

BOPHIRIMA DISTRICT MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS

30 JUNE 2004



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GENERAL INFORMATION

MEMBERS OF THE MAYORAL COMMITTEE

Councillor G.K.M. Lobelo	Executive Mayor
Councillor P.K. Thiba	Speaker
Councillor J.P. van Neel	Chairperson: Finance and Tender
Vacant	Chairperson: Community Participation and Rural Development
Councillor M.P. Letebele	Chairperson: Economic Development, Agric and Tourism
Councillor K. Sereko	Chairperson: Human Resource and Strategic Planning
Councillor J.D. Sethi	Chairperson: Health and Social Services

GRADING OF LOCAL AUTHORITY

Grade 4

AUDITORS

Auditor - General

BANKERS

Standard Bank

REGISTERED OFFICE

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VRYBURG
8600

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VRYBURG
8600

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MUNICIPAL MANAGER

Mr. S.G. Ncobo

TREASURER

Mr. D.M. Thornhill

APPROVAL OF FINANCIAL STATEMENTS

The annual financial statements set out on page 4 to 26 were approved by the Municipal Manager on 31 August 2004 and presented to and approved by the Council on 9 September 2004.

MUNICIPAL MANAGER

(Accounting Officer)
9 September 2004

Registered Municipal Accountant

(Associate)
9 September 2004

FOREWORD

In the past financial year, the Bophirima District Municipality has made significant progress in demonstrating that Local Government is a key role player in the restructuring and development process in South Africa. We have worked significantly towards achieving our mission and vision and as always remain confident and determined to improve the lives of our people.

Our reviewed and adopted Integrated Development Plan, 2003:

- Enables us to fulfill our developmental role and responsibilities;
- Informed us of the priority issues prevalent in our area and resources available to address them;
- Provided us with a set of objectives to be achieved and
- Informed the identification of projects and programs in response to the set objectives.

The main thrust however is building an institution that can respond to the many challenges that the Municipality faces on a daily basis.

The newly reviewed Integrated Development Plan, 2004, will shift the focus to increased service delivery and cascading policies and systems to local municipalities.

The following successes were achieved by the Municipality in the past financial year:

- Provision of electricity to 63% of all households;
- Ensuring that 75,139 (74%) of households have access to clean water;
- Improving, with assistance from the Mvula Trust, the sanitation situation in most of our villages;
- Providing free health services to disadvantaged people staying and working on farms;
- Ensuring that the poorest of the poor within our communities receive food parcels and starter packs provided by the Provincial Departments;
- Completing several infrastructure and local economic development projects that created 323 jobs (excluding indirect jobs created) and
- Facilitating the establishment of agricultural projects.

The councillors and officials of our Municipality remain dedicated and committed to serve our communities and ensure a better life for all. I am confident that during the 2004/2005 financial year with the assistance of our communities, business sector, farmers, women, youth, disabled, religious groupings, traditional leaders, etc. we will consolidate what we have achieved.

In conclusion, I would like to express my appreciation to the Speaker, members of the Mayoral Committee, Councillors, Traditional Leaders, the Municipal Manager and all his officials, for their support, co-operation and hard work during the year.

Councillor G.K.M. Lobelo
(Executive Mayor)

0183845845

REPORT OF THE AUDITOR-GENERAL TO MEMBERS OF THE COUNCIL ON THE FINANCIAL STATEMENTS OF THE BOPHIRIMA DISTRICT MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2004

1. AUDIT ASSIGNMENT

The financial statements as set out on pages .. to .., for the year ended 30 June 2004, have been audited in terms of section 188 of the Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996), read with sections 4 and 20 of the Public Audit Act, 2004 (Act No. 25 of 2004). These financial statements, the maintenance of effective control measures and compliance with relevant laws and regulations are the responsibility of the chief executive officer. My responsibility is to express an opinion on these financial statements, based on the audit.

2. NATURE AND SCOPE

The audit was conducted in accordance with Statements of South African Auditing Standards. Those standards require that I plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement.

