

Phumelela Local Municipality

**Financial Statements
for the year ended 30 June 2009**

Phumelela Local Municipality

Financial statements

for the year ended 30 June 2009

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Phumelela Local Municipality

General information

for the year ended 30 June 2009

Members of the Phumelela Local Municipal Council

T J Motaung	Mayor/Speaker
M I Kobeni	Member
M M Kolatsoeu (me)	Member
B D Madonsela	Member
B A Mahlaba	Member
S T Makhubo	Member
M J Mofokeng (me)	Member
M D Nkabinde	Member
A C Scholtz	Member
O S Tshabalala	Member
S E Tshabalala	Member
J H van Niekerk	Member
T R Zwane (me)	Member

Municipal Manager

M J Mthembu (me)

Chief Financial Officer

Vacant

Grading of Local Authority

Grade 4

Auditors

Auditor-General

Bankers

ABSA

Phumelela Local Municipality

General information (continued)

for the year ended 30 June 2009

Registered office

Physical address:

Civic Centre
Cnr. Kuhn & Prinsloo Streets
Vrede
9835

Postal address:

Private Bag X5
Vrede
9835

Telephone number:

058 - 9138300

Fax number:

058 -9132317

E-mail address:

muhlem@phumelelamun.co.za

Map of Phumelela Local Municipal Area

A map of the Municipal area is available at the Council's offices.

FOREWORD

The Constitution of the Republic of South Africa, 1996 briefly outlines the following objectives for local municipalities: the provision of democratic and accountable government; the provision of sustainable services; the promotion of social and economic development; the promotion of a safe and healthy environment and the encouragement of communities to involve themselves in the matters of the Municipality.

When considering the above Council must be frank and prepared to answer to the people of Phumelela.

The first question Council should answer is:

- Do the people receive value for their money - are the services up to standard.

The answer is - A qualified Yes. There is however much room left for improvement. Council is painfully aware of the water, sewerage and refuse problems experienced from time to time. With the valuable assistance of the Province and the Department of Water Affairs and Forestry Council intends to solve the problems in the near future.

The next question is:

- Does Council care for the environment - are the streets, parks and pavements properly maintained

The answer is - Again a qualified Yes. Council has tried with limited resources to repair the streets and to maintain some of the pavements and parks. Council knows about the needs and the expectations and has therefore budgeted for a substantial amount to be expended on this service in 2009/2010.

Another question is:

- Does the Municipality have the vision to plan ahead - is it safe to invest in Phumelela.

The answer is - Yes. Phumelela has a well developed infra structure. During the previous year the bucket system used to dispose of sewerage was eradicated. Action plans to solve the water requirements of Warden/Ezenzeleni have reached an advanced stage of planning; a new refuse dumping site has been identified in Warden and will be developed in the near future. The new sewerage treatment works in Memel/Zamani will be completed in the 2009/2010 financial year. Plans to develop Vrede Marina have reached the final stages of approval. Council is convinced that Phumelela is on the brink of greater developments as a tourist and investment opportunity.

Council is still committed to a turn-around strategy. The fruits derived from the strategy are already visible. The backlog in the financial administration has been wiped out and for the first time in many years Council will be able to submit its annual financial statements on time to the offices of the Auditor-General. I wish to congratulate every body involved in the strategy with this accomplishment

Council is however still faced with a number of immediate challenges. The greatest of which reference have already been made to above. This will certainly require commitment, dedication and hard work. Council is ready for these challenges and will do every thing possible to make Phumelela a better place to live in for all its people

I wish to thank the Councillors, the Municipal Manager, Heads of Departments and all personnel for their loyal support, friendly co-operation and dedication during the past year.

T J Motaung
Mayor/Speaker
31 August 2009

Phumelela Local Municipality

Approval of the financial statements

for the year ended 30 June 2009

The annual financial statements set out on pages 15 to 29 were approved by the Municipal Manager on 9 September 2009

Municipal Manager (M J Mthembu)

Report of Smit Kruger to the Phumelela Local Municipality

for the year ended 30 June 2009

We have compiled the financial statements of the Phumelela Local Municipality for the year ended 30 June 2009 as set out on pages 15 to 29 in accordance with South African Auditing Standards applicable to compilation engagements.

Management is responsible for these financial statements. We have not audited or reviewed these financial statements and accordingly express no opinion thereon.

DJ Smit

Smit Kruger

09 September 2009

Report of the Auditor-General to the Phumelela Local Municipality
for the year ended 30 June 2009

The Auditor-General will issue his report upon finalisation of the audit.

Phumelela Local Municipality

Report of the Chief Financial Officer (submitted by the Municipal Manager)

for the year ended 30 June 2009

Introduction

It is a pleasure to present the report for the 2008/2009 financial year.

1 OPERATING RESULTS

Details of the operating results per classification, department and object of expenditure are included in Appendices D and E. The available statistics are shown in Appendix F.

The overall operating results for the year ended 30 June 2009 are as follows:

Income	Actual 2008 R	Actual 2009 R	Variance 2008/2009 %	Budget 2009 R	Variance Actual/Budget %
Operating income for the year	50 988 647	59 658 645	17%	56 185 162	6%
Opening surplus (deficit)	(10 265 596)	(11 970 759)			
Total	40 723 050	47 687 885		56 185 162	

Expenditure	Actual 2008 R	Actual 2009 R	Variance 2008/2009 %	Budget 2009 R	Variance Actual/Budget %
Operating expenditure for the year	52 908 891	64 416 838	22%	56 503 871	-14%
Appropriations	(215 082)	160 398			
Closing surplus (deficit)	(11 970 759)	(16 889 350)		(318 709)	
Total	40 723 050	47 687 885		56 185 162	

1.1 Rates and general services

	Actual 2008 R	Actual 2009 R	Variance 2008/2009 %	Budget 2009 R	Variance Actual/Budget %
Income	37 978 241	42 169 852	11%	43 105 162	-2%
Expenditure	-40 775 819	-47 310 068	16%	-43 436 356	-9%
Surplus/(deficit)	-2 797 579	-5 140 216		-331 194	
Surplus/(deficit) as a % of total Income	-5.5%	-8.6%		-0.6%	

