



**MOQHAKA LOCAL MUNICIPALITY  
ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
30 JUNE 2008**

I am responsible for the presentation of these annual financial statements, which are set out on pages 1 to 55, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 23 of these annual financial statements, are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and local Government's determination in accordance with this Act.

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Mr. M.V. Duma  
Municipal Manager

26 November 2008

**MOQHAKA LOCAL MUNICIPALITY  
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**

**INDEX**

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	<b>Page</b>
General information	3
Report of the Auditor-General	5
Statement of Financial Position	6
Statement of Financial Performance	7
Statement of Changes in Net Assets	8
Cash Flow Statement	9
Accounting Policies to the Annual Financial Statements	10
Notes to the Annual Financial Statements	24
Appendix A: Schedule of External Loans	52
Appendix B: Segmental Statement of Financial Performance	53
Appendix C: Actual versus Budget (Revenue and Expenditure)	54
Appendix D: Disclosures of Grants and Subsidies in terms of section 123 of the Municipal Finance Management Act, 2003	55

**MOQHAKA LOCAL MUNICIPALITY  
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**

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**GENERAL INFORMATION**

<b>Country of incorporation and domicile</b>	South Africa
<b>Nature of operations and principal activities</b>	Providing municipal services and maintain the best interests of the local community mainly in the Moqhaka area
<b>Legal form</b>	An organ of state within the local sphere of government exercising legislative and executive authority
<b>Jurisdiction</b>	The entity is a local municipality, as demarcated by the Demarcation Board.
<b>Grading of local authority</b>	The Moqhaka Municipality is a grade 4 Local Authority in terms of item IV of Government Notice R999 of 2 October 2001, published in terms of the Remuneration of Public Office Bearers Act, 1998.
<b>Relevant legislation</b>	The Constitution of the Republic of South Africa The Municipal Structures Act, No. 117 of 1998 The Municipal Systems Act, No. 32 of 2000 The Municipal Finance Management Act, No. 56 of 2003 The Municipal Property Rates Act, No. 6 of 2004
<b>Business address</b>	PO Box 302 Kroonstad 9500
<b>Registered office</b>	Municipal Offices Hill Street Kroonstad 9499
<b>Bankers</b>	ABSA Bank Limited: Kroonstad First National Bank: Steynsrus
<b>Auditors</b>	The Auditor General: Free State
<b>Attorneys</b>	Du Randt and Louw
<b>Municipal Manager</b>	Duma MV
<b>Chief Financial Officer</b>	Lenyehelo MJ
<b>Executive Mayor</b>	Mokgosi MA

**MOQHAKA LOCAL MUNICIPALITY  
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**

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**Councillors and their portfolios**

<b>Speaker</b>	Mohapi MJ
<b>Chairperson WHIP</b>	Mareka J
<b>Members of The Mayoral Committee</b>	Councillor: Matli SO Councillor: Matshidisho DA Councillor: Mokoena S Councillor: Moletsane ER Councillor: Nakedi ACWD Councillor: Pietersen ML Councillor: Thipane MP
<b>Members of Council</b>	Councillor: Brink DJ Councillor: Dire AMS Councillor: George DSL Councillor: Grimbeek SA Councillor: Hatting JM Councillor: Kolozi MA Councillor: Leokaoko TJ Councillor: Letsabo MJ Councillor: Machobane ML Councillor: Makale DM Councillor: Makoele EL Councillor: Manefeldt ZJC Councillor: Mantso KM Councillor: Masuret A Councillor: Mbono MD Councillor: Mckenzie AE Councillor: Mkhosini W Councillor: Mkhwanazi TM Councillor: Moabi M Councillor: Moamogoa Councillor: Mofokeng MJ Councillor: Mokodutlo NP Councillor: Mokotla ME Councillor: Monoto MA Councillor: Notsi EM Councillor: Pittaway M Councillor: Ramotsie JM Councillor: Raphuthing PP Councillor: Seakhela SS Councillor: Seheri MF Councillor: Shahim Councillor: Shahim DM Councillor: Steenkamp JIN Councillor: Taje FM Councillor: Tau SS Councillor: Tladi SB Councillor: Tumisi TJ Councillor: Viljoen AH Councillor: Wille GV

**REPORT OF THE AUDITOR-GENERAL**

**MOQHAKA LOCAL MUNICIPALITY**  
**STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2008**

	Note	2008 R	2007 R
<b>ASSETS</b>			
<b>Non-current assets</b>		<b>524 484 810</b>	<b>482 265 264</b>
Property, plant and equipment	1	524 210 968	482 026 092
Investments	2	234 700	200 030
Long-term receivables	3	39 142	39 142
<b>Current assets</b>		<b>145 863 816</b>	<b>130 655 645</b>
Inventory	4	4 671 238	3 757 825
Consumer receivables	5	37 877 959	46 825 362
Other receivables	6	102 489 492	78 270 071
Deferred operating lease assets	7	7 294	13 797
Cash and cash equivalents	8	178 307	1 668 371
Investments	2	639 526	120 220
<b>Total assets</b>		<b>670 348 626</b>	<b>612 920 909</b>
<b>NET ASSETS AND LIABILITIES</b>			
<b>Net assets</b>		<b>528 031 062</b>	<b>493 661 928</b>
Capital replacement reserve	9	-	2 506 034
Capitalisation reserve	9	-	1 158 276
Government grant reserve	9	-	38 673 353
Accumulated surplus		528 031 062	451 324 265
<b>Non-current liabilities</b>		<b>27 967 811</b>	<b>26 675 763</b>
Long-term borrowings	10	26 224 089	24 684 024
Non-current provisions	11	1 743 723	1 991 739
<b>Current liabilities</b>		<b>114 349 752</b>	<b>92 583 218</b>
Consumer deposits	12	7 190 662	8 580 361
Provisions	13	486 718	486 718
Payables	14	79 918 721	61 609 565
Unspent conditional grants and receipts	15	3 378 559	-
Taxes payable	16	11 619 362	13 725 844
Bank Overdraft	8	3 392 499	-
Current portion of borrowings	10	8 363 231	8 180 729
<b>Total net assets and liabilities</b>		<b>670 348 626</b>	<b>612 920 909</b>

**MOQHAKA LOCAL MUNICIPALITY**  
**STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2008**

	Note	2008 R	2007 R
<b>REVENUE</b>			
Property rates	17	24 992 090	30 482 515
Service charges	18	123 186 060	112 988 656
Rental of facilities and equipment		2 687 921	2 613 040
Investment income	19	545 529	438 299
Interest earned - outstanding receivables		5 250 726	5 113 556
Fines		387 155	474 909
Government grants and subsidies	20	97 722 766	54 165 033
Other income	21	8 648 683	2 898 752
Gain on disposal of property, plant and equipment		41 305	5 029
Fair value through surplus and deficit		29 241	43 746
<b>Total revenue</b>		<b>263 491 476</b>	<b>209 223 534</b>
<b>EXPENDITURE</b>			
Employee related costs	22	97 343 098	89 025 906
Remuneration of councillors	23	10 111 781	10 372 705
Bad debts		7 900 000	7 914 284
Depreciation		1 265 728	212 189
Repairs and maintenance		10 127 152	12 824 031
Interest paid	24	4 884 911	5 492 134
Bulk purchases	25	46 599 766	42 713 781
Contracted services		5 425 188	481 301
General expenses	26	45 464 717	40 299 141
<b>Total expenditure</b>		<b>229 122 341</b>	<b>209 335 472</b>
<b>SURPLUS/(DEFICIT) FOR THE YEAR</b>		<b>34 369 134</b>	<b>(111 938)</b>

(a) Refer to Appendix C for the comparison with the approved budget.

**MOQHAKA LOCAL MUNICIPALITY**  
**STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2008**

	Capital Replacement Reserve (CRR) R	Capitalisation Reserve R	Government Grant Reserve R	Accumulated Surplus/ (Deficit) R	Total R
<b>Balance at 30 June 2006</b>	2 506 034	1 158 276	38 466 505	451 833 846	493 964 661
Correction of error (Note 27)	-	-	-	174 776	174 776
<b>Restated balance as at 30 June 2006</b>	<b>2 506 034</b>	<b>1 158 276</b>	<b>38 466 505</b>	<b>452 008 622</b>	<b>494 139 437</b>
Surplus/(deficit) for the year as previously reported	-	-	-	(2 315 098)	(2 315 098)
Correction of error (Note 27)	-	-	-	1 630 740	1 630 740
Capital grants used to purchase property, plant and equipment	-	-	206 848	-	206 848
<b>Restated balance as at 30 June 2007</b>	<b>2 506 034</b>	<b>1 158 276</b>	<b>38 673 353</b>	<b>451 324 265</b>	<b>493 661 928</b>
Surplus/(deficit) for the year	-	-	-	34 369 134	34 369 134
Transfer to accumulated surplus/defecit	(2 506 034)	(1 158 276)	(38 673 353)	42 337 663	-
<b>Balance at 30 June 2008</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>528 031 062</b>	<b>528 031 062</b>



**MOQHAKA LOCAL MUNICIPALITY  
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2008**

	Note	2008 R	2007 R
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Cash receipts from ratepayers, government and other		241 194 351	301 572 225
Cash paid to suppliers and employees		(202 977 567)	(285 616 552)
Cash generated from operations	28	<b>38 216 785</b>	<b>15 955 673</b>
Interest received		5 796 255	5 556 044
Interest paid		(4 884 911)	(5 492 134)
<b>NET CASH FLOW FROM OPERATING ACTIVITIES</b>		<b><u>39 128 129</u></b>	<b><u>16 019 584</u></b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Payments for property, plant and equipment		(44 035 515)	(21 996 554)
(Increase)/decrease in current investments		(519 306)	1 195 803
Proceeds on disposal of property, plant and equipment		216 692	-
Increase in non-current receivables		(5 429)	-
<b>NET CASH FLOW FROM INVESTING ACTIVITIES</b>		<b><u>(44 343 558)</u></b>	<b><u>(20 800 751)</u></b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Proceeds from borrowings		(1 389 699)	5 917 157
(Decrease)/increase in consumer deposits		1 722 567	(4 600 483)
Repayment of borrowings		332 868	1 316 674
<b>NET CASH FLOW FROM FINANCING ACTIVITIES</b>		<b><u>332 868</u></b>	<b><u>1 316 674</u></b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>		<b><u>(4 882 563)</u></b>	<b><u>(3 464 493)</u></b>
Cash and cash equivalents at the beginning of the year		1 668 371	5 132 864
Cash and cash equivalents at the end of the year	8	(3 214 192)	1 668 371