An audit includes:

- examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements,
- assessing the accounting principles used and significant estimates made by management, and
- evaluating the overall financial statement presentation.

Furthermore, an audit includes an examination, on a test basis, of evidence supporting compliance in all material respects with the relevant laws and regulations, which came to my attention and are applicable to financial matters.

The audit was completed in accordance with Auditor-General Directive No. 1 of 2005.

I believe that the audit provides a reasonable basis for my opinion.

3. AUDIT OPINION

In my opinion, the financial statements fairly present, in all material respects, the financial position of the Bophirima District Municipality at 30 June 2004 and the results of its operations and cash flows for the year then ended in accordance with prescribed accounting practice.

0183845845

4. APPRECIATION

The assistance rendered by the staff of the Bophirima District Municipality during the audit is sincerely appreciated.



Auditor-General

Rustenburg
20 January 2005

TREASURER'S REPORT

INTRODUCTION

The Bophirima District Municipality has experienced both budgetary and institutional growth in the 2003/2004 financial year. Actual income as compared to the previous year has increased by more than 190%. Most essential vacant posts have been filled and virtually all departments are operational.

From the 1st July 2003, the Bophirima District Municipality has been appointed as the Water Services Authority for the entire District. This responsibility has challenged the resources of the Municipality. The section 78 evaluation, transfer of assets from DWAF and local municipalities and the signing of contracts with local municipalities and water service providers should be completed in the 2004/2005 financial year.

Despite all the additional challenges faced by the Municipality during the year, this has been one of the most exiting and satisfying years to date.

1. OPERATING RESULTS

Details of the operating results per department, classification and object of expenditure are included in appendices D and E. The applicable statistics are shown in appendix F. The overall operating results for the year ended 30 June 2004 are as follows:

INCOME	Actual 2003 R	Actual 2004 R	Variance 2003/2004 %	Budget 2004 R	Variance Actual/Budget %
Opening Surplus	1,269,748	827,629	-34.8%	-	100.0%
Operating income for the year	46,901,725	136,216,804	190.4%	93,670,657	45.4%
Closing deficit	-	-	0.0%	-	0.0%
	48,171,473	137,044,433	184.5%	93,670,657	46.3%
EXPENDITURE					
Opening Deficit	-	-	0.0%	-	0.0%
Operating expenditure for the year	46,716,812	132,170,820	182.9%	93,670,657	41.1%
Sundry transfers	627,032	1,723,861	174.9%	-	100.0%
Closing surplus	827,629	3,149,752	280.6%	-	100.0%
	48,171,473	137,044,433	184.5%	93,670,657	46.3%

The increase in the operating income for the year (190.2%) is mainly due to the following:

	2004 R	2003 R	Increase	
			R	%
- Equitable share allocation	31,012,553	10,688,410	20,324,143	190%
- Conditional Grants	87,202,327	17,984,411	69,217,916	385%

The increase in the operating expenditure for the year (184.2%) is mainly due to the following:

	2004 R	2003 R	Increase	
			R	%
- Salaries and Wages	15,096,840	11,314,617	3,782,223	33%
- Provision of Free Basic Water	12,195,262	-	12,195,262	100%
- Conditional Grants	87,202,327	17,984,411	69,217,916	385%

The variance between the actual income and budgeted income (45.3%) and the actual expenditure and budgeted expenditure (41.8%) is mainly due to the huge amounts of conditional grants (mainly DWAF) allocated to the Municipality towards the latter part of the year.

1.1 Levy and General Services

	Actual 2003 R	Actual 2004 R	Variance 2003/2004 %	Budget 2004 R	Variance Actual/Budget %
Income	46,570,067	136,198,225	192.5%	93,670,657	45.4%
Expenditure	46,385,154	132,152,241	184.9%	93,670,657	41.1%
Suplus / (Deficit)	184,913	4,045,984	2088.0%	-	100.0%
Surplus/(Deficit) as % of total income	0.4%	3.0%		0.0%	

The variance between the actual income and budgeted income (45.3%) is mainly due to the fact that huge amounts of conditional grants (mainly DWAF) had been allocated to the Municipality towards the latter part of the year.