Phumelela Local Municipality

Report of the Chief Financial Officer (continued)

for the year ended 30 June 2009

1.2 Trading services

	Actual 2008 R	Actual 2009 R	Variance 2008/2009 %	Budget 2009 R	Variance Actual/Budget %
1.2.1 Water					
Income	6 475 818	8 202 812	27%	6 055 000	35%
Expenditure	-5 780 970	-7 890 903	36%	-6 050 515	-30%
Surplus	694 849	311 909		4 485	
Surplus as a % of total income	1.4%	0.5%		0.0%	

1.2.2 Electricity

Income	6 534 588	9 285 981	42.11%	7 025 000	32.18%
Expenditure	-6 352 102	-9 215 867	45.08%	-7 017 000	-31.34%
Surplus	182 486	70 114		8 000	
Surplus as a % of total income	0.4%	0.1%		0.0%	

2 CAPITAL EXPENDITURE AND FINANCING

During the year fixed assets amounting to R 10 089 171 were acquired. This is 34 % less than the previous year and comprise the following:

	Actual 2008 R	Budget 2009 R	Actual 2009 R
Public buildings & equipment (including roads)	8 373 408	360 000	5 464 544
Refuse	160 964	0	0
Electricity network, equipment & vehicles	0	100 000	0
Water	2 730 487	200 000	930 358
Sewerage network	4 042 113	10 000	3 694 269
	15 306 972	670 000	10 089 171

The following resources were utilised to finance the fixed assets:

Phumelela Local Municipality

Report of the Chief Financial Officer (continued)

for the year ended 30 June 2009

2 CAPITAL EXPENDITURE AND FINANCING

	Actual 2008 R	Budget 2009 R	Actual 2009 R
Contributions from operating income	1 974 580	670 000	415 791
Contributions from Government, Province and District Municipality	13 332 391	0	9 673 380
	<u>15 306 971</u>	<u>670 000</u>	<u>10 089 171</u>

Details of capital expenditure and financing are shown in Appendices B and C.

3 EXTERNAL LOANS, INVESTMENTS AND CASH

The current and comparative figures for external loans, investments and cash are as follows:

	2009 R	2008 R
External loans	1 777 436	1 878 874
External investments	1 140 985	1 130 209
Cash on hand and in bank	(4 065 557)	1 205 619

More information regarding external loans, investments and cash are disclosed in notes 2, 5, 10 and Appendix B to the financial statements

4 FUNDS, RESERVES AND PROVISIONS

The current and comparative figures for the statutory and other funds are as follows:

	2009 R	2008 R
Provisions	44 290 227	45 763 002
Capital Development Fund	8 541 025	7 848 459
Erven Trust Fund	2 650 219	2 556 336

More information regarding funds and provisions are disclosed in notes 1, 8 and Appendix A to the financial statements

Phumelela Local Municipality

Report of the Chief Financial Officer (continued)

for the year ended 30 June 2009

5 DISTRIBUTION OF REVENUE

The equitable share was utilised as indicated in the financial statements.

6 POST BALANCE SHEET EVENTS

No material fact or circumstance has occurred between the accounting date and the date of this report to which reference is required.

7 APPRECIATION

I would like to thank the Mayor/Speaker, Councillors, Departmental Heads and all officials for the support given to me and the staff of the Department of Finance, and in particular our external consultants for their assistance and support during the year.

.....
Municipal Manager

9 September 2009
Date

Phumelela Local Municipality

Accounting policies

for the year ended 30 June 2009

1 Basis of presentation

- 1.1 The Financial Statements have been prepared to conform to standards prescribed by the Institute of Municipal Treasurers and Accountants in its Code of Practice for Local Government Accounting (1997) and the Published Annual Financial Statements for Local Authorities (second edition 1996, as amended).
- 1.2 The Financial Statements are prepared on the historical cost basis adjusted for fixed assets, as more fully describes in Accounting Policy note 3. The accounting policies are consistent with those applied in the previous years, except if otherwise indicated.
- 1.3 The Financial Statements are prepared on the accrual basis:
- Income is accrued when collectable and measurable.
 - Certain direct income is accrued when received, i.e. traffic fines and certain licences.
 - Expenditure is accrued in the year in which it is incurred.

2 Consolidation

The financial statements include the rates- and general services, trading services and different funds and provisions. All inter-departmental charges are set-off against each other, with the exception of assessment rates, refuse removal, electricity and water, 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 the date of acquisition), where assets have been acquired by certain grants or donations.
- Fixed assets with a value of less than R 2 000 are not capitalised.

3.2 Depreciation

The balance shown under 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 immediately or over the period of the long term loan being the source of finance of the particular asset or group of assets.

Phumelela Local Municipality

Accounting policies (continued)

for the year ended 30 June 2009

3.2 Depreciation (continued)

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

- Appropriation from income, where the full cost of the asset forms an immediate and direct charge against operating income. Provision for additional depreciation is deemed unnecessary.
- Grants and donations 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 The net proceeds from the sale of immovable property are credited to the Erven trust fund. The net proceeds from the sale of other assets are credited to income.

3.4 Fixed assets are financed from different sources, i.e. internal loans, operating income, endowments and internal advances. These loans and advances are redeemed over a period equal to the expected lives of the assets. Interest is charged to the service concerned at the ruling interest rate applicable at the time of the approval of loans or advances.

4 Inventory

Inventory is valued at the lower of cost, determined on the weighted average basis and net realisable value after due provision for obsolescence has been made.

5 Funds and reserves

5.1 Capital Development Fund

Contributions to fund - 1% of total income. Interest received is credited to the fund on a pro rata basis.