**SEE WORD DOCUMENT**

**MOQHAKA LOCAL MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**

**1. PROPERTY, PLANT AND EQUIPMENT**

**30 June 2008**

Reconciliation of Carrying Value	Land and Buildings R	Infra- structure R	Community R	Heritage R	Other R	Total R
<b>Carrying values at 1 July 2007</b>	<b>113 663 231</b>	<b>225 734 058</b>	<b>50 161 850</b>	<b>10 253</b>	<b>92 456 700</b>	<b>482 026 092</b>
Cost	113 820 216	225 734 058	50 161 850	10 253	92 748 645	482 475 023
Accumulated depreciation	(156 985)	-	-	-	(291 945)	(448 930)
Acquisitions	161 507	22 707 073	9 930 729	-	11 236 206	44 035 515
Depreciation	(81 259)	-	-	-	(1 184 468)	(1 265 727)
Carrying value of disposals	-	-	-	-	(175 387)	(175 387)
Cost / revaluation	-	-	-	-	(448 023)	(448 023)
Accumulated depreciation	-	-	-	-	272 636	272 636
Decrease in rehabilitation cost	(409 524)	-	-	-	-	(409 524)
<b>Carrying values at 30 June 2008</b>	<b>113 333 955</b>	<b>248 441 131</b>	<b>60 092 579</b>	<b>10 253</b>	<b>102 333 051</b>	<b>524 210 968</b>
Cost	113 572 199	248 441 131	60 092 579	10 253	103 536 828	525 652 990
Accumulated depreciation	(238 244)	-	-	-	(1 203 777)	(1 442 021)

**30 June 2007**

Reconciliation of Carrying Value	Land and Buildings R	Infra- structure R	Community R	Heritage R	Other R	Total R
<b>Carrying values at 1 July 2006</b>	<b>113 288 130</b>	<b>225 734 058</b>	<b>50 161 850</b>	<b>10 253</b>	<b>91 970 509</b>	<b>481 164 800</b>
Cost	111 828 478	225 734 058	50 161 850	10 253	91 618 915	479 353 553
Correction of error	1 527 232	-	-	-	536 100	2 063 332
Accumulated depreciation	(67 580)	-	-	-	(184 506)	(252 086)
Acquisitions	464 506	-	-	-	619 206	1 083 712
Depreciation	(89 405)	-	-	-	(122 784)	(212 189)
Carrying value of disposals	-	-	-	-	(10 231)	(10 231)
Cost / revaluation	-	-	-	-	(25 576)	(25 576)
Accumulated depreciation	-	-	-	-	15 345	15 345
<b>Carrying values at 30 June 2007</b>	<b>113 663 231</b>	<b>225 734 058</b>	<b>50 161 850</b>	<b>10 253</b>	<b>92 456 700</b>	<b>482 026 092</b>
Cost	113 820 216	225 734 058	50 161 850	10 253	92 748 645	482 475 022
Accumulated depreciation	(156 985)	-	-	-	(291 945)	(448 930)

The municipality did not review the useful life, depreciation method or residual values on the assets recognised in the annual financial statements in accordance with the exemption in terms of General Notice 552 of 2007, in Government Gazette no. 30013 of 29 June 2007.

Included in land and buildings above are items that may meet the definition of investment property but have been included as property, plant and equipment as permitted in terms of General Notice 552 of 2007, in Government Gazette no. 30013 of 29 June 2007.

Immovable capital assets inventory is included under property, plant and equipment in accordance with the exemptions in General Notice 552 of 2007, in Government Gazette no. 30013 of 29 June 2007.

Included in other assets is leased vehicles and equipment.

The municipality did not apply the requirements of IFRS 5 in accordance with the exemptions in General Notice 552 of 2007, in Government Gazette no. 30013 of 29 June 2007.

**MOQHAKA LOCAL MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**

	2008 R	2007 R
<b>2. INVESTMENTS</b>		
<b>Unlisted Shares</b>	<b>138 013</b>	<b>108 772</b>
Senwes Ltd Shares	70 932	51 662
Senwesbel Ltd Shares	67 081	57 110
<b>Financial instruments</b>	<b>736 213</b>	<b>211 479</b>
Short-term deposits maturing before 12 months	639 526	120 220
Fixed deposits	96 687	91 258
<b>Total cash investments</b>		
<b>Total investments</b>	<b>874 226</b>	<b>320 250</b>
<b>Non-current investments</b>	<b>234 700</b>	<b>200 030</b>
Unlisted Shares	138 013	108 772
Fixed Deposits	96 687	91 258
<b>Current investments</b>	<b>639 526</b>	<b>120 220</b>
Short-term deposits maturing before 12 months	639 526	120 220
<b>Council's valuation of unlisted shares (Market value)</b>	<b>138 013</b>	<b>108 772</b>
Senwes Ltd Shares	70 932	51 662
Senwesbel Ltd Shares	67 081	57 110
<b>Unlisted Shares</b>		
<i>Unlisted shares consist of equity shares in Senwesbel Limited (no. of shares 11830) and Senwes Limited (no. of shares 11822). There was no movement in the volume of shares during the financial year.</i>		
<b>Pledged investments</b>		
<i>An investment of R11 300 held at First National Bank is pledged as security to Eskom for the electricity connection.</i>		
<b>3. LONG-TERM RECEIVABLES</b>		
Housing selling scheme loans	39 142	39 142
<b>Total long-term receivables</b>	<b>39 142</b>	<b>39 142</b>
<b>Housing selling scheme loans</b>		
<i>Housing loans are granted to qualifying individuals and public organisations in terms of the housing program. These loans attract interest of between 7% per annum and are repayable over 10 years.</i>		
<b>4. INVENTORY</b>		
Consumables - at cost	4 671 238	3 757 825
<b>Total inventory</b>	<b>4 671 238</b>	<b>3 757 825</b>

**MOQHAKA LOCAL MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**

	2008 R	2007 R	
<b>5. CONSUMER RECEIVABLES</b>			
	<b>Gross Balance</b>	<b>Provision for Bad Debt</b>	
		<b>Net Balance</b>	
<b>As at 30 June 2008</b>			
<b>Service receivables</b>	<b>109 919 424</b>	<b>(72 041 465)</b>	<b>37 877 959</b>
Electricity	23 513 918	(16 640 070)	6 873 849
Refuse	17 885 473	(11 467 789)	6 417 683
Sewerage	17 120 152	(10 977 082)	6 143 070
Assessment rates	18 359 869	(11 771 962)	6 587 907
Water	33 040 012	(21 184 562)	11 855 450
<b>As at 30 June 2007</b>			
<b>Service receivables</b>	<b>111 784 998</b>	<b>(64 959 636)</b>	<b>46 825 362</b>
Electricity	27 735 865	(16 117 651)	11 618 214
Refuse	18 722 994	(10 880 162)	7 842 832
Sewerage	17 599 542	(10 227 311)	7 372 231
Assessment rates	18 666 599	(10 847 390)	7 819 209
Water	29 059 998	(16 887 122)	12 172 876
<b>Rates: ageing</b>		<b>18 352 522</b>	<b>19 100 589</b>
Current (0 – 30 days)		1 538 946	1 901 454
31 - 60 Days		3 610 419	679 053
61 - 90 Days		396 930	458 907
90+ Days		12 806 227	16 061 175
<b>Electricity, Water, Refuse and Sewerage: ageing</b>		<b>91 566 902</b>	<b>92 684 409</b>
Current (0 – 30 days)		8 597 873	6 984 554
31 - 60 Days		13 204 734	3 744 441
61 - 90 Days		1 993 072	2 794 079
90+ Days		67 771 223	79 161 335
<b>Summary of receivables by customer classification</b>	<b>Consumers</b>	<b>Industrial/Commercial</b>	<b>National and Provincial Government</b>
	<b>R</b>	<b>R</b>	<b>R</b>
<b>30 June 2008</b>			
Current (0 – 30 days)	2 927 229	4 314 216	2 472 616
31 - 60 Days	13 607 419	2 023 696	645 987
61 - 90 Days	1 206 058	360 845	528 497
90+ Days	69 460 299	9 122 670	3 249 892
<b>Sub-total</b>	<b>87 201 005</b>	<b>15 821 427</b>	<b>6 896 992</b>
Less: Provision for bad debt	(57 151 757)	(10 369 403)	(4 520 306)
<b>Total receivables by customer classification</b>	<b>30 049 249</b>	<b>5 452 024</b>	<b>2 376 686</b>
<b>30 June 2007</b>			
Current (0 – 30 days)	7 961 863	799 742	124 403
31 - 60 Days	3 963 450	398 114	61 929
61 - 90 Days	2 914 676	292 768	45 542
90+ Days	85 049 079	8 803 931	1 369 500
<b>Sub-total</b>	<b>99 889 068</b>	<b>10 294 555</b>	<b>1 601 374</b>
Less: Provision for bad debt	58 203 833	5 846 367	909 435
<b>Total receivables by customer classification</b>	<b>41 685 235</b>	<b>4 448 188</b>	<b>691 939</b>
<b>Reconciliation of bad debt provision</b>			
Balance at beginning of year		64 977 241	58 212 509
Contributions to provision		6 950 000	7 914 284
Bad debts written off against provision		114 224	(1 149 552)
Balance at the end of the year		<b>72 041 465</b>	<b>64 977 241</b>

**MOQHAKA LOCAL MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**

	<b>2008</b>	<b>2007</b>
	<b>R</b>	<b>R</b>
<b>6. OTHER RECEIVABLES</b>		
Payments made in advance	-	469 038
Interest on receivables	38 523 996	35 175 364
Sundry receivables	36 443 852	39 156 296
Government subsidies	1 750 769	1 750 769
Other receivables	8 497 924	44 764
Unallocated amounts	17 272 952	1 673 840
<b>Total other receivables</b>	<b>102 489 492</b>	<b>78 270 071</b>
Interest on outstanding receivables are charged at prime plus 1% (2007: prime plus 1%)		
<b>7. DEFERRED OPERATING LEASE ASSETS</b>		
Deferred operating lease asset	7 294	13 797
<b>Total operating lease assets</b>	<b>7 294</b>	<b>13 797</b>
<b>At the reporting date the municipality has outstanding commitments under operating leases which fall due as follows:</b>		
Not later than 1 year	59 153	135 688
Between 1 and 5 years	11 539	69 967
Later than 5 years	1 293	2 018
	<b>71 984</b>	<b>207 672</b>
<b>Detail of operating leases</b>		
<i>Grazing camps near Steynsrus, Viljoenskroon and Kroonstad are leased to various individuals over a period of 3 - 5 years with an average increasement rate of 10% per annum.</i>		
<b>8. CASH AND CASH EQUIVALENTS</b>		
<i>For the purpose of the cash flow statement, cash and cash equivalents include cash on hand and in banks, net of outstanding bank overdrafts.</i>		
Cash and bank balances	178 307	81 769
Bank overdraft (See note 38)	(3 392 499)	1 586 602
<b>Total cash and cash equivalents</b>	<b>(3 214 192)</b>	<b>1 668 371</b>
Prior period amounts have been restated.		
<b>9. RESERVES</b>		
Capitalisation reserve	-	1 158 276
Government grant reserve	-	38 673 353
Capital replacement reserve	-	2 506 034
	<b>-</b>	<b>42 337 663</b>