1.2 Trading Services

The following is a summary of the operating results for the supply of water in Mareetsane and other rural areas.

	Actual 2003 R	Actual 2004 R	Variance 2003/2003 %	Budget 2004 R	Variance Actual/Budget %
Income	-	-	0.0%	-	0.0%
Expenditure	-	-	0.0%	-	0.0%
Suplus / (Deficit)	-	-	0.0%	-	0.0%
Surplus/(Deficit) as % of total income	0.0%	0.0%		0.0%	

The supply of water function in Mareetsane has been transferred to the Central District Municipality due to the realignment of municipal borders brought about by the demarcation process. Therefore no income and expenditure had been budgeted for or incurred on the budget for the year.

2. CAPITAL EXPENDITURE AND FINANCING

The expenditure on fixed assets during the year amounted to R3,185,644. This is -90% less than the previous year. The actual expenditure is -31% less than that budgeted for and consists of the following:

	Actual 2004 R	Budget 2004 R	Actual 2003 R
Land	-	200,000	-
Buildings	-	-	49,200
Infrastructure	-	3,000,000	28,673,401
Other fixed assets	3,185,644	1,389,635	2,156,075
	3,185,644	4,589,635	30,878,676

Resources used to finance fixed assets were as follows:

	Actual 2004 R	Budget 2004 R	Actual 2003 R
Capital Development Fund	138,340	500,000	367,958
DBSA Loans	-	-	28,673,401
Stannic Loans	519,550	-	-
Mercedes-Benz Finance Loans	462,110	-	-
Contributions from:			
- Operating account	1,524,203	4,089,635	406,209
- Grants and subsidies	541,441	-	1,431,108
- Public contributions	-	-	-
	3,185,644	4,589,635	30,878,676

A complete stock-take of all assets in the Municipality was performed during May/June 2004 and reconciled to the balances as per the fixed asset register.

At year-end the process of revaluating the assets per the fixed asset register had not yet commenced. This process is planned to be completed in the 2004/2005 financial year in order to ensure GAMAP compliance of fixed assets. Assets per the fixed asset register are therefore reflected at historical cost and not market value.

During the year Council resolved the incorporation of the PIMS Centre into the budget departments of the Municipality. The result of this was the transfer of assets to the value of R 244,021 to the Municipality.

Vehicles to the value of R 1,889,479 were purchased during the year as part of the vehicle loan policy of council to officials. These vehicles were financed as follows:

- Operating Income	R	907,819
- Stannic Finance	R	519,550
- Mercedes-Benz Finance	R	462,110

All these vehicles were write-off to a value of R1 each and are reflected on the fixed asset register as such. The nett outstanding value of the vehicles is reflected under Long-Term Debtors. (**Note 8**)

A complete analysis of capital expenditure (budgeted and actual) per department, classification or service is included in appendix C. More details regarding external loans and internal advances used to finance fixed assets are shown in appendix B.

3. EXTERNAL LOANS, INVESTMENTS AND CASH

External loans to the value of R 28,665,936 were outstanding on fixed assets on 30 June 2004.

No physical repayments of the DBSA loans had taken place during the year as final agreement had not yet been reached between the various role-players (DBSA, Bophirima District Municipality, Southern District Municipality and NW Department of Developmental Local Government and Housing). This action had the following result for the year:

	Total Annual Repayment Due	Normal Annual Repayment Due	Additional Cost Due to Arrears
Redemption	1,060,154	1,060,154	-
Interest	3,444,514	2,650,685	793,829
Total Repayment	4,504,668	3,710,839	793,829

The creditors balance on the balance sheet of R 14,472,496 (R 4,168,718 on 30 June 2003) includes a DBSA Loans Arrears balance of R 6,721,654 (R 2,189,046 on 30 June 2003) which represents the total accumulated outstanding capital (R 1,563,272) and interest (R 5,158,382) portions of the DBSA annual installments. The total additional interest due to non-payment (included in R 5,158,382) amounts to R 1,787,663 (R 993,834 on 30 June 2003). Once final agreement is reached it is anticipated that the majority of the additional interest due to non-payment will be written-off by the DBSA.

