the year			(21 817 493)	
		(21 817 493)	ACCUMULATED SURPLUS/ (DEFICIT) AT THE END OF THE YEAR			(16 290 103)	

IMPROVEMENT RATES: CENTS PER RAND

APPENDIX F: STATISTICAL INFORMATION

	2007	2006
	R	R
<u>MASILONYANA</u>		
General Statistics		
Population	160 000	160 000
Registered votes	32 417	32 417
Votes polled	24 938	24 938
Number of employees	419	402
Number of properties	15 269	15 269
Total valuations op properties		
Theunissen		
Land	6 332 646	6 332 646
Improvements	4 722 931	4 722 931
Verkeerdevlei		
Land	1 528 870	1 528 870
Improvements	20 368 500	20 368 500
Soutpan		
Land	345 256	345 256
Improvements	1 377 353	1 377 353
Winburg		
Land	4 121 300	4 121 300
Improvements	53 429 200	53 429 200
Brandfort		
Land	3 435 425	3 435 425
Improvements	61 226 600	61 226 600

PROPERTY RATES

WINBURG

Property rates: cent per Rand	24.0000	24.0000
Improvement rates: cent per Rand	0.0120	0.0120
Minimum charge per site	R 27.35	R 25.65
<i>State</i>		
Property rates: cent per Rand	0.3000	0.2900
Improvement rates: cent per Rand	0.0500	0.0500

IMPROVEMENT RATES: CENTS PER RAND

APPENDIX F: STATISTICAL INFORMATION - continued

	2007		2006
<u>SOUTPAN</u>			
Minimum charge per site	R 27.35	R	25.65
<i>State</i>			
Property rates: cent per Rand	0.3000		0.2900
Improvement rates: cent per Rand	0.0500		0.0500
<u>VERKEERDEVLEI</u>			
Property rates: sent per Rand/ cent per Rand ²	0.1000		0.0900
Improvement rates: cent per Rand	0.0200		0.0200
Minimum charge per individual site	R 27.35	R	25.65
<i>State</i>			
Property rates: cent per Rand	0.3000		0.2900
Improvement rates: sent per Rand/ cent per Rand	0.0500		0.0500
<u>THEUNISSEN</u>			
Property rates: cent per Rand	0.1300		0.1200
Improvement rates: cent per Rand	0.0100		0.0100
Minimum charge per individual site	R 27.35	R	25.65
<i>State</i>			
Property rates: cent per Rand	0.2900		0.2900
Improvement rates: cent per Rand	0.0500		0.0500
<u>BRANDFORT</u>			
Property rates: cent per Rand	0.0800		0.0700
Improvement rates: cent per Rand	0.0200		0.0200
Minimum charge per individual site	R 27.35	R	25.65
<i>State</i>			
Property rates: cent per Rand	0.3000		0.2900
Improvement rates: cent per Rand	0.0500		0.0500