**MOQHAKA LOCAL MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**

	2008 R	2007 R
<b>9. RESERVES (CONTINUE)</b>		
<b>9.1 Capitalisation Reserve</b>		
<i>On the implementation of GAMAP/GRAP, the balance on certain funds, created in terms of the Provincial Ordinance applicable at the time, that had historically been utilised for the acquisition of items of property, plant and equipment, have been transferred to a Capitalisation Reserve instead of the accumulated surplus/(deficit) in terms of a directive issued by National Treasury. The purpose of this reserve was to promote consumer equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of these items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus/(deficit). The balance on the Capitalisation Reserve equals the carrying value of the items of property, plant and equipment financed from the former legislated funds. When items of property, plant and equipment are depreciated, a transfer is made from the Capitalisation Reserve to the accumulated surplus/(deficit).</i>		
<i>When an item of property, plant and equipment is disposed, the balance in the Capitalisation Reserve relating to such item is transferred to the accumulated surplus/(deficit).</i>		
<b>9.2 Government Grant Reserve</b>		
<i>When items of property, plant and equipment are financed from government grants, a transfer is made from the accumulated surplus/(deficit) to the Government Grants Reserve equal to the government grant recorded as revenue in the Statement of Financial Performance in accordance with a directive issued by National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the Government Grant Reserve to the accumulated surplus/(deficit). The purpose of this policy is to promote community equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of government grant funded items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus/(deficit).</i>		
<b>9.3 Capital Replacement Reserve</b>		
<i>The amount transferred to the Capital Replacement Reserve is based on the municipality's need to finance future capital projects included in the Integrated Development Plan.</i>		
<i>In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus/(deficit) to the CRR in terms of a Council resolution. A corresponding amount is transferred to a designated CRR bank or investment account. The cash in the designated CRR bank account can only be utilised to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus/(deficit) is credited by a corresponding amount when the amounts in the CRR are utilised.</i>		
<i>All balances in reserves and trust fund accounts that are not presented by cash on the date of transition was transferred to the accumulated surplus account.</i>		

**MOQHAKA LOCAL MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**

	2008 R	2007 R
<b>10. LONG-TERM BORROWINGS</b>		
	<b>2008</b>	<b>2007</b>
	R	R
<b>Long term loans</b>	<b>34 587 320</b>	<b>32 864 753</b>
Local registered stock	-	943 460
Annuity loans	23 871 649	28 538 150
Finance lease liabilities - vehicles (note 10.1.1)	920 366	2 491 029
Finance lease liabilities - equipment (note 10.1.2)	9 795 305	892 114
<b>Less: current portion transferred to current liabilities</b>	<b>8 363 231</b>	<b>8 180 729</b>
Local registered stock	-	943 460
Annuity loans	5 841 167	5 492 241
Finance lease liabilities - vehicles	889 608	1 579 579
Finance lease liabilities - equipment	1 632 456	165 449
<b>Total long-term borrowings</b>	<b>26 224 089</b>	<b>24 684 024</b>

Refer to Appendix A for more detail on long-term borrowings.

**10.1 OBLIGATION UNDER FINANCE LEASE**

10.1.1 Finance lease liabilities - vehicles	<u>Minimum lease payments</u>		<u>Present value of minimum lease payments</u>	
	2008 R	2007 R	2008 R	2007 R
Not later than 1 year	961 871	1 827 470	889 608	1 579 579
Between 1 and 5 years	40 445	937 207	30 758	880 692
Later than 5 years	-	31 529	-	30 758
	<b>1 002 316</b>	<b>2 796 207</b>	<b>920 366</b>	<b>2 491 029</b>
Less future finance charges	81 950	305 178	-	-
	<b>920 366</b>	<b>2 491 029</b>	<b>920 366</b>	<b>2 491 029</b>

**Included in the financial statements as follows:**

Current borrowings	889 608	1 579 579
Non-current borrowings	30 758	911 450
	<b>920 366</b>	<b>2 491 029</b>

**Detail of vehicle finance leases**

Finance leases are secured by the vehicles leased. The borrowings are a mixture of variable and fixed interest rate debt at Wesbank, ABSA and Daimler Chrysler. The repayment periods do not exceed 5 years.

10.1.2 Finance lease liabilities - Equipment	<u>Minimum Lease Payments</u>		<u>Present value of minimum lease payments</u>	
	2008 R	2007 R	2008 R	2007 R
Not later than 1 year	2 944 756	295 496	1 632 456	165 450
Between 1 and 5 years	12 361 831	1 289 300	8 162 849	726 665
Later than 5 years	-	-	-	-
	<b>15 306 588</b>	<b>1 584 796</b>	<b>9 795 305</b>	<b>892 115</b>
Less future finance charges	5 511 283	692 682	-	-
	<b>9 795 305</b>	<b>892 115</b>	<b>9 795 305</b>	<b>892 115</b>



**MOQHAKA LOCAL MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**

	<b>2008</b>	<b>2007</b>
	<b>R</b>	<b>R</b>
<b>10. LONG-TERM BORROWINGS (CONTINUE)</b>		
<b>Included in the financial statements as follows:</b>		
Current borrowings	1 632 456	165 450
Non-current borrowings	8 162 849	726 665
	<b>9 795 305</b>	<b>892 115</b>

**Detail of equipment finance leases**

Finance leases are secured by the equipment leased. The borrowings are a mixture of variable and fixed interest rate debt at Minolta and Nashua. The repayment periods do not exceed 5 years.

**11. NON-CURRENT PROVISIONS**

Provision for the rehabilitation cost of landfill sites	1 256 243	1 574 664
Provision for the rehabilitation cost of quarries	487 480	417 075
<b>Total non-current provisions</b>	<b>1 743 723</b>	<b>1 991 739</b>

**The movement in these non-current provisions are reconciled as follows:-**

<b>Landfill sites</b>		
	<b>1 256 243</b>	<b>1 574 664</b>
Balance at beginning of year	1 574 664	1 231 272
Increase in provision due to the effect of time value of money	91 103	343 392
Expenditure incurred	(409 524)	-
<b>Balance at end of year</b>		
<b>Quarries</b>		
	<b>487 480</b>	<b>417 075</b>
Balance at beginning of year	417 075	295 960
Contributions to provisions	70 405	121 115
Expenditure incurred	-	-
<b>Balance at end of year</b>		

*In terms of the Mineral and Petroleum Resources Development Act, 2002 (Act No 28 of 2002), it is required from the municipality to execute the environmental management program to restore the landfill sites and quarries at Kroonstad, Viljoenskroon and Steynsrus. Provision has been made for this cost based on actual valuations received.*

*No significant judgments were made, because actual quotations were obtained at the specified dates to determine these costs.*

**Detail on rehabilitation provision for landfill sites quarries:**

**Kroonstad landfill site:**

*The landfill site at Kroonstad needs to be rehabilitated after 26 years (2034). Rehabilitation costs to be incurred is stipulated by the above mentioned Act that the area needs to be covered by 100mm top soil and be planted with grass.*

**Viljoenskroon landfill site:**

*The landfill site at Viljoenskroon needs to be rehabilitated after 26 years (2034). Rehabilitation costs to be incurred is stipulated by the above mentioned Act that the area needs to be covered by 100mm top soil and be planted with grass.*

**Steynsrus landfill site:**

*The landfill site at Steynsrus needs to be rehabilitated after 21 years(2029). Rehabilitation costs to be incurred is stipulated by the above mentioned Act that the area needs to be covered by 100mm top soil and be planted with grass.*

**MOQHAKA LOCAL MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**

	<b>2008</b>	<b>2007</b>
	R	R
<b>11. NON-CURRENT PROVISIONS (CONTINUE)</b>		
<b><i>Kroonstad gravel quarry</i></b>		
<i>The gravel quarry at Kroonstad needs to be rehabilitated after 15 years (2023). Rehabilitation costs to be incurred is stipulated by the above mentioned Act that the area needs to be covered by 100mm top soil and be planted with grass and the slopes erected.</i>		
<b><i>Steynsrus gravel quarry</i></b>		
<i>The gravel quarry at Steynsrus needs to be rehabilitated after 16 years (2024). Rehabilitation costs to be incurred is stipulated by the above mentioned Act that the area needs to be covered by 100mm top soil and be planted with grass and the slopes erected.</i>		
<i>Rehabilitation costs are incurred, as these sites are used and not at the end of the useful lives of this sites.</i>	<b>2008</b>	<b>2007</b>
	R	R
<b>12 CONSUMER DEPOSITS</b>		
Kroonstad	6 827 504	8 217 202
Steynsrus and Viljoenskroon	363 158	363 158
<b>Total consumer deposits</b>	<b>7 190 662</b>	<b>8 580 361</b>
Consumer deposits are raised when an services account is opened and is refunded to the consumer after the account is closed.		
<b>13 PROVISIONS</b>		
Provision for Bonuses	486 718	486 718
	<b>486 718</b>	<b>486 718</b>
<b>The movement in the non-current provision is reconciled as follows:-</b>		
<b>30 June 2008</b>		
Balance at beginning of year		486 718
Increase in provision due to the effect of time value of money		-
<b>Balance at end of year</b>		<b>486 718</b>
<b>30 June 2007</b>		
Balance at beginning of year		486 718
Contributions to provisions		-
<b>Balance at end of year</b>		<b>486 718</b>
<b><i>Detail on provision for bonuses</i></b>		
<i>Performance bonuses were awarded to qualifying employees after an assessment was done. These bonuses were not approved by council. Bonuses have not been paid and the outcome of the situation are uncertain.</i>		
<b>14 PAYABLES</b>		
Payments received in advance	16 694 219	16 752 374
Other payables	52 004 586	38 424 963
Staff leave	1 718 857	1 521 910
Deposits other	187 636	78 571
Unallocated amounts	9 313 423	4 831 747
<b>Total payables</b>	<b>79 918 721</b>	<b>61 609 565</b>
Suppliers are paid within the prescribed 30 day period.		