5.2 Erven Trust Fund

The net proceeds from the sale of immovable property are credited to this Fund. This Fund is utilised for financing projects of a lasting non-productive nature as prescribed in Sec.85(1)(b) of the Local Government Ordinance, 1962 (Ordinance no. 8 of 1962). Interest received is credited to the fund on a pro rata basis.

6 Provisions

Provision is made for liabilities or contingencies which are known at the date of the balance sheet but for which the amounts involved cannot be determined with substantial accuracy.

The provision for bad debts refers to current assets and is therefore disclosed as a deduction from debtors.

Phumelela Local Municipality

Accounting policies (continued)

for the year ended 30 June 2009

7 Retirement benefits

7.1 The retirement benefit plan is subject to the Pension Fund Act of 1956, with pensions being calculated either on the fixed contribution or the fixed benefit method. Current contributions by the Municipality are charged against operating income on the basis of current service cost. Unfavourable experience adjustments and the cost of insurance of the increased benefits are written off over the smallest of the remaining service period or over five years. Favourable experience adjustments are retained in the retirement plan.

7.2 Phumelela Local Municipality and its employees contribute to the Free State Municipal Pension Fund, the Free State Municipal Provident Fund, SAMWU Provident Fund and Sala Pension Fund. The above funds provide retirement benefits to employees.

8 Surplus and deficits

Any surplus or deficit originating from the electricity or water services are transferred to rates and general services.

9 Treatment of administrative and other overhead costs

The cost of internal auxiliary services are debited against the different services and are in accordance with IMTA's Report on Accounting for Support Services (1990).

10 Leased assets

Fixed assets held under finance leases are capitalised. Other leases are treated as operating leases and the relevant rentals are charged to the operating account.

11 Investments

Investments are made in accordance with the requirements of Section 84 of the Local Government Ordinance, 1962 (Ordinance no. 8 of 1962) and policy prescribed by the Municipal Finance Management Act, (Act no. 56 of 2003). Investments are shown at the lower of cost or market value if a permanent decline in the value occurred, and are invested according to the provisions contained in the Circular issued by Provincial Legislature.

12 Income recognition

12 Electricity and water charges

All meters are read and billed monthly. Where meters cannot be read during a particular month a provisional bill is issued with the necessary adjustments made in the month when the meters are indeed read.

Phumelela Local Municipality

Accounting policies (continued)

for the year ended 30 June 2009

13 Assessment rates

The Council applies a uniform rates system. According to this system assessment rates are charged on the value of land and improvements. Certain rebates are granted according to the ownership and/or use to which a particular property is put. a Rebate of 30% is granted at the instance of Public Service infra structure

Phumelela Local Municipality

Balance sheet

as at 30 June 2009

	Note	2009 R	2008 R
Capital employed			
Funds and reserves			
Statutory Funds	1	11 191 244	10 404 795
Accumulated surplus (deficit)		<u>-16 889 350</u>	<u>-11 970 759</u>
		-5 698 106	-1 565 964
Long term liabilities	2	1 679 113	1 777 434
Consumer deposits	3	237 696	243 375
Total capital employed		<u>-3 781 298</u>	<u>454 845</u>
Employment of capital			
Fixed assets	4	1 777 436	1 878 874
Investments	5	1 140 985	1 130 209
		<u>2 918 421</u>	<u>3 009 083</u>
Net current assets		<u>-6 699 719</u>	<u>-2 554 238</u>
Current assets			
		14 583 882	12 445 828
Inventory	6	580 597	398 618
Debtors	7	13 810 624	10 841 592
Cash and bank	10	192 661	1 205 619
Current liabilities			
		21 283 601	15 000 066
Provisions	8	3 067 983	2 931 173
Bank Overdraft	10	4 258 218	0
Creditors and Unspent Grants	9	13 859 076	11 967 454
Short term portion of long term liabilities	2	98 323	101 440
Total employment of capital		<u>-3 781 298</u>	<u>454 845</u>

Phumelela Local Municipality

Cash flow statement

for the year ended 30 June 2009

	Note	2009 R	2008 R
Cash retained from operating activities		-4 737 492	2 128 809
Cash generated by operations	16	-37 197 858	-27 241 659
Interest received	14	197 983	164 991
Increase/(decrease) in working capital	17	350 196	2 166 118
		-36 649 679	-24 910 550
Less: external interest paid		-291 014	-312 844
Cash available from/(utilised in) operations		-36 940 694	-25 223 394
Cash contributions from government and public bodies		32 203 202	27 352 202
		-4 737 492	2 128 809
Cash utilised in investing activities			
Investment in fixed assets		-415 791	-1 974 584
Net cash flow		<u>-5 153 283</u>	<u>154 225</u>
Cash effects of financing activities			
Increase/(decrease) in long term liabilities	18	-101 438	-187 059
Increase/(decrease) in consumer deposits		-5 679	14 335
(Increase)/decrease in cash investments	19	-10 776	-684 140
(Increase)/decrease in cash and bank	20	5 271 177	702 638
Net cash utilised		<u>5 153 283</u>	<u>-154 226</u>

Phumelela Local Municipality

Notes to the financial statements

for the year ended 30 June 2009

	2009 R	2008 R
1 Statutory funds		
Capital Development Fund	8 541 025	7 848 459
Erven Trust Fund	2 650 219	2 556 336
	<u>11 191 244</u>	<u>10 404 795</u>
1.1 See appendix A		
2 Long term liabilities		
Development Bank of South Africa - note 2.2	1 777 436	1 862 836
Free State Municipal Pension Fund - note 2.2	0	16 038
	<u>1 777 436</u>	<u>1 878 874</u>
Less: current portion - note 2.1	-98 323	-101 440
	<u>1 679 113</u>	<u>1 777 434</u>
2.1 See appendix B		
2.2 The loans bear interest at rates that varies between 12% and 17% per annum and will be fully redeemed in 2019		
3 Consumer deposits		
Water and Electricity	228 385	231 690
Town Hall Deposits	9 311	11 685
	<u>237 696</u>	<u>243 375</u>
3.1 No guarantees are kept in lieu of consumer deposits.		
4 Fixed assets		
Fixed assets at the beginning of the year	158 148 324	143 418 696
Capital expenditure	10 089 171	15 306 973
Less: assets written-off, transferred or disposed off	0	-577 343
Total fixed assets	<u>168 237 495</u>	<u>158 148 326</u>
Less: loans redeemed and other capital receipts	-166 460 059	-156 269 450
Net fixed assets	<u>1 777 436</u>	<u>1 878 875</u>
4.1 See appendix C and section 2 of the report of the Chief Financial Officer.		