Investments amounted to R64,058,888 on 30 June 2004 (R17,079,766 on 30 June 2003), and the cash and bank balance amounted to R9,640,737 (R1,965,071 on 30 June 2003).

More information regarding loans and investments are disclosed in the notes (5 and 7) and appendix B to the financial statements.

4. FUNDS AND RESERVES

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

5. POST BALANCE SHEET EVENTS

Litigation against the Bophirima District Municipality had succeeded during the 2004/2005 financial year. The total claim of R 1,100,000 (including lawyers fees of R 120,000) was settled from the Appropriation Account in November 2004. No further claims regarding this litigation is outstanding.

6. GENERAL

The Council's cash flow position is critical. Cash from funds, reserves and trust funds had to be utilized to finance Council activities. The critical cash flow shortage had been mainly brought on by the non-payment for the agency functions performed on behalf of the North West Provincial Government.

Available cash funds of the Council compared to the cash needs of the Council's funds, reserves and trust funds are as follows:

	Actual 2003 R	Actual 2004 R	Variance 2003/2004 R
Investments and cash and bank	19,044,837	73,700,001	-54,655,164
Funds, reserves and trust funds	24,615,821	63,729,695	-39,113,874
	-5,570,984	9,970,306	-15,541,290

7. AGENCY FUNCTIONS

The Council performs various functions on an agency basis for the Province (North West Province since 1 April 1995), that the Council is reimbursed for. The operating expenditure for the year (which was matched by the operating income) that ended 30 June 2004 are as follows:

OPERATING INCOME AND EXPENDITURE	Actual 2003 R	Actual 2004 R	Variance 2003/2004 R
Ambulance Services	331,658	18,579	-313,079
	331,658	18,579	-313,079

EXPRESSION OF APPRECIATION

I am grateful to the Executive Mayor, Council Members, Municipal Manager and Heads of the various departments for the support they have given me and to the staff of my own directorate and in particular to the local representatives of the Auditor-General and the Auditors appointed by the Auditor-General for their assistance and support during the year.

D.M. Thornhill
Treasurer
BOPHIRIMA DISTRICT MUNICIPALITY
9 September 2004

ACCOUNTING POLICIES

1. Basis of presentation

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

2. Consolidation

The financial statements include the Rate and General services, Trading services, Agency Services and the different funds and reserves.

3. Fixed Assets

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

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

 - Appropriations from income, where the full cost of the asset forms an immediate and direct charge against the operating income, and therefore it is unnecessary to make any further provision for depreciation.
 - Grant or donation, where the amount representing the value of such grant or donation is immediately credited to the "Loans Redeemed and Other Capital Receipts" account.
- 3.3 All net proceeds from the sale of fixed assets are credited to the Capital Development Fund.
- 3.4 Fixed assets are financed from different sources, including external loans, operating income, endowments and internal advances. These loans and advances are repaid within the estimated lives of the assets acquired from such loans or advances. Interest is charged to the service concerned at the ruling interest rate applicable at the time that the advance is made.

4. Inventory

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

5. Funds and reserves

5.1 Capital Development Fund

A fund is maintained from the nett proceeds from the sale of fixed assets and contributions from income in order to be utilised for capital developments.

5.2 Election Fund

A fund is maintained for the purpose of paying the costs of elections in the future.

5.3 Building Reparation Reserve

A reserve is maintained for the purpose of repairing and maintaining council buildings from time to time.

5.4 Leave Gratification Reserve

A reserve is maintained for the purpose of paying out large claims with regards to accumulated leave.

5.5 Ruth Mompoti Bursary Reserve

A reserve is maintained for the purpose of assisting under privileged students from the Bophirima District to further their studies at tertiary institutions.