**MOQHAKA LOCAL MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**

	2008 R	2007 R
<b>15. UNSPENT CONDITIONAL GRANTS AND RECEIPTS</b>		
<i>Conditional grants from other spheres of government</i>		
Grants	3 378 559	-
<b>Total conditional grants and receipts</b>	<b>3 378 559</b>	<b>-</b>
<i>See note 20 for reconciliation of grants from other spheres of government. These amounts are invested until utilised. The amounts will be recognised as revenue when the qualifying expenditure is incurred. No grants were withheld due to unfulfilled conditions.</i>		
<b>16. TAXES PAYABLE</b>		
VAT payable	11 619 362	13 725 844
<b>Total VAT payable</b>	<b>11 619 362</b>	<b>13 725 844</b>
<i>The Municipality is registered on the cash basis for VAT purposes. This means that VAT is only paid once cash is received or actual payments are made.</i>		
<b>17. PROPERTY RATES</b>		
<b>Assessment rates</b>		
Residential and commercial	16 410 995	24 494 576
State	8 581 095	5 987 939
<b>Total assessment rates</b>	<b>24 992 090</b>	<b>30 482 515</b>
<b>Valuations</b>		
Residential	1 090 944 951	1 091 477 000
Commercial	352 160 475	373 578 000
State	299 226 521	278 218 000
Municipal	264 625 633	262 131 000
<b>Total property valuations</b>	<b>2 006 957 580</b>	<b>2 005 404 000</b>
<i>Valuations on land and buildings are performed every four years. The last valuation came into effect on 1 July 2005. Interim valuations are processed on a quarterly basis to take into account changes in individual property values due to alterations and subdivision. A general rate of R0.017 (2007: R0.017) is applied to property valuations to determine assessment rates. Rebates of 20% are granted to residential and state property owners. Rates are levied on a monthly basis and interest at prime plus 1% per annum (2007: prime plus 1%) is levied on outstanding rates.</i>		
<b>18. SERVICE CHARGES</b>		
Sale of electricity	84 294 646	76 911 499
Sale of water	23 922 404	20 516 273
Refuse removal	6 303 361	6 457 702
Sewerage and sanitation charges	8 665 650	9 103 182
<b>Total service charges</b>	<b>123 186 060</b>	<b>112 988 656</b>
<b>19. INVESTMENT INCOME</b>		
<b>Interest income</b>	<b>529 726</b>	<b>438 299</b>
Bank deposits	529 726	438 299
	<b>15 804</b>	-
Dividends received	15 804	-
<b>Total investment income</b>	<b>545 529</b>	<b>438 299</b>
<b>20. GOVERNMENT GRANTS AND SUBSIDIES</b>		
Equitable share	<b>20.1</b> 63 119 620	54 141 678
Councillors remuneration grant	<b>20.2</b> 1 786 000	-
Restructuring grant	<b>20.3</b> 500 000	23 355
Institutional grant	<b>20.4</b> 734 000	-

**MOQHAKA LOCAL MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**

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		<b>2008</b>		<b>2007</b>
		<b>R</b>		<b>R</b>
Municipal infrastructure grant	20.5	31 538 146		-

**MOQHAKA LOCAL MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**

		2008 R	2007 R
Website development grant	20.6	45 000	-
<b>Total government grants &amp; subsidies</b>		<b>97 722 766</b>	<b>54 165 033</b>

**20.1 Equitable share**

Balance unspent at beginning of year	-	-
Current year receipts	63 119 620	54 141 678
Conditions met - transferred to revenue	(63 119 620)	(54 141 678)
Conditions still to be met - transferred to liabilities - note 15	-	-

*In terms of the Constitution of the Republic of South Africa (No. 108), this grant is used to subsidise the provision of basic and administrative services to indigent community members and to subsidise income.*

**20.2 Councillor remuneration grant**

Balance unspent at beginning of year	-	-
Current year receipts	1 786 000	-
Conditions met - transferred to revenue	(1 786 000)	-
Conditions still to be met - transferred to liabilities - note 15	-	-

*In terms of the Constitution of the Republic of South Africa (No. 108), this grant is used to subsidise the remuneration of council.*

**20.3 Restructuring grant**

Balance unspent at beginning of year	-	-
Current year receipts	500 000	23 355
Conditions met - transferred to revenue	(500 000)	(23 355)
Conditions still to be met - transferred to liabilities - note 15	-	-

*The purpose of the grant is to support municipal restructuring initiatives of large municipalities. Funds are made available on the basis of an approved restructuring plan that addresses challenges in a sustainable manner.*

**20.4 Institutional grant**

Balance unspent at beginning of year	-	-
Current year receipts	734 000	-
Conditions met - transferred to revenue	(734 000)	-
Conditions still to be met - transferred to liabilities - note 15	-	-

*The purpose of the grant is to support municipal restructuring initiatives of large municipalities. Funds are made available on the basis of an approved restructuring plan that addresses challenges in a sustainable manner.*

**MOQHAKA LOCAL MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**

	2008 R	2007 R
<b>20. GOVERNMENT GRANTS AND SUBSIDIES (CONTINUE)</b>		
<b>20.5 Municipal infrastructure grant</b>	<b>3 378 559</b>	-
Balance unspent at beginning of year	-	-
Current year receipts	34 916 705	-
Conditions met - transferred to revenue	(31 538 146)	-
Conditions still to be met - transferred to liabilities - note 15		
<i>The grant is used to supplement municipal capital budgets to eradicate backlogs in municipal infrastructure utilised in providing basic services.</i>		
<i>The grant is not utilised in full, because some of the capital projects takes more than a year to be completed.</i>		
<b>20.6 Website development grant</b>		
Balance unspent at beginning of year	-	-
Current year receipts	45 000	-
Conditions met - transferred to revenue	(45 000)	-
Conditions still to be met - transferred to liabilities - note 15		
<i>The grant is used to develop the municipal website.</i>		
<b>21. OTHER INCOME</b>		
Rental income	-	480 390
Advertisement	48 744	385 747
Burial income	548 657	459 920
Connection fees	972 021	842 729
Non exchange revenue	1 145 291	-
Railway siding industrial	456 522	394 593
Erven sales	3 343 066	-
Fire Brigade Fees	85 261	-
Sundry income	459 263	299 804
Special services	165 857	-
Other income	1 424 001	35 569
<b>Total other income</b>	<b>8 648 683</b>	<b>2 898 752</b>
<b>22. EMPLOYEE RELATED COSTS</b>		
Employee related costs - Salaries and wages	60 886 502	60 613 177
Employee related costs - Contributions for UIF, pensions and medical aids	20 794 340	18 918 139
Travel, motor car, accommodation, subsistence and other allowances	10 111 781	4 811 589
Housing allowance	824 923	703 132
Overtime payments	4 725 552	3 979 869
Provision for bonuses	-	-
<b>Total employee related costs</b>	<b>97 343 098</b>	<b>89 025 906</b>
<b>Remuneration of the Municipal Manager</b>	<b>732 023</b>	<b>517 897</b>
Annual remuneration	416 386	360 303
Performance bonus	36 866	-
Allowances	198 669	79 064
Contribution to UIF, medical and pension funds	80 103	78 530

**MOQHAKA LOCAL MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**

	2008 R	2007 R
<b>22. EMPLOYEE RELATED COSTS (CONTINUE)</b>		
<b>Remuneration of the Chief Financial Officer</b>	<b>656 720</b>	<b>607 014</b>
Annual remuneration	336 440	331 793
Performance bonus	96 061	-
Allowances	194 195	218 114
Contribution to UIF, medical and pension funds	30 024	57 107
<b>Remuneration of individual Executive Directors:</b>		
<b>Executive Director: Technical Services</b>	<b>236 040</b>	<b>557 058</b>
Annual remuneration	141 624	333 329
Performance bonus	-	-
Allowances	93 792	162 061
Contribution to UIF, medical and pension funds	624	61 668
<i>The remuneration as reflected in 2008 is for a period of 5 months; a new director for technical services were appointed during the year after the position was vacant.</i>		
<b>Executive Director: Corporate Services</b>	<b>463 510</b>	<b>670 750</b>
Annual remuneration	269 760	225 409
Performance bonus	-	279 202
Allowances	134 760	119 682
Contribution to UIF, medical and pension funds	58 991	46 457
<i>The remuneration as reflected in 2008 is for a period of 7 months; a new director for corporate services were appointed during the year after the position was vacant.</i>		
<b>Executive Director: Community Services</b>	<b>477 875</b>	<b>313 940</b>
Annual remuneration	283 248	-
Acting Allowance	-	313 940
Allowances	193 388	-
Contribution to UIF, medical and pension funds	1 240	-
<i>During the prior financial year the director; community services was vacant and acting allowances were paid.</i>		
<b>23. REMUNERATION OF COUNCILLORS</b>		
Executive Mayor	309 447	541 757
Speaker	257 488	433 854
Mayoral Committee Members	1 713 705	2 403 096
Councillors	6 153 274	6 379 773
Councillors' medical and pension contributions	1 677 868	614 225
<b>Total Councillors' Remuneration</b>	<b>10 111 781</b>	<b>10 372 705</b>
<b>In-kind benefits</b>		
<i>The Mayor, Speaker and Executive Committee Members are full time. Each is provided with an office and secretarial support at the cost of the council. The Mayor has use of a council owned vehicle for official duties. The Mayor has one full-time bodyguard.</i>		
<b>24. INTEREST PAID</b>		
Annuity loans	3 889 246	4 649 174
Finance leases - vehicles	223 228	265 595
Bank overdraft	1 131 934	577 365
<b>Total interest on external borrowings</b>	<b>4 884 911</b>	<b>5 492 134</b>