Phumelela Local Municipality

Notes to the financial statements

for the year ended 30 June 2009

	2009 R	2008 R
5 Investments		
Unlisted		
Shares	20	20
Member's funds	154 011	143 235
Loan - Krynaauwslust Boerdery Trust	678 586	678 586
Sanlam - note 5.5	308 368	308 368
	<u>1 140 985</u>	<u>1 130 209</u>
Less: transfer of short term investments	0	0
	<u>1 140 985</u>	<u>1 130 209</u>
5.1 Unlisted shares	20	20
5.2 Management's valuation of unlisted shares	20	20
5.3 Average gross rate of return on shares	0%	0%
5.4 Ordinance 8 of 1962 and the Municipal Finance Management Act (56 of 2003) require that funds and trust funds be invested in prescribed instruments.		
5.5 No investments was written off during the year Market value 30.6.2009 R580 754		
6 Inventory		
Consumables	580 597	398 618
	<u>580 597</u>	<u>398 618</u>
7 Debtors		
Consumer debtors	51 494 804	51 135 037
Sundry debtors	2 831 876	1 849 164
	<u>54 326 680</u>	<u>52 984 201</u>
Add: debtors with credit balances - note 9	706 189	689 220
Less: provision for bad debts (excluding VAT)	-38 100 215	-39 370 300
Less: provision for VAT on bad debts	-3 122 030	-3 461 530
	<u>13 810 624</u>	<u>10 841 592</u>
7.1 Bad debts written off	8 787 457	6 458 181
7.2 Days outstanding in debtors are in excess of 1000 days (2008 : 1000 + days).		

Phumelela Local Municipality

Notes to the financial statements

for the year ended 30 June 2009

	2009	2008
	R	R
8 Provisions		
Leave reserve	3 067 982	2 931 173
Bad debts	41 222 245	42 831 829
	<u>44 290 227</u>	<u>45 763 002</u>
Less: provision transferred to debtors - note 8.2	-41 222 245	-42 831 829
	<u>3 067 982</u>	<u>2 931 173</u>
8.1 Note: see note 7		
8.2 See appendix A		
9 Creditors and Unspent Grants		
Trade and sundry creditors	6 673 184	3 936 846
Debtors with credit balances	706 189	689 220
Unspent Grants	6 479 703	7 341 388
	<u>13 859 076</u>	<u>11 967 454</u>
10 Bank, cash and overdraft balances		
The Municipality has the following bank accounts and cash on hand:		
10.1 Current account (primary bank account) and cash on hand		
ABSA Bank Limited - Vrede branch Account number 2260940190		
Cash book - balance beginning of the year - dt (cr)	918 324	1 667 353
Cash book - balance end of the year - dt (cr)	<u>-4 258 218</u>	<u>918 324</u>
Petty Cash and Cash Float	6 390	6 390
Cash On Hand	77 021	23 150
	<u>83 411</u>	<u>29 540</u>
Bank statement - balance beginning of the year - cr (dt)	918 324	1 667 353
Bank statement - balance end of the year - cr (dt)	<u>-4 258 218</u>	<u>918 324</u>
10.2 Money market fund		
ABSA Bank Limited - Vrede branch Account number 9056988396		
Cash book - balance end of the year	479 804	431 028
Bank statement - balance end of the year	<u>479 804</u>	<u>431 028</u>

Phumelela Local Municipality

Notes to the financial statements

for the year ended 30 June 2009

	2009 R	2008 R
10.4 Call Accounts		
ABSA Bank Limited - Vrede branch Account number 92 1117 6952		
Cash book - balance end of the year	44 575	0
Bank statement - balance end of the year	<u>44 575</u>	<u>0</u>
ABSA Bank Limited - Vrede branch Account number 92 1117 7843		
Cash book - balance end of the year	104 147	0
Bank statement - balance end of the year	<u>104 147</u>	<u>0</u>
11 Assessment rates		
	Valuation 30.06.2009 R	Actual Income 2009 R
Government	62 154 520	608 679
Residential and other	<u>215 781 520</u>	<u>1 664 208</u>
	<u>277 936 040</u>	<u>2 272 887</u>
11.1	Valuation of land and improvements is performed every five years. The last general valuation was done during 2004 and came into effect on 1 July 2005.	
11.2	The assessment rates are levied on the following basis: Land and improvements: 0.01399c/R (no rates are levied on the first R15 000 of residential properties) Previous year (2008) Land and improvements: 0.01272c/R (no rates are levied on the first R15 000 of residential properties)	
12 Councillors' remuneration		
Mayor's allowance	545 869	480 368
Councillors' allowances	<u>2 052 143</u>	<u>1 991 671</u>
	<u>2 598 012</u>	<u>2 472 039</u>
12.1	Benefits in-kind The Executive Mayor/Speaker is a councillor. He is entitled to an office and secretarial support by the Council.	