6. Retirement benefits

Bophirima District Municipality and its employees contribute to the Cape Joint Retirement Fund and Bophirima District Municipality and its councillors contribute to the Municipal Councillors Pension Fund which provides retirement benefits to such employees and councillors.

The retirement benefit plan is subject to the Pension Funds Act and is a Defined Contribution Fund. Current contributions are charged against operating income on the basis of current salaries.

Full actuarial valuations are performed on request.

7. Leased assets

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

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

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

8. Investments

Investments are shown at the lower of cost or market value if a permanent decline in the value occurred, and are invested per Circular C/46 of 1994, issued by the Provincial Administration Community Development Branch.

9. Agency services

The cost of internal support services are calculated according to actual time spent , (on a % basis) and are debited to the various agency services that are administered on behalf of the North West Provincial Administration.

10. Income Recognition

10.1 Levy Income

Levy income is accounted for when received.

BALANCE SHEET AT 30 JUNE 2004

	NOTES	2004 R	2003 R
CAPITAL EMPLOYED			
FUNDS AND RESERVES		5,152,683	4,670,869
Statutory Funds	1	4,380,616	3,699,740
Reserves	2	772,067	971,129
RETAINED INCOME	16	3,149,752	827,629
TRUST FUNDS	3	8,302,435	5,498,498
LONG-TERM LIABILITIES	4	58,577,012	19,944,952
DEPOSITS	5	26,644,419	27,105,008
		130,351	292,402
		93,654,217	52,840,860
EMPLOYMENT OF CAPITAL			
FIXED ASSETS	6	27,649,814	28,732,119
INVESTMENTS	7	-	-
LONG-TERM DEBTORS	8	1,611,676	674,532
NET CURRENT ASSETS		29,261,490	29,406,651
		64,392,727	23,434,209
CURRENT ASSETS		80,485,755	28,911,202
Inventory	9	-	986
Debtors	10	6,146,700	9,546,703
Cash		9,641,113	1,965,071
Short-term investments	7	64,058,888	17,079,766
Short-term portion of long-term debtors	8	639,054	318,676
CURRENT LIABILITIES		16,093,028	5,476,993
Provisions	11	245,000	243,000
Creditors	12	14,472,496	4,168,718
Short-term portion of long-term liabilities	4	1,375,532	1,065,275
		93,654,217	52,840,860

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2004

2003	2003	2003		2004	2004	2004	2004
Actual Income	Actual Expenditure	Surplus / (deficit)		Actual Income	Actual Expenditure	Surplus / (deficit)	Budget Surplus / (deficit)
R	R	R		R	R	R	R
			RATES AND GENERAL SERVICES				
46,570,067	46,385,154	184,913		136,198,225	132,152,241	4,045,984	-
43,774,067	41,981,658	1,792,409	Community services	132,107,113	128,427,884	3,679,229	-
2,796,000	4,403,496	-1,607,496	Subsidized services	4,091,112	3,724,357	366,755	-
-	-	-	Economic services	-	-	-	-
-	-	-	TRADING SERVICES	-	-	-	-
331,658	331,658	-	AGENCY SERVICES	18,579	18,579	-	-
46,901,725	46,716,812	184,913	TOTAL	136,216,804	132,170,820	4,045,984	-
		-627,032	Appropriations for the year (refer to note 14)			-1,723,861	
		-442,119	Net surplus / (deficit) for the year			2,322,123	
		1,269,748	Accumulated surplus / (deficit): beginning of the year			827,629	
		827,629	ACCUMULATED SURPLUS / (DEFICIT) : END OF THE YEAR			3,149,752	