**MOQHAKA LOCAL MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**

	2008 R	2007 R
<b>25. BULK PURCHASES</b>		
Electricity	46 599 766	42 713 781
<b>Total bulk purchases</b>	<b>46 599 766</b>	<b>42 713 781</b>
<b>26. GENERAL EXPENSES</b>		
<b>Included in general expenses is the following:</b>		
Advertisements	310 189	945 574.86
Audit fees	2 610 068	1 586 446.70
Bank charges	766 542	806 441.90
Bursaries	358 728	23 674.96
Chemicals	1 403 038	1 712 514.32
Cleaning campaign	352 339	84 847.60
Conferences and seminars	1 826 199	1 954 325
Consultant fees	3 997 489	443 684.15
Directional fund	278 360	64 735.39
Entertainment cost	489 110	350 923
Fuel and lubricants	2 877 329	3 139 870.87
Indigent contributions	1 746 236	2 639 718.26
Insurance	1 983 793	1 572 934.42
Legal fees	1 201 378	1 498 738.19
Licenses other	255 650	338 062.72
Postal services	885 323	859 284.01
Printing and stationery	891 155	712 485.34
Protective clothing	371 730	463 814.30
Rent - office equipment	735 480	-
Skills development levy	766 822	-
Special programs	194 183	306 673.19
Stock and material	218 311	230 473.96
Telephone and fax	1 452 618	1 544 363.50
Training staff	313 957	59 545.32
Tourism extravaganza	9 161 018	-
Valuation roll	1 507 173	2 264 065.99
Work mens compensation	555 026	985 780.93
Other expenditure	7 955 471	15 710 162
<b>Total</b>	<b>45 464 717</b>	<b>40 299 141</b>
<b>27. PRIOR PERIOD ERRORS</b>		<b>2007 R</b>
<b>27.1 Loan redemption</b>		
Redemption on loans was recorded as an expense in the Statement of Financial Performance in the 2006/7 financial year. The comparative figures for 2006/7 have been restated. The effect of the restatement is as follows:		-
Adjustment against opening accumulated surplus 30 June 2006		-
Increase in interest paid		16 389
Decrease in interest paid		(5 357 435)
Net effect on (surplus)/deficit for the year 30 June 2007		<b>(5 341 046)</b>
Increase in long term borrowings		(3 665 395)
Increase in Suspense Accounts		(1 675 650)
Increase in net assets		<b>5 341 046</b>
<b>27. PRIOR PERIOD ERRORS (CONTINUE)</b>		
<b>27.2 Grants received</b>		
Grants received in the 2005/6 financial year was not recorded in the Statement of		



**MOQHAKA LOCAL MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**

	2008 R	2007 R
Financial Performance, due to the use of suspense accounts. The comparative figures for 2006/7 have been restated. The effect of the restatement is as follows:		
Adjustment against opening accumulated surplus 30 June 2006		<u><u>(7 560)</u></u>
Decrease in other receivables	<u>7 560</u>	
Increase in net assets		<u><u>7 560</u></u>
<b>27.3 Grants received</b>		
Grants received in the 2006/7 financial year were never recorded in the Statement of Financial Performance. The comparative figures for 2006/7 have been restated. The effect of the restatement is as follows:		
Adjustment against opening accumulated surplus 30 June 2006		<u><u>-</u></u>
Increase in government grants and subsidies	<u>(23 355)</u>	
Net effect on deficit for the year 30 June 2007		<u><u>(23 355)</u></u>
Increase in other receivables	<u>23 355</u>	
Increase in net assets		<u><u>23 355</u></u>
<b>27.4 Legal fees</b>		
Stale cheque for legal fees during 2003/4 was not reversed. The comparative figures for 2006/7 have been restated. The effect of the restatement is as follows:		
Adjustment against opening accumulated surplus 30 June 2006		<u><u>(25 996)</u></u>
Increase in other receivables	<u>25 996</u>	
Increase in net assets		<u><u>25 996</u></u>
<b>27.5 Repairs and maintenance</b>		
Repairs and maintenance was not recorded in the 2003/4 financial year due to the use of suspense accounts. The comparative figures for 2006/7 have been restated. The effect of the restatement is as follows:		
Adjustment against opening accumulated surplus 30 June 2006		<u><u>15 724</u></u>
Decrease in other receivables	<u>(15 724)</u>	
Decrease in net assets		<u><u>(15 724)</u></u>

**MOQHAKA LOCAL MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**

	<b>2008</b>	<b>2007</b>
	<b>R</b>	<b>R</b>
<b>27. PRIOR PERIOD ERRORS (CONTINUE)</b>		
<b>27.6 Grants received</b>		
Grants received during 2003/4 financial year was not recorded in the Statement of Financial Performance due to the use of suspense accounts. The comparative figures for 2006/7 have been restated. The effect of the restatement is as follows:		
Adjustment against opening accumulated surplus 30 June 2006		<u><u>(199 207)</u></u>
Decrease in payables		<u>199 207</u>
Increase in net assets		<u><u>199 207</u></u>
<b>27.7 Audit fees</b>		
Provision for audit fees was reversed twice in the 2006/7 financial year. The comparative figures for 2006/7 have been restated. The effect of the restatement is as follows:		
Adjustment against opening accumulated surplus 30 June 2006		<u><u>-</u></u>
Decrease in general expenditure		<u>17 605</u>
Net effect on deficit for the year 30 June 2007		<u><u>17 605</u></u>
Decrease in other receivables		<u>(17 605)</u>
Decrease in net assets		<u><u>(17 605)</u></u>
<b>27.8 Interest received</b>		
Prior period interest on investments not recorded in the Statement of Financial Performance for the 2006/7 financial year. The comparative figures for 2006/7 have been restated. The effect of the restatement is as follows:		
Adjustment against opening accumulated surplus 30 June 2006		<u><u>-</u></u>
Increase in interest earned - external investment		<u>(10 955)</u>
Net effect on deficit for the year 30 June 2007		<u><u>(10 955)</u></u>
Increase in Investments		<u>11 475</u>
Decrease in other receivables		<u>(520)</u>
Increase in net assets		<u><u>10 955</u></u>
<b>27.9 Interest received</b>		
Interest received for the 2006/7 financial year recognised in the 2007/8 financial year. The comparative figures for 2006/7 have been restated. The effect of the restatement is as follows:		
Adjustment against opening accumulated surplus 30 June 2006		<u><u>-</u></u>
Increase in interest earned - external investments		<u>(1 307)</u>
Net effect on surplus/(deficit) for the year 30 June 2007		<u><u>(1 307)</u></u>

**MOQHAKA LOCAL MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**

	<b>2008</b>	<b>2007</b>
	<b>R</b>	<b>R</b>
<b>27. PRIOR PERIOD ERRORS (CONTINUE)</b>		
<b>27.10 Fair value adjustment</b>		
The fair value adjustment of the Senwes Ltd shares was not recognised during the 2005/6 and 2006/7 financial years. The comparative figures for 2006/7 have been restated. The effect of the restatement is as follows:		
Adjustment against opening accumulated surplus 30 June 2006		<u>(37 830)</u>
Increase in fair value through surplus or deficit		<u>(13 832)</u>
Net effect on deficit for the year 30 June 2007		<u>(13 832)</u>
Increase in investments		<u>51 662</u>
Increase in net assets		<u>51 662</u>
<b>27.11 Fair value adjustment</b>		
The fair value adjustment of the Senwesbel Ltd investment was not recognised during the 2005/6 and 2006/7 financial years. The comparative figures for 2006/7 have been restated. The effect of the restatement is as follows:		
Adjustment against opening accumulated surplus 30 June 2006		<u>(11 037)</u>
Increase in fair value through surplus or deficit		<u>(29 915)</u>
Net effect on deficit for the year 30 June 2007		<u>(29 915)</u>
Increase in investments		<u>57 110</u>
Decrease in investments		<u>(16 158)</u>
Increase in net assets		<u>40 951</u>
<b>27.12 Interest paid</b>		
Interest paid for the 2006/7 financial year was recognised in the 2007/8 financial year. The comparative figures for 2006/7 have been restated. The effect of the restatement is as follows:		
Adjustment against opening accumulated surplus 30 June 2006		<u>-</u>
Increase in interest paid		<u>15 297.00</u>
Net effect on deficit for the year 20 June 2007		<u>15 297.00</u>

**MOQHAKA LOCAL MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**

	<b>2008</b>	<b>2007</b>
	<b>R</b>	<b>R</b>
<b>27. PRIOR PERIOD ERRORS (CONTINUE)</b>		
<b>27.14 Finance lease - equipment</b>		
Office equipment leased was incorrectly treated as an operating lease instead of a finance lease. The comparative figures for 2006/7 have been restated. The effect of the restatement is as follows:		
Adjustment against opening accumulated surplus 30 June 2006		<b>34 590</b>
Increase in finance charges on finance leases		79 897
Increase in depreciation on finance leased assets		122 785
Decrease in leasing and hiring costs on finance leased assets		(176 789)
Increase in surplus or deficit on disposal of assets		(5 029)
Net effect on deficit for the year 30 June 2007		<b>20 864</b>
Increase in long term borrowings		(892 115)
Increase in property, plant and equipment		1 145 075
Increase in accumulated depreciation		(307 290)
Increase in accrued interest		(1 124)
Decrease in net assets		<b>(55 454)</b>
<b>27.15 Rehabilitation cost</b>		
No provision has been made in the prior year for the rehabilitation of the landfill and the quarry sites. The comparative figures for 2006/7 have been restated. The effect of the restatement is as follows:		
Adjustment against opening accumulated surplus 30 June 2006		<b>67 581</b>
Increase in provision for rehabilitation cost		89 404
Net effect on deficit for the year 30 June 2007		<b>89 404</b>
Increase in non-current provisions		(1 991 739)
Increase in assets (capitalized costs)		1 991 739
Increase in accumulated depreciation		(156 985)
Decrease in net assets		<b>(156 985)</b>
<b>27.16 Operating leases</b>		
Lease payments for operating leases were expensed as incurred and were not straight-lined over the lease term in previous financial years. The comparative figures for 2006/7 have been restated. The effect of the restatement is as follows:		
Adjustment against opening accumulated surplus 30 June 2006		<b>(11 863)</b>
Decrease in rent paid		(1 934)
Net effect on deficit for the year 30 June 2007		<b>(1 934)</b>
Increase in operating lease assets		13 797
Increase in net assets		<b>13 797</b>