Phumelela Local Municipality

Notes to the financial statements

for the year ended 30 June 2009

	2009 R	2008 R
Councillors' remuneration		
12.2	The salaries and allowances of the councillors are within the limits as prescribed by the Remuneration of Public Office Bearers Act, 1998 (No. 20 of 1998).	
12.3	Related party transactions No transactions have been recorded	
13	Auditor's fees	
	Expenses	
	<u>1 306 538</u>	<u>704 673</u>
	<u>1 306 538</u>	<u>704 673</u>
14	Finance transactions	
	Total interest received on investments	
	Interest received	
	Investments and bank	Investments and bank
	Transfer to statutory funds	Transfer to statutory funds
	0	0
	197 983	164 991
	-197 983	-164 991
	Capital expenses debited against operating account:	
	Interest :	
	- External	- External
	291 014	312 844
	291 014	312 844
	Redemption:	
	- External	- External
	101 438	187 059
	101 438	187 059
15	Appropriations	
	Appropriation account:	
	Accumulated (deficit)/surplus: beginning of the year	
	-11 970 759	-10 265 596
	Operating (deficit)/surplus for the year	
	-4 758 193	-1 920 245
	Appropriations for the year:	
	Adjustments previous years	
	Assets/Investments not capitalized previous years	
	Expenses previous years	
	-160 398	215 082
	678 586	-463 504
	-160 398	-463 504
	Accumulated surplus (deficit): end of the year	
	<u>-16 889 350</u>	<u>-11 970 759</u>

Phumelela Local Municipality

Notes to the financial statements

for the year ended 30 June 2009

	2009 R	2008 R
16 Cash generated by operations		
(Deficit)/surplus for the year	-4 758 193	-1 920 245
Assets not previously capitalised	0	0
Adjustments in respect of:		
Previous years' operating transactions	-160 398	215 082
Previous years adjustments	-160 398	215 082
Interest received	-197 983	-164 991
Non-operating expenses debited to income statement	8 164 103	7 789 643
Provisions and reserves	7 646 874	5 628 004
Redemption of loans	101 438	187 059
Fixed assets	415 791	1 974 580
Capital charges:		
Interest paid:	291 014	312 844
- External loans	291 014	312 844
Grants and subsidies received	-32 203 202	-27 352 202
Operating income credited against:		
- Statutory funds	786 449	668 584
Non-operating expenditure debited against:		
- Provisions and reserves	-9 119 649	-6 790 373
	<u>-37 197 858</u>	<u>-27 241 659</u>
17 (Increase)/decrease in working capital		
(Increase)/decrease in inventory	-181 979	-398 618
(Increase)/decrease in debtors	-1 359 447	2 046 813
Increase/(decrease) in creditors	1 891 623	517 923
	<u>350 196</u>	<u>2 166 118</u>
18 Increase/(decrease) in long term liabilities		
Loans redeemed	<u>-101 438</u>	<u>-187 059</u>
19 (Increase)/decrease in cash investments		
Investments at the beginning of the year	1 130 209	446 069
Less: investments at the end of the year	-1 140 985	-1 130 209
	<u>-10 776</u>	<u>-684 140</u>
20 (Increase)/decrease in cash and bank		
Cash and bank balance at the beginning of the year	1 205 619	1 908 257
Less: cash and bank balance at the end of the year	-4 065 558	1 205 619
	<u>5 271 177</u>	<u>702 638</u>

Phumelela Local Municipality

Notes to the financial statements

for the year ended 30 June 2009

		2009 R	2008 R
21	Retirement benefits - pension fund Fund		
	Date of last actuarial valuation		Finding
	Free State Municipal Pension Fund	30-Jun-05	financialposition: Sound
	SAMWU National Provident Fund	30-Jun-05	Financial position: Sound
	SALA Pension Fund	01-Jul-05	Financial position: Sound
	Free State Municipal Provident Fund	30-Jun-04	Financial position: Sound
22	Contingent liabilities and contractual obligations		
22.1	Leave pay outstanding at 30 June 2009 : R 3 067 982 (2008: R2 931 172) The unions have declared a dispute regarding the treatment of leave pay as directed by the Bargaining Council.		
22.2	VAT reconciliations were previously done by external consultants. The amount then claimed from SARS appears to be excessive. The amount claimed by the consultants for services rendered is also in dispute.		
22.3	According to information received the Municipality owes the Department of Water Affairs and Forestry an amount in excess of R16 million for water levies raised because the Municipality is situated in the catchment area of the Vaal Dam. This amount is in dispute. No provision was made for this contingent liability		
22.4	The Municipality is involved in the following legal actions and/or claims: Claim by Paul Steyn Boerdery (Pty) Ltd for damages suffered - R1 m Claim by Mamohatho Construction for payment on contract - R2 m Claim by GR 8 for services rendered - R450 000 (see note 22.2) Claim against Ratanang Building Contractors for double payment - R745 849		
23	Capital development and erven trust fund		
23.1	No internal advances were made to borrowing services		
24	Government grants and subsidies		
	Equitable share	26 923 770	21 390 915
	Central government grants	7 770 065	10 541 972
	Provincial government grants	700 000	3 032 751
	Other	1 506 725	1 351 003
	Grants from the District Municipality	4 371 684	7 006 937
	Health and Ambulance subsidies	0	77 534
		<u>41 272 244</u>	<u>43 401 111</u>
24.1	Equitable share		
	In terms of the Constitution, this grant is utilised to subsidise the provision of basic services to indigents and free basic water to the remainder of the community. A contribution for free basic electricity is paid directly to Eskom.		

Phumelela Local Municipality

Notes to the financial statements

for the year ended 30 June 2009

	2009 R	2008 R
24.2 Central government grants		
24.2.1 MIG Grant		
Opening balance	-5 530 681	-1 087 150
Current year receipts	-5 703 700	-9 041 972
Transferred to fixed assets	6 565 385	4 598 441
Closing balance - (transferred to creditors - note 9)	<u>-4 668 996</u>	<u>-5 530 681</u>

This grant was utilised for bucket eradication and other capital projects.
The conditions of the grant have been met and no monies have been withheld.

24.2.2 Financial Management Grant

Opening balance	0	0
Current year receipts	-1 250 000	-500 000
Transfer to fixed assets	18 635	
Transferred to income/expenditure	1 231 365	500 000
Closing balance	<u>0</u>	<u>0</u>

This grant was utilised for Financial Management
The conditions of the grant have been met and no monies have been withheld.