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2004

	NOTES	2004 R	2003 R
CASH RETAINED FROM OPERATING ACTIVITIES			
Cash generated by operations	17	56,173,506	12,648,627
Investment Income		45,390,815	11,712,814
(Increase)/decrease in working capital	18	3,588,784	2,219,362
Cash available from operations		59,076,579	13,569,302
Less: Interest paid on external advances		10,096,980	-362,874
		55,632,065	11,217,519
Cash contributions from the public and the State		541,441	1,431,108
Net proceeds on disposal of fixed assets		-	-
CASH UTILISED IN INVESTING ACTIVITIES			
Investment in fixed Assets		-1,368,010	-30,878,676
NET CASH FLOW		54,805,496	-18,230,049
CASH EFFECTS OF FINANCING ACTIVITIES			
Increase/(decrease) in long-term loans	19	-150,332	28,170,283
(Increase)/decrease in cash investments	20	-46,979,122	-12,908,884
(Increase) / decrease in cash	21	-7,676,042	2,968,650
		-54,805,496	18,230,049

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2004

	2004	2003
	R	R
1. STATUTORY FUNDS		
Capital Development Fund	4,264,438	3,588,652
Election Fund	116,178	111,088
(Refer to Appendix A for more details)	4,380,616	3,699,740
2. RESERVES		
Building Reparation Reserve	95,110	90,980
Leave Gratification Reserve	607,911	880,149
Ruth Mompothi Bursary Reserve	69,046	-
(Refer to Appendix A for more details)	772,067	971,129
3. TRUST FUNDS		
PCSP Fund	3,001,462	3,438,728
RD Fund	310,494	1,155,303
RDP Fund	2,272,741	2,272,741
Transitional Grant	30,338	108,880
CMIP/MIG Grant	6,523,517	2,006,490
DWAF Grant	22,625,787	-
NIG Grant	1,257,415	-
New Municipalities Grant	259,420	254,093
Taung Fire Grant	-	11,205
Bray : Ambulance Grant	-	36,060
Ganyesa Library	-	36,908
Disaster Management	53,378	300,464
Taung Village Maintenance - 351	-	256,901
Dept : Tourism Eco Affairs & Agric	41,464	40,000
Department of Sport Grant	924,317	2,347,132
DWAF Grant	5,567,555	3,414,186
Department of Public Enterprises	1	-
Bophirima Agricultural Cluster Fund	29,233	-
PIMS Surplus Fund	668,815	-
Bophirima Social Club Fund	4,078	-
Transition Grant: IMMIS Suspense	845,975	213,183
Disaster Management Fund	306,470	436,100
Municipal Systems Improvement Grant	4,453,248	1,743,960
CMIP Funds	24,846	-
Local Government Support Grant	4,084,099	891,808
Local Economic Development Fund	671,891	980,810
LED Grant (DDLG)	204,193	-
IDP/PMS Support Grant (DDLG)	204,193	-
Department of Social Services Paypoints	1,022,890	-
Rural Transportation Grant	7,080	-
Two Room Clinic Grant	1,784,600	-
Financial Management Grant	1,015,034	-
Bloemhof Dam Feasibility Study Grant	382,478	-
(Refer to Appendix A for more details)	58,577,012	19,944,952

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2004 (continued)

	2004	2003
	R	R
4. LONG TERM LIABILITIES		
DBSA Loans	27,110,128	28,170,283
Stannic Loans	447,713	-
Mercedes-Benz Finance Loans	462,110	-
	<u>28,019,951</u>	<u>28,170,283</u>
Less: Current portion transferred to Current Liabilities	-1,375,532	-1,065,275
	<u>26,644,419</u>	<u>27,105,008</u>

(Refer to Appendix B for more detail on long-term liabilities)

DBSA LOANS

Advanced for the building and upgrading of water and sewer networks. The loans carry interest at rates varying between 10% to 12% per annum and are repayable over periods of 20 years.

These loans are secured by the water and sewerage infrastructure assets of the Bophirima District Municipality.

STANNIC LOANS

Advanced for the purchasing of vehicles. The loans carry interest at prime less 1.11% and are repayable over periods of 5 years.

These loans are secured by vehicles of the Bophirima District Municipality.

MERCEDES-BENZ FINANCE LOANS

Advanced for the purchasing of a vehicle. The loan carries interest at prime less 1% and is repayable over a period of 3 years.

This loan is secured by a vehicle of the Bophirima District Municipality.