**MOQHAKA LOCAL MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**

	<b>2008</b>	<b>2007</b>
	<b>R</b>	<b>R</b>
<b>27. PRIOR PERIOD ERRORS (CONTINUE)</b>		
<b>27.17 Consumer accounts</b>		
Previous years correction on consumer accounts due to incorrect billing was recognised in the 2007/8 financial year and not in the 2006/7 financial year. The comparative figures for 2006/7 have been restated. The effect of the restatement is as follows:		
Adjustment against opening accumulated surplus 30 June 2006	<u><u>-</u></u>	
Decrease in service charge income	<u>2 598 949</u>	
Net effect on deficit for the year 30 June 2007	<u><u>2 598 949</u></u>	
Decrease in consumer receivables	<u>(2 598 949)</u>	
Decrease in net assets	<u><u>(2 598 949)</u></u>	
<b>27.18 Prior year correction of investments</b>		
Correction of the 2006/7 financial year balances for investments were corrected in the Statement of Financial Performance instead of the accumulated surplus/deficit account in the Statement of Financial Position. The comparative figures for the 2006/7 financial year have been restated. The effect of the restatement is as follows:		
Adjustment against opening accumulated surplus 30 June 2006	<u><u>-</u></u>	
Increase in interest received	<u>(5 012)</u>	
Net effect on deficit for the year 30 June 2007	<u><u>(5 012)</u></u>	
Increase in investments	<u>5 012</u>	
Increase in net assets	<u><u>5 012</u></u>	
<b>27.19 Accrued interest</b>		
Accrued interest have been reclassified as other receivables and not investments. The comparative figures for 2006/7 financial year have been restated. The effect of the restatement is as follows:		
Adjustment against opening accumulated surplus 30 June 2006	<u><u>-</u></u>	
Net effect on deficit for the year 30 June 2007	<u><u>-</u></u>	
Decrease in investments	<u>(8 827)</u>	
Increase in other receivables	<u>8 827</u>	
Net effect on net assets	<u><u>-</u></u>	

**MOQHAKA LOCAL MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**

	<b>2008</b>	<b>2007</b>
	<b>R</b>	<b>R</b>
<b>27. PRIOR PERIOD ERRORS (CONTINUE)</b>		
<b>27.20 Interest Paid</b>		
Interest paid which relates to the 2006/7 financial year was recognised in the 2007/8 financial year. The comparative figures for 2006/7 financial year have been restated. The effect of the restatement is as follows:		
Adjustment against opening accumulated surplus 30 June 2006	<u><u>-</u></u>	
Increase in interest paid	<u>369 032</u>	
Net effect on deficit for the year 30 June 2007	<u><u>369 032</u></u>	
Decrease in net assets	<u><u>(369 032)</u></u>	
<b>27.21 Long term borrowings</b>		
Interest paid which relates to the 2006/7 financial year was incorrectly recognised during the 2007/8 financial year. The comparative figures for the 2006/7 financial year have been restated. The effect of the restatement is as follows:		
Adjustment against opening accumulated surplus 30 June 2006	<u><u>-</u></u>	
Increase in interest paid	117 112	
Net effect on deficit for the year 30 June 2007	<u><u>117 112</u></u>	
Increase in long term borrowings	<u>(117 112)</u>	
Decrease in net assets	<u><u>(117 112)</u></u>	
<b>27.22 Finance leases</b>		
Interest paid which related to the 2006/7 financial year was recorded in the 2007/8 financial year. The comparative figures have been restated. The effect of the restatement is as follows:		
Adjustment against opening accumulated surplus 30 June 2006	<u><u>-</u></u>	
Decrease in interest paid	<u>(30 853)</u>	
Net effect on deficit for the year 30 June 2007	<u><u>(30 853)</u></u>	
Increase in net assets	<u><u>30 853</u></u>	
<b>27.23 Salaries and wages</b>		
Prior year salaries paid using a suspense account were incorrectly allocated to the 2007/8 year salaries and wages and not accumulated surplus/deficit.		
Adjustment against opening accumulated surplus 30 June 2006	<u><u>-</u></u>	
Increase in salaries and wages	<u>22 593</u>	
Net effect on deficit for the year 30 June 2007	<u><u>22 593</u></u>	
Decrease in net assets	<u><u>(22 593)</u></u>	

**MOQHAKA LOCAL MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**

	<b>2008</b>	<b>2007</b>
	<b>R</b>	<b>R</b>
<b>27. PRIOR PERIOD ERRORS (CONTINUE)</b>		
<b>27.24 Grants reclassified</b>		
Prior year unspent grants and subsidies was included in the suspense account. These suspense accounts were reclassified as payables.		
Adjustment against opening accumulated surplus 30 June 2006		-
Decrease in grants and subsidies		4 831 747
Increase in other payables		(4 831 747)
Net effect on net assets		-
The municipality did not record all prior period errors, in line with the exemptions granted in terms of General Notice 552 of 2007, in Government Gazette no. 30013 of 29 June 2007.		
<b>27.25 Creditors with debit balances reclassified.</b>		
Prior year creditors with debit balances were nett off against the creditors with credit balances. These creditors with debit balances were reclassified as debtors.		
Adjustment against opening accumulated surplus 30 June 2006		-
Increase in other receivables		17 322 042
Increase in other payables		(17 322 042)
Net effect on net assets		-
<b>27.26 Funeral Assistance</b>		
Prior year funeral assistance was classified as part of Accumulated Surplus, the amount was classified this year as a payable.		
Adjustment against opening accumulated surplus 30 June 2006		-
Decrease in Accumulated Surplus		572 420
Increase in other payables		(572 420)
Net effect on net assets		-
<b>27.27 Other Payables</b>		
No provision for interest payable made at year end.		
Adjustment against opening accumulated surplus 30 June 2006		-
Decrease in Accumulated Surplus		410 629
Increase in other payables		(410 629)
Net effect on net assets		-

**MOQHAKA LOCAL MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**

	2008 R	2007 R
<b>27. PRIOR PERIOD ERRORS (CONTINUE)</b>		
<b>27.28 Capital Commitments</b>		
Prior year capital commitment amounts were adjusted, because of an inaccurate commitment register.		
Adjustment against opening accumulated surplus 30 June 2006	-	-
Decrease in capital commitment disclosure	(24 910 212)	-
Net effect on net assets	-	-
<b>27.29 Cash and Bank</b>		
Outstanding cheques for the 2006/2007 financial year were reclassified as payables.		
Adjustment against opening accumulated surplus 30 June 2006	-	-
Increase in payables	(9 228 953)	-
Decrease in cash and bank	9 228 953	-
Net effect on net assets	-	-
<b>27.30 Irregular, fruitless and wasteful expenditure</b>		
Irregular, fruitless and wasteful expenditure were identified that was not disclosed in the prior period.		
Adjustment against opening accumulated surplus 30 June 2006	-	-
Increase in irregular, fruitless and wasteful expenditure	2 408 031	-
Increase in fruitless and wasteful expenditure	859 838	-
Net effect on net assets	-	-
<b>28 CASH GENERATED BY OPERATIONS</b>	<b>2008</b>	<b>2007</b>
	<b>R</b>	<b>R</b>
Net surplus for the year	34 369 134	(111 938)
<i>Adjustment for:</i>		
Depreciation and amortisation of non-current assets	1 265 728	212 189
Surplus on sale or disposal of property, plant and equipment	(41 305)	(5 029)
Surplus on revaluation of fair value through profit or loss financial assets	(29 241)	(43 746)
Investment income recognised in net surplus/deficit	(5 796 256)	(5 556 044)
Contributions to provisions - non-current	161 508	464 507
Contributions to bad debt provision	7 900 000	7 914 284
Finance cost recognised in net surplus/deficit	4 884 911	5 492 134
<b>Operating surplus before working capital changes:</b>	<b>42 714 479</b>	<b>8 366 357</b>
	<b>(4 497 695)</b>	<b>7 589 316</b>
Increase in inventories	(913 413)	(606 566)
Decrease in consumer receivables	1 865 574	32 723 835
Increase in other receivables	(24 219 421)	(43 067 140)
Decrease in non-current receivables	-	1 666 616
Decrease in operating lease assets	6 503	-
Increase/(decrease) in conditional grants & receipts	3 378 559	(4 991 488)
Increase/(decrease) in provisions	(818 171)	(1 149 552)
(Decrease)/increase in tax payable	(2 106 482)	599 050
Increase/(decrease) in payables	18 309 156	22 414 561
<b>Cash generated by operations</b>	<b>38 216 785</b>	<b>15 955 673</b>



**MOQHAKA LOCAL MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**

	2008 R	2007 R
<b>29. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT</b>		
<b><u>29.1 Audit fees</u></b>		
Opening balance	-	272 547
Current year audit fee	2 610 068	1 126 113
Amount paid - current year	(2 610 068)	(1 398 660)
Amount paid - previous years	-	-
<b>Balance unpaid (included in payables)</b>	<b>-</b>	<b>-</b>
<b><u>29.2 PAYE AND UIF</u></b>		
Opening balance	-	-
Current year payroll deductions	9 142 347	9 257 693
Amount paid - current year	(9 142 347)	(9 257 693)
Amount paid - previous years	-	-
<b>Balance unpaid (included in payables)</b>	<b>-</b>	<b>-</b>
<b><u>29.3 Pension and medical aid deductions</u></b>		
Opening balance	-	-
Current year payroll deductions and council contributions	27 505 103	16 350 935
Amount paid - current year	(27 505 103)	(16 350 935)
Amount paid - previous years	-	-
<b>Balance unpaid (included in payables)</b>	<b>-</b>	<b>-</b>
<b><u>29.4 Skills Development Levy</u></b>		
Opening balance	-	-
Current year payroll deductions and council contributions	766 822	-
Amount paid - current year	(766 822)	-
Amount paid - previous years	-	-
<b>Balance unpaid (included in payables)</b>	<b>-</b>	<b>-</b>

**MOQHAKA LOCAL MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**

	2008 R	2007 R	
<b>29. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (CONTINUE)</b>			
<b><u>29.5 Councillor's arrear consumer accounts</u></b>			
The following councillors had arrear accounts outstanding for more than 90 days as at:			
<b>30 June 2008</b>	<b><u>Total</u></b>	<b><u>Outstanding less than 90 days</u></b>	<b><u>Outstanding more than 90 days</u></b>
<b>Councillor:</b>			
Brink DJ	568	568	-
Dire AMS	540	540	-
Letsabo J	488	488	-
Makau TL	12 889	9 569	3 320
Makoele LE	4 354	50	4 304
Matli SJ	996	263	733
Mbono MD	652	78	574
Mckenzie AE	16 400	3 906	12 494
Mokodutlo NP	3 555	3 555	-
Mokotla ME	7 802	7 802	-
Monoto MA	2 889	80	2 810
Pittaway M	4 700	4 700	-
Seakhela SS	7 202	179	7 023
Taje F	6 280	268	6 012
Tladi SB	2 432	78	2 355
Tumisi TJ	6 490	705	5 784
Viljoen AH	709	709	-
Wille GV	823	823	-
<b>Total councillor arrear consumer accounts</b>	<b><u>79 769</u></b>	<b><u>34 361</u></b>	<b><u>45 409</u></b>
<b>30 June 2007</b>	<b><u>Total</u></b>	<b><u>Outstanding less than 90 days</u></b>	<b><u>Outstanding more than 90 days</u></b>
<b>Councillor:</b>			
Dire AMS	3 677	-	3 677
George DSL	15 635	-	15 635
Hattingh JM	229	-	229
Makoele LE	7 715	-	7 715
Mareka J	1 116	-	1 116
Matli SJ	20	-	20
Matshilisho DA	25	-	25
Mbono MD	2 583	-	2 583
Mckenzie AE	18 254	-	18 254
Moahlodi N	11 252	-	11 252
Moamogoa MS	8 107	-	8 107
Mokodutlo NP	6 337	-	6 337
Mokotla ME	11 701	-	11 701
Monoto MA	5 202	-	5 202
Nakedi ACWD	5 963	-	5 963
Notsi ER	327	-	327
Radebe TB	1 392	-	1 392
Raphuting PP	7 700	-	7 700
Seakhela SS	14 396	-	14 396
Taje F	10 087	-	10 087
Tau SS	6 865	-	6 865
Tladi SB	4 717	-	4 717
Tumisi TJ	9 043	-	9 043
Viljoen AH	953	-	953
Wille GV	430	-	430
<b>Total councillor arrear consumer accounts</b>	<b><u>153 726</u></b>	<b><u>-</u></b>	<b><u>153 726</u></b>
<b>30. CAPITAL COMMITMENTS</b>			
Commitments in respect of capital expenditure:			
Approved and contracted for			
Infrastructure		3 346 064	1 391 551