24.2.3 MSIG grant

Opening balance	0	0
Current year receipts	-735 000	-1 000 000
Transferred to income/expenditure	735 000	1 000 000
Closing balance	<u>0</u>	<u>0</u>

This grant was utilised for financial management and upgrading of systems.
The conditions of the grant have been met and no monies have been withheld.

24.3.1 Provincial Government Grants

Opening balance	0	0
Current year receipts	0	-2 500 000
Transferred to income/expenditure	0	2 500 000
Closing balance	<u>0</u>	<u>0</u>

This grant was utilised for upgrading of infrastructure, spatial development, salaries of financial interns and the turn-around strategy.
The conditions of the grant have been met and no monies have been withheld.

Phumelela Local Municipality

Notes to the financial statements

for the year ended 30 June 2009

	2009 R	2008
24.3.2 Grant DBSA - capacity building		
Opening balance	0	0
Current year receipts	-487 725	-1 351 003
Transferred to income/expenditure	487 725	1 351 003
Closing balance - (transferred to creditors - note 10)	<u>0</u>	<u>0</u>

This grant was utilised for the valuation of properties, the turn-around strategy and the enhancement of revenue collection. The conditions of the grant have been met and no monies have been withheld.

24.4 Grant - DWAF Drought Relief

Opening balance	-1 810 707	-2 629 387
Current year receipts	-700 000	-720 749
Transferred to income/expenditure	700 000	0
Transferred to fixed assets	0	1 539 429
Closing balance - (transferred to creditors - note 10)	<u>-1 810 707</u>	<u>-1 810 707</u>

The grant was not utilised in full.

The conditions of the grant have been met and no monies have been withheld.

24.5 Health and ambulance claims

Opening balance	0	128 570
Claims	0	77 534
Current year receipts	0	-206 104
Closing balance - (transferred to debtors - note 8)	<u>0</u>	<u>0</u>

The health and ambulance services were taken over by the Department of Health Free State Province. The claims were utilised to defray the expenses incurred by the Municipality and payment for the rental of Municipal buildings.

24.6 Grants from the District Municipality

Opening balance	0	0
Current year receipts	-4 371 684	-7 378 937
Transferred to fixed assets	3 365 342	7 006 937
Transferred to income/expenditure	1 006 342	372 000
	<u>0</u>	<u>0</u>

Phumelela Local Municipality

Notes to the financial statements

for the year ended 30 June 2009

	2009 R	2008 R
25 Employee Related Costs		
Salaries	14 467 557	11 762 874
Contributions - UIF, pension and medical aid funds,	1 909 996	1 691 368
Housing subsidies	30 604	13 126
Industrial Council levies	7 514	8 838
Other allowances	503 742	209 820
Overtime	728 416	391 961
Travel, subsistence and car allowances	1 332 537	652 276
Protective clothing	212 769	99 859
Skills development	155 583	142 959
	<u>19 348 718</u>	<u>14 973 081</u>
25.1	No advances were made to employees.	
25.2 Remuneration - Municipal Manager		
Annual remuneration - include acting allowances	409 578	348 602
Car allowance	218 507	185 900
	<u>628 085</u>	<u>534 502</u>
25.3 Remuneration - Chief Financial Officer		
Annual remuneration	0	71 486
Car allowance	0	39 051
	<u>0</u>	<u>110 537</u>
Position vacant		
25.4 Remuneration - Manager Corporate Services		
Annual remuneration - include acting allowances	318 394	247 088
Car allowance	171 578	86 308
	<u>489 972</u>	<u>333 396</u>
25.5 Remuneration - Manager Technical Services		
Annual remuneration - include acting allowances	305 913	113 154
Car allowance	196 493	66 270
	<u>502 406</u>	<u>179 424</u>
26 Additional disclosures - Municipal Finance Management Act		
26.1 Contributions to Organised Local Government		
Opening balance	0	0
Council subscriptions	74 338	77 809
Amount paid - current year	-74 338	-77 809
Closing balance	<u>0</u>	<u>0</u>

Phumelela Local Municipality

Notes to the financial statements

for the year ended 30 June 2009

	2009 R	2008 R
26.2 Audit Fees		
Opening balance	0	0
Audit fee - current year (provision)	1 306 538	704 673
Amount paid current year	<u>-1 306 538</u>	<u>-704 673</u>
Closing balance - see provisions (note 9)	<u>0</u>	<u>0</u>
26.3 VAT		
VAT (refundable)/payable	<u>-1 140 113</u>	<u>-261 937</u>
<p>The above figure represents the difference between VAT output and VAT input. This receivable from SARS is included in sundry debtors (note 7)</p>		
26.4 PAYE and UIF		
Opening balance	107 739	107 739
Payroll deductions - current year	1 416 988	1 414 393
Amount paid - current year	<u>-1 524 727</u>	<u>-1 414 393</u>
Closing balance - included in creditors (note 9)	<u>0</u>	<u>107 739</u>
26.5 Pension and medical aid fund deductions		
Opening balance	188 978	156 694
Payroll deductions and council contributions - current year	2 679 960	2 348 454
Amount paid - current year	<u>-2 868 938</u>	<u>-2 316 170</u>
Closing balance - included in creditors (note 9)	<u>0</u>	<u>188 978</u>

26.6 Non-compliance with the Municipal Finance Management Act

26.6.1 Chapter 7, Section 53(1)(c)(ii)

The service delivery and budget implementation plan was approved by the mayor but not within 28 days after the approval of the budget.

Phumelela Local Municipality

Notes to the financial statements

for the year ended 30 June 2009

	2009	2008
	R	R
26.6 Non-compliance with the Municipal Finance Management Act		
26.6.2 Chapter 7, Section 53(1)(c)(iii) The annual performance agreements of the municipal manager and all senior managers were concluded but no evaluation was done.		
26.6.3 Chapter 7, Section 53(3)(a) and (b) Service delivery targets, performance indicators and performance agreements were not made public.		
26.6.4 Chapter 8, Section 75 The accounting officer did not display the documents required in terms of this section on the website of the municipality.		
26.6.5 Chapter 12, Section 127(2) The mayor tabled the annual report of the municipality timeously but did not table the annual report of the municipal entity. (Krynaauwslust Boerdery Trust)		
26.6.6 Chapter 12, Section 127(3)(a) and (b) The mayor did not submit a written explanation setting out the reasons for failure to submit the annual report of the municipal entity.(Krynaauwslust Boerdery Trust)		
26.6.7 Chapter 12, Section 127(5) The accounting officer did not make the annual report available for public knowledge		
26.6.8 Chapter 12, Section 130(1) No meeting was held with the public or any organs of state with regard to the annual report.		

Phumelela Local Municipality

Financial Statements

for the year ended 30 June 2009

Appendix A

Statutory funds and provisions

	Balance	Contributions	Interest	Other Income & Adjustments	Expenditure	Balance
	01.07.2008	2009	2009	2009	2009	30.06.2009
	R	R	R	R	R	R
Statutory funds						
Capital Development Fund	7 848 459	544 078	148 487	0	0	8 541 025
Erven Trust Fund	2 556 336	0	49 496	44 388	0	2 650 219
	10 404 795	544 078	197 983	44 388	0	11 191 244
Provisions						
Accrued leave pay	2 931 173	469 001	0	0	-332 192	3 067 982
Sub total	2 931 173	469 001	0	0	-332 192	3 067 982
Bad debts	42 831 829	7 177 872	0	0	-8 787 457	41 222 245
	45 763 002	7 646 874	0	0	-9 119 649	44 290 227

Phumelela Local Municipality

Financial Statements

for the year ended 30 June 2009

Appendix B

External loans

Public and other external loans	Interest Rate	Loan No	Date approved	Year of Settlement	Balance	Received	Adjustment	Redeemed/ Written Off	Balance
					01.07.2008 R	2009 R	2009 R	2009 R	30.06.2009 R
Development Bank of South Africa					1 862 836	-	-	-85 400	1 777 436
Sewerage	12.00%	102	1997	2017	360 550	-	-	-24 051	336 499
Vrede Water Network	17.00%	103	1999	2019	1 258 751	-	-	-40 461	1 218 290
Memel Lalf 15304.3	12.60%	101	1985	2015	158 609	-	-	-13 748	144 860
Memel Lalf 15304.2	13.45%	101	1985	2015	84 927	-	-	-7 141	77 786
Free State Municipal Pension Fund Electricity	16.00%	4	1984	2009	16 038		-	-16 038	0
Total external loans					1 878 874	0	0	-101 438	1 777 436

Phumelela Local Municipality

Financial Statements

for the year ended 30 June 2009

Appendix C

Analysis of fixed assets

Expenditure 2008	Service	Balance at 01.07.2008	Expenditure 2009	Redeemed, Transferred or Written-off 2009	Balance at 30.06.2009
R		R	R	R	R
12 576 485	Rates and general services	102 318 227	9 158 813	0	111 477 040
8 373 408	Community services	27 246 860	5 441 386	0	32 688 246
5 666 902	Public Works - Land & Buildings	20 332 901	2 089 531		22 422 432
0	Manager Corporate Services	90 678	0		90 678
70 650	Manager Finance	546 107	164 080		710 187
0	Municipal Manager	14 320	2 912		17 232
347 110	Vehicles - General	547 239	267 300		814 539
2 249 496	Properties	3 066 705	2 850 019		5 916 724
0	Land	383 374	67 544		450 918
0	Unsold Stands	239 106	0		239 106
39 250	Town Planning Thembalihle	2 026 431	0		2 026 431
0	Subsidised services	5 749 999	23 158	0	5 773 157
0	Library	8 225	0		8 225
0	Parks & Recreation	2 558 030	23 158		2 581 188
0	Municipal Buildings	3 183 744	0		3 183 744
4 203 077	Economic services	69 321 368	3 694 269	0	73 015 637
0	Camps & Pounds	241 990			241 990
160 964	Refuse	1 813 189	0		1 813 189
4 042 113	Sewerage	67 266 188	3 694 269		70 960 457
12 576 485	Balance c/f	102 318 227	9 158 813	0	111 477 040

Phumelela Local Municipality

Financial Statements

for the year ended 30 June 2009

Analysis of fixed assets (continued)

Expenditure 2008	Service	Balance at 01.07.2008	Expenditure 2009	Redeemed, Transferred or Written-off 2009	Balance at 30.06.2009
R		R	R	R	R
12 576 485	Balance b/f	102 318 227	9 158 813	0	111 477 040
-	Housing Services	1 118 444	-	0	1 118 444
0	Housing	1 118 444			1 118 444
2 730 487	Trading services	54 711 653	930 358	0	55 642 011
0	Electricity	7 186 248	0		7 186 248
2 730 487	Water Services	47 525 405	930 358		48 455 763
15 306 972	Total fixed assets	158 148 324	10 089 171	0	168 237 495
15 494 030	Less: Loans redeemed and other capital receipts	156 269 450	10 190 609	0	166 460 059
187 059	Loans redeemed and advances paid	730 998	101 438	-110 000	722 436
1 974 580	Contributions ex operating income	26 972 838	415 791	110 000	27 498 629
	This Year	26 972 838	415 791	110 000	27 498 629
	Assets not previously capitalized				0
	Contributions from funds	8 758 558			8 758 558
	Housing - Grants and Subsidies	200 315			200 315
	Contributions from Government and				
13 332 391	District Municipality	119 606 741	9 673 380		129 280 121
13 332 391	This Year	119 606 741	9 673 380		129 280 121
-187 058	Net fixed assets	1 878 874	-101 438	0	1 777 436