**MOQHAKA LOCAL MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**

	2008 R	2007 R
<b>Total</b>	<b>3 346 064</b>	<b>1 391 551</b>
This expenditure will be financed from:		
Municipal infrastructure grant	3 346 064	1 391 551
<b>Total</b>	<b>3 346 064</b>	<b>1 391 551</b>

**31. RETIREMENT BENEFIT INFORMATION**

The municipality provides retirement benefits for its employees and councillors. Benefits are provided via defined contribution plans and defined benefit plans.

**31.1 Defined benefit plans**

**The following are defined contribution plans:**

Free State Municipal Pension Fund  
 Free State Municipal Provident Fund  
 Maokeng Provident Fund  
 SAMWU National Provident Fund

**31.2 Defined benefit plans**

**The following are defined benefit plans:**

Government Employment Pension Fund  
 SALA Pension Fund

*These are not treated as a defined benefit plan as defined by IAS 19 (AC 116), but as a defined contribution plan. These funds are multi employer plans and actuarial valuations done by actuaries could not be provided due to a lack of information. According to the actuaries it is not possible to report separately for each municipality on the fund, thus the reason for treating it as a contribution plan in terms of IAS 19(AC116).30*

*Some employees belong to the SALA Pension Fund. The latest actuarial valuation of the funds was on 1 July 2007. These valuations indicate that the funds are in sound financial position. The estimated liability of the fund is R5,580.3 million which is adequately financed by assets of R6,138.70 million.*

*Some employees belong to the Government Employment Pension Fund. The latest actuarial valuation of the fund was on 31 March 2006. These valuations indicate that the fund are in a sound financial position. The estimated liability of the fund is R447,474 million which is adequately financed by assets of R545,563 million.*

*An amount of R16.4 million was contributed by council in respect of councillor and employees retirement funding. These contributions have been expensed.*

**MOQHAKA LOCAL MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**

	<b>2008</b>	<b>2007</b>
	<b>R</b>	<b>R</b>
<b>32. CONTINGENT LIABILITY</b>		
The municipality is being sued in the following pending claims against the council. All the claims are being contested based on legal advice.		
The timing of the outflow of these liabilities are uncertain. The amounts disclosed are the possibility of the amount of outflow.		
<b>32.1 Pending claims</b>	<b>1 498 411</b>	<b>361 302</b>
Claims by individuals due to damage of vehicles in various incidents	45 965	28 062
Claim for performance bonus	65 362	-
Claim for unfair property levy	70 000	-
Claim from creditor - account dispute	37 992	-
Claim for damages to property due to spread of fire	466 564	267 288
Claims for damages to electrical appliances due to power surge	24 757	1 500
Claims by individuals due to injuries in various incidents	660 872	64 452
Claim for damages to property due to storm water damage	126 899	-
<b>33. RELATED PARTIES</b>		
No related party transactions were identified which had a material effect on the fair presentation of the annual financial statements.		
<b>34. EVENTS AFTER THE REPORTING DATE</b>		
None		
<b>35. COMPARISON WITH THE BUDGET</b>		
The comparison of the Municipality's actual financial performance with that budgeted is set out in Appendix C.		
<b>36. IRREGULAR EXPENDITURE</b>		
Paragraph 12(1)(d)(i) of Government Gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.		
Altimax Consultants was appointed during the financial year. The deviation of the SCM Policy was reported to National Treasury and not yet tabled before council.	2 620 621	-
The reason for the appointment of Altimax consultants was that they have a good record and changed some municipal audit reports from a disclaimer to an unqualified audit report.		
<b>Purchase of air conditioners for housing department at Moakeng</b>		
Opening Balance	8 633	8 633
Irregular, fruitless and wasteful current year	-	-
Condoned or written off by council	-	-
Irregular, fruitless and wasteful expenditure awaiting condonement	<u>8 633</u>	<u>8 633</u>
<i>The matter is still under investigation.</i>		
<b>Missing computers</b>		
Opening Balance	38 500	38 500
Irregular, fruitless and wasteful current year	-	-
Condoned or written off by council	-	-
Irregular, fruitless and wasteful expenditure awaiting condonement	<u>38 500</u>	<u>38 500</u>
<i>The matter is still under investigation.</i>		

**MOQHAKA LOCAL MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**

	2008 R	2007 R
<b>36. IRREGULAR EXPENDITURE (CONTINUE)</b>		
<b>Rendering of security services</b>		
Opening Balance	39 612	39 612
Irregular, fruitless and wasteful current year	-	-
Condoned or written off by council	-	-
Irregular, fruitless and wasteful expenditure awaiting condonement	39 612	39 612
<i>The matter is still under investigation.</i>		
<b>Appointment of managers directly accountable to municipal manager</b>		
Opening Balance	2 145 809	2 145 809
Irregular, fruitless and wasteful current year	-	-
Condoned or written off by council	-	-
Irregular, fruitless and wasteful expenditure awaiting condonement	2 145 809	2 145 809
<i>The matter is still under investigation.</i>		
<b>Refurbishment of traffic offices at Moakeng</b>		
Opening Balance	33 087	33 087
Irregular, fruitless and wasteful current year	-	-
Condoned or written off by council	-	-
Irregular, fruitless and wasteful expenditure awaiting condonement	33 087	33 087
<i>The matter is still under investigation.</i>		
<b>Misuse of Council vehicle</b>		
Opening Balance	436	436
Irregular, fruitless and wasteful current year	-	-
Condoned or written off by council	-	-
Irregular, fruitless and wasteful expenditure awaiting condonement	436	436
<i>The matter is still under investigation.</i>		
<b>Performance Bonuses</b>		
Opening Balance	141 954	141 954
Irregular, fruitless and wasteful current year	-	-
Condoned or written off by council	-	-
Irregular, fruitless and wasteful expenditure awaiting condonement	141 954	141 954
<i>The matter is still under investigation.</i>		
<b>37. FRUITLESS AND WASTEFUL EXPENDITURE</b>		
<b>Fruitless and wasteful expenditure occurred, late VAT payment.</b>		
Opening Balance	46 697	46 697
Fruitless and wasteful current year	-	-
Condoned or written off by council	-	-
Fruitless and wasteful expenditure awaiting condonement	46 697	46 697
<i>The matter is still under investigation.</i>		
<i>The following matters were identified from a special investigation done:</i>		
<b>Painting roof of municipal offices at Maokeng</b>		
Opening Balance	110 338	110 338
Fruitless and wasteful current year	-	-
Condoned or written off by council	-	-
Fruitless and wasteful expenditure awaiting condonement	110 338	110 338

**MOQHAKA LOCAL MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**

	2008 R	2007 R
<i>The matter is still under investigation.</i>		
<b>37. FRUITLESS AND WASTEFUL EXPENDITURE (CONTINUE)</b>		
<b>Refurbishment and painting of six chalets and managers house at Kroonpark</b>		
Opening Balance	95 437	95 437
Fruitless and wasteful current year	-	-
Condoned or written off by council	-	-
Fruitless and wasteful expenditure awaiting condonement	<u>95 437</u>	<u>95 437</u>
<i>The matter is still under investigation.</i>		
<b>Painting of chalets at Kroonpark</b>		
Opening Balance	46 590	46 590
Fruitless and wasteful current year	-	-
Condoned or written off by council	-	-
Fruitless and wasteful expenditure awaiting condonement	<u>46 590</u>	<u>46 590</u>
<i>The matter is still under investigation.</i>		
<b>Painting of offices and the roof at Brentpark</b>		
Opening Balance	40 053	40 053
Fruitless and wasteful current year	-	-
Condoned or written off by council	-	-
Fruitless and wasteful expenditure awaiting condonement	<u>40 053</u>	<u>40 053</u>
<i>The matter is still under investigation.</i>		
<b>Painting housing offices at Moakeng</b>		
Opening Balance	44 930	44 930
Fruitless and wasteful current year	-	-
Condoned or written off by council	-	-
Fruitless and wasteful expenditure awaiting condonement	<u>44 930</u>	<u>44 930</u>
<i>The matter is still under investigation.</i>		
<b>Painting councillors offices and board room at Moakeng</b>		
Opening Balance	39 960	39 960
Fruitless and wasteful current year	-	-
Condoned or written off by council	-	-
Fruitless and wasteful expenditure awaiting condonement	<u>39 960</u>	<u>39 960</u>
<i>The matter is still under investigation.</i>		
<b>Replacement of damaged tiles at the theatre</b>		
Opening Balance	2 596	2 596
Fruitless and wasteful current year	-	-
Condoned or written off by council	-	-
Fruitless and wasteful expenditure awaiting condonement	<u>2 596</u>	<u>2 596</u>
<i>The matter is still under investigation.</i>		
<b>Fencing of Kroonpark</b>		
Opening Balance	479 934	479 934
Fruitless and wasteful current year	-	-
Condoned or written off by council	-	-
Fruitless and wasteful expenditure awaiting condonement	<u>479 934</u>	<u>479 934</u>
<i>The matter is still under investigation.</i>		