Phumelela Local Municipality

Financial Statements

for the year ended 30 June 2009

Appendix D

Analysis of operating income and expenditure

Actual 2008 R		Actual 2009 R	Budget 2009 R
Income			
27 352 202	Grants and subsidies	32 203 202	33 506 925
22 890 915	- Central government	28 990 135	28 849 635
3 110 285	- Provincial government	700 000	1 050 000
0	- District Municipality	1 006 341	826 790
1 351 003	- Other	1 506 725	2 780 500
22 988 654	Operating income	26 978 442	22 678 237
1 917 469	- Assessment rates	2 272 887	2 255 000
2 879 137	- Sale of electricity	3 388 520	4 400 000
2 737 207	- Sale of water	2 979 591	3 970 000
15 454 841	- Other services and charges	18 337 444	12 053 237
<u>50 340 857</u>		<u>59 181 644</u>	<u>56 185 162</u>
Expenditure			
17 231 561	Salaries, wages and allowances	20 121 806	19 515 778
22 013 207	General expenses:	27 084 998	24 594 000
3 530 409	- Purchase of electricity	5 569 389	5 893 500
24 034	- Purchase of water	65 910	339 000
18 458 764	- Other general expenses	21 449 699	18 361 500
5 279 446	Repairs, maintenance & fuel	8 105 873	6 286 500
1 974 581	Contributions to fixed assets	415 792	670 000
187 059	Capital charges	101 438	106 300
5 575 248	Contributions	8 109 929	5 331 293
<u>52 261 101</u>		<u>63 939 837</u>	<u>56 503 871</u>
<u>-1 920 245</u>	Net surplus/(deficit) for the year	<u>-4 758 193</u>	<u>-318 709</u>

Phumelela Local Municipality

Financial Statements

for the year ended 30 June 2009

Appendix E

Detailed income statement

Actual Income	Actual Expenditure	Surplus/ (Deficit)		Actual Income	Actual Expenditure	Surplus/ (Deficit)	Budgeted Surplus/ (Deficit)
2008 R	2008 R	2008 R		2009 R	2009 R	2009 R	2009 R
37 978 241	40 775 819	-2 797 579	Rates and general services	42 169 852	47 310 068	-5 140 216	-331 194
23 690 640	27 497 762	-3 807 121	Community services	25 890 839	31 429 088	-5 538 249	-334 602
3 117 469	2 428 525	688 944	Assessment rates	2 500 887	732 401	1 768 486	-300 000
516 897	3 945 351	-3 428 454	Council's general account	986 248	4 668 278	-3 682 029	-44 000
729 070	1 981 967	-1 252 897	Parks and cemeteries	866 095	2 473 752	-1 607 657	0
1 531 462	6 003 487	-4 472 025	Public works	1 327 318	6 093 623	-4 766 305	0
782 435	1 112 192	-329 758	Properties and Town Planning	942 809	1 924 665	-981 857	44 000
16 092 853	9 760 351	6 332 502	Town treasurer	16 326 753	11 020 431	5 306 322	-34 602
445 294	1 113 234	-667 940	Municipal manager	544 339	1 360 847	-816 508	0
475 161	1 152 654	-677 493	Corporate services	2 396 390	3 155 091	-758 701	0
1 002 219	1 071 472	-69 253	Subsidised services	979 241	979 241	0	0
77 534	146 787	-69 253	Health	44 175	44 175	0	0
924 685	924 685	-0	Library	935 066	935 066	0	0
13 285 381	12 206 586	1 078 795	Economic services	15 299 772	14 901 739	398 033	3 408
5 785 127	5 391 958	393 169	Refuse removal	7 291 912	7 160 124	131 788	0
7 500 254	6 814 628	685 626	Sewerage	8 007 860	7 741 615	266 245	3 408
13 010 406	12 133 072	877 334	Trading services *	17 488 793	17 106 770	382 023	12 485
6 534 588	6 352 102	182 486	Electricity	9 285 981	9 215 867	70 114	8 000
6 475 818	5 780 970	694 849	Water	8 202 812	7 890 903	311 909	4 485
50 988 647	52 908 891	-1 920 245	Total	59 658 645	64 416 838	-4 758 193	-318 709
		215 082	Appropriations for the year (see note 15)			-160 398	
		-1 705 163	Net surplus/(deficit) for the year			-4 918 591	
		-10 265 596	Accumulated surplus/(deficit): beginning of the year			-11 970 759	
		-11 970 759	Accumulated surplus/(deficit): end of the year			-16 889 350	
2 879 137			* Income - Trading Services				
7 251			Sale of Electricity	3 388 520			
3 648 200			Other Income	115 433			
6 534 588			Equitable Share allocated	5 782 028			
				9 285 981			
2 737 207			Sale of Water	2 979 591			
4 311			Other Income	704 286			
3 734 300			Equitable Share Allocated	4 518 935			
6 475 818				8 202 812			

Phumelela Local Municipality

Statistics

for the year ended 30 June 2009

Appendix F

General statistics		2009	2008
1	Population	50 907	45 000
2	Valuation of property : rateable		
	Land	R11 629 770	R11 629 770
	Improvements	R246 078 970	R246 078 970
3	Valuation of property : non rateable		
	Land	R515 700	R515 700
	Improvements	R19 711 600	R19 711 600
4	Date of valuation	2004	2004
5	Number of stands - residential and commercial	10 952	10 952
6	Assessment rate: land and improvements residential property : value less R15 000	R 0.01399	R 0.01272
7	Number of employees	260	287
Electricity Statistics			
1	Electricity purchased (Warden and Ezenzeleni)	5 569 389	3 530 409
2	Electricity sold (Warden and Ezenzeleni)	3 388 520	2 879 137
3	Gross loss (Profit)	2 180 869	651 272
Water Statistics			
1	Income	2 979 591	2 737 207
2	Expenditure	4 057 430	4 784 252
3	Units sold	560 073	565 539
4	Cost per unit sold	R 7.24	R 8.46
5	Income per unit sold	R 5.32	R 4.84

Report of the Auditor-General on Performance Measurement to the Phumelela Local Municipality

for the year ended 30 June 2009

The Auditor-General will issue his report upon finalisation of the audit.