**MOQHAKA LOCAL MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**

	<b>2008</b>	<b>2007</b>
	<b>R</b>	<b>R</b>
<b>38. BANK BALANCES AND CASH</b>		
The municipality has the following bank accounts:		
<b><u>Current account (primary bank account)</u></b>		
ABSA Bank Account number 40 532 74826		
Cashbook balance at the beginning of the year	1 586 602	4 641 171
Cashbook balance at the end of the year (overdrawn)	(3 392 499)	1 586 602
Bank statement balance at the beginning of the year	5 514 987	5 514 987
Bank statement balance at the end of the year (overdrawn)	(3 958 296)	5 514 987
<b><u>Current account (Steynsrus)</u></b>		
First National Bank Account Number 62028349349		
Cashbook balance at the beginning of the year	64 854	476 578
Cashbook balance at the end of the year	159 197	64 854
Bank statement balance at the beginning of the year	64 854	159 760
Bank statement balance at the end of the year	159 197	64 854
<b>Total cashbook balance at the beginning of the year</b>	<b>1 651 456</b>	<b>5 117 749</b>
<b>Total cashbook balance at the end of the year</b>	<b>(3 233 302)</b>	<b>1 651 456</b>
<b><u>Cash on hand</u></b>		
Balance at the beginning of the year	16 915	15 115
Balance at the end of the year	19 110	16 915
<b><u>Limited Cession:</u></b>		
- ABSA Fixed Deposit Account no. 2048435948 to the amount of R20 000		
- ABSA Notice Deposit Account no. 6301219190 to the amount of R7 800		
<b><u>Unlimited Cession:</u></b>		
- ABSA Bonus Deposit Account no. 2058247882 with an balance of R41 039		

**MOQHAKA LOCAL MUNICIPALITY  
SCHEDULE OF EXTERNAL LOANS AT 30 JUNE 2008**

**APPENDIX A**

External loans	Loan Number	Redeemable	Balance at 30/6/2007	Received during the year	Redeemed or written off during the year	Balance at 30/6/2008	Carrying value of Property, Plant & Equipment	Other costs in accordance with MFMA
			R	R	R	R	R	R
<b>Local Registered Stock</b>								
ABSA @ 12.00%	28	2008	250 000	-	250 000	-	-	-
ABSA @ 12.40%	29	2008	693 460	-	693 460	-	-	-
<b>Total</b>			<b>943 460</b>	<b>-</b>	<b>943 460</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Annuity loans</b>								
Development Bank of SA @ 13.50%	100769	2012	18 629 731	-	3 068 325	15 561 406	15 561 406	-
Development Bank of SA @ 12.00%	12841	2013	223 950	-	27 287	196 663	196 663	-
Development Bank of SA @ 13.30%	12842	2014	46 214	-	3 890	42 324	42 324	-
Development Bank of SA @ 10.70%	101183	2026	2 168 383	375 741	47 841	2 496 283	2 496 283	-
<b>Total</b>			<b>21 068 278</b>	<b>375 741</b>	<b>3 147 343</b>	<b>18 296 677</b>	<b>18 296 677</b>	<b>-</b>
Infrastructure Finance Corporation Ltd @ 17,25%	27	2011	1 986 239	-	380 288	1 605 951	1 605 951	-
<b>Total</b>			<b>1 986 239</b>	<b>-</b>	<b>380 288</b>	<b>1 605 951</b>	<b>1 605 951</b>	<b>-</b>
ABSA @9.94%	2	2010	832 022	-	257 164	574 859	574 859	-
<b>Total</b>			<b>832 022</b>	<b>-</b>	<b>257 164</b>	<b>574 859</b>	<b>574 859</b>	<b>-</b>
Standard Bank @ 8.73%	36	2010	1 800 000	-	400 000	1 400 000	1 400 000	-
<b>Total</b>			<b>1 800 000</b>	<b>-</b>	<b>400 000</b>	<b>1 400 000</b>	<b>1 400 000</b>	<b>-</b>
Sanlam @ 16.75%	15	2007	23 518	-	23 518	-	-	-
Sanlam @ 17.00%	18	2008	160 212	-	140 179	20 033	20 033	-
Sanlam @ 17.10%	20	2009	305 208	-	140 101	165 106	165 106	-
Sanlam @ 16.50%	21	2010	553 708	-	150 175	403 533	403 533	-
Sanlam @ 16.80%	23	2011	505 037	-	93 436	411 600	411 600	-
Sanlam @ 17.26	25	2011	926 754	-	150 809	775 945	775 945	-
<b>Total</b>			<b>2 474 435</b>	<b>-</b>	<b>698 218</b>	<b>1 776 217</b>	<b>1 776 217</b>	<b>-</b>
Free State Municipal Pension Fund @ 13.00%	36035	2004	23 855	-	23 855	-	-	-
Free State Municipal Pension Fund @ 11.45%	36039	2008	26 717	-	26 717	-	-	-
Free State Municipal Pension Fund @ 9.50%	36042	2005	27 087	-	-	12 914	14 172	-
Free State Municipal Pension Fund @ 9.50%	36043	2009	25 281	-	12 054	13 227	13 227	-
Free State Municipal Pension Fund @ 9.50%	36046	2007	121 393	-	45 206	76 186	76 186	-
Free State Municipal Pension Fund @ 10.00%	36047	2010	152 843	-	38 483	114 360	114 360	-



Total  
Total external loans

377 175	-	159 229	217 946	217 946	-
29 481 610	375 741	5 985 702	23 871 649	23 871 649	-

**MOQHAKA MUNICIPALITY  
APPENDIX B**

**DEPARTMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2008**

Actual Income 2007 R	Actual Expenditure 2007 R	Surplus/ (Deficit) 2007 R		Actual Income 2008 R	Actual Expenditure 2008 R	Surplus/ (Deficit) 2008 R
-	5 301 244	(5 301 244)	Executive & Council	2 958 355	43 043 816	(40 085 460)
68 478 888	60 753 704	7 725 184	Finance & Administration	55 475 704	(6 130 605)	61 606 309
70 478	1 065 863	(995 385)	Planning & Development	-	2 436 922	(2 436 922)
14 958	888 355	(873 397)	Health	-	121 101	(121 101)
1 154 622	30 161 445	(29 006 823)	Community & Social Services	699 942	14 600 300	(13 900 358)
418 880	1 440 035	(1 021 155)	Housing	3 761 197	1 635 359	2 125 838
-	-	-	Public Safety	867 216	18 281 959	(17 414 744)
2 347 664	8 012 577	(5 664 913)	Sport & Recreation	2 651 050	7 418 782	(4 767 732)
-	-	-	Environmental Protection	-	-	-
29 235 016	23 953 125	5 281 891	Waste Management	13 664 872	13 465 300	199 572
873 694	8 676 296	(7 802 602)	Road Transport	7 897 426	7 160 943	736 483
30 072 923	27 090 110	2 982 813	Water	36 574 201	25 893 206	10 680 996
89 824 534	86 875 100	2 949 434	Electricity	99 151 078	91 132 072	8 019 006
-	-	-	Sewerage	39 264 960	12 077 179	27 187 781
106 449	2 795 302	(2 688 853)	Other	525 474	4 006 108	(3 480 634)
<b>222 598 106</b>	<b>257 013 156</b>	<b>(34 415 050)</b>	<b>Sub-total</b>	<b>263 491 477</b>	<b>235 142 443</b>	<b>28 349 034</b>
	(32 099 953)	32 099 953	Less Inter-Departmental Charges	-	(6 020 100)	6 020 100
<b>222 598 106</b>	<b>224 913 203</b>	<b>(2 315 097)</b>	<b>Total</b>	<b>263 491 477</b>	<b>229 122 343</b>	<b>34 369 134</b>

**MOQHAKA LOCAL MUNICIPALITY  
APPENDIX C**

**ACTUAL VERSUS BUDGET (REVENUE & EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2008**

<b>Revenue</b>	<b>Actual 2008 R</b>	<b>Budget 2008 R</b>	<b>Variance 2008 R</b>	<b>Variance Explanation of significant variances 2008 of 10% and greater versus budget %</b>
Property rates	24 992 090	32 020 180	(7 028 090)	(22) High volume of consumers with long outstanding accounts.
Service charges	123 186 060	130 094 448	(6 908 388)	(5) Not Applicable
Rental of facilities and equipment	2 687 921	4 826 418	(2 138 497)	(44) Rental of municipality services not realized as budgeted for.
Interest earned - external investments	529 546	250 000	279 546	112 More interest earned on municipal infrastructure grant invested before actual expenditure occurred.
Interest earned - outstanding receivables	5 250 727	10 250 000	(4 999 273)	(49) Interest calculated on a higher amount of receivables than actually existed during the year.
Fines	387 154	931 500	(544 346)	(58) Poor recovery of fines issued.
Government grants and subsidies	97 722 946	100 882 407	(3 159 461)	(3) Not Applicable
Other income	8 648 683	5 484 839	3 163 844	58 Includes income from non-exchange transactions amounting to R1.1million
Surplus/(deficit) on sale of assets	41 305	-	41 305	100 Not budgeted for
Dividends	15 804	-	15 804	100 Not budgeted for
Fair value through surplus/(deficit)	29 241	-	29 241	100 Not budgeted for
<b>Total Revenue</b>	<b>263 491 477</b>	<b>284 739 792</b>	<b>(21 248 315)</b>	<b>(7)</b>
<b>Expenditure</b>				
Employee related costs	97 359 798	98 544 263	(1 184 465)	(1) Not Applicable
Remuneration of councillors	10 111 781	10 005 629	106 152	1 Not Applicable
General expenditure departments	45 448 017	43 542 690	1 905 327	4 Not Applicable
General expenditure bulk purchases	46 599 766	44 720 743	1 879 023	4 Not Applicable
General expenditure contracted services	5 425 188	3 604 467	1 820 721	51 Contracted services cost more than budgeted for
Interest paid	4 884 911	6 841 000	(1 956 089)	(29) Interest paid on Eskom account exceeded the budget for interest paid
Repairs and maintenance	10 127 153	13 784 534	(3 657 381)	(27) Not as much repairs and maintenance done as budgeted for
Bad debts	7 900 000	8 900 000	(1 000 000)	(11) Less debts were provided for during the year
Depreciation	1 265 728	-	1 265 728	100 Not budgeted for
<b>Total Expenditure</b>	<b>229 122 343</b>	<b>229 943 326</b>	<b>(820 983)</b>	<b>(0)</b>
<b>Reconciling items between IMFO budget and GRAP/GAMAP/GAAP financial statements.</b>				
Capital Expenditure	-	54 743 407	(54 743 407)	(100)
<b>Net surplus/(deficit) for the year</b>	<b>34 369 134</b>	<b>53 059</b>	<b>34 316 075</b>	