5. DEPOSITS

Building Guarantees	<u>130,351</u>	<u>292,402</u>
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6. FIXED ASSETS

Fixed assets at the beginning of the year	37,994,435	15,563,008
Capital expenditure during year	3,185,644	30,878,676
Less: Assets written off, transferred or disposed of during year	-1,645,450	-8,447,249
Total fixed assets	<u>39,534,629</u>	<u>37,994,435</u>
Less: Loans redeemed and other capital receipts	-11,884,815	-9,262,316
Net fixed assets	<u>27,649,814</u>	<u>28,732,119</u>

(Refer to Appendix C and Section 2 of the Treasurer's Report for more details on fixed assets)

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2004 (continued)

	2004	2003
	R	R
7. INVESTMENTS		
Unlisted		
Other deposits	64,058,888	17,079,766
Total investments	64,058,888	17,079,766
Management's valuation of unlisted investments	64,058,888	17,079,766
Average net rate of return on investments	4.8%	3.2%
<p>Circular number C/46 of 1994 issued by the Provincial Legislature requires local authorities to invest funds, which are not immediately required, with prescribed institutions and the period should be such that it will not be necessary to borrow funds against the investment at a plenary rate to meet commitments.</p> <p>No investments have been written off during the year.</p> <p>No investments have been pledged as security for any funding facilities of the Council.</p>		
8. LONG-TERM DEBTORS		
Car Loans	1,936,680	746,997
Study Loans	36,166	38,733
Computer Loans	171,584	-
Local Municipalities	106,300	207,478
	<u>2,250,730</u>	<u>993,208</u>
Less: Short-term portion of long-term debtors transferred to current assets	-639,054	-318,676
	<u>1,611,676</u>	<u>674,532</u>
9. INVENTORY		
Inventory represents consumable stores. Where necessary specific provision is made for obsolete inventory.	-	986
10. DEBTORS		
Current debtors (consumer and other)	17,435,451	18,647,237
Less: Provision for bad debts	-11,288,751	-9,100,534
	<u>6,146,700</u>	<u>9,546,703</u>

Sundry debtor and creditor balances totalling a net credit balance of R 276,743 (R 800,866 - net debit on 30 June 2003) were written off as bad debts to the appropriation account for the year. This represents 0.20% (1.71% on 30 June 2003) of the total operating income for the year. Days outstanding in debtors amount to 21 days (69 days on 30 June 2003).

A net balance of R 3,459,064 in respect of levies collected on behalf of the Bophirima District Municipality is owed by the Southern District Municipality. This balance is not included in the debtors balance for the year (**Refer accounting policy note 10.1**). The full outstanding balance will be recovered in the 2004/2005 financial year.

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2004 (continued)

	2004	2003
	R	R
11. PROVISIONS		
Audit costs	245,000	243,000
	<u>245,000</u>	<u>243,000</u>
12. CREDITORS		
Trade creditors	14,472,496	4,168,718
	<u>14,472,496</u>	<u>4,168,718</u>
13. COUNCILLORS' REMUNERATION		
Mayor's allowance	309,356	276,340
Councillors' allowance	832,900	479,069
Mayoral Committee Allowances	1,063,312	1,006,009
Councillors' pension contributions	244,302	121,000
	<u>2,449,870</u>	<u>1,882,418</u>
14. AUDITORS' REMUNERATION		
Audit fees		
- Current year	245,000	243,000
- Underprovision prior year	27,561	139,905
	<u>272,561</u>	<u>382,905</u>
15. FINANCE TRANSACTIONS		
Total external interest earned or paid		
- Interest earned	3,588,784	2,219,362
- Interest paid	<u>-</u>	<u>-</u>
Capital charges debited to operating account:		
Interest:		
- External	3,444,514	2,351,783
- Internal	36,413	31,405
Redemption		
- External	1,060,154	503,118
- Internal	160,491	224,745
Deferred charges written off	<u>-</u>	<u>-</u>
	<u>4,701,572</u>	<u>3,111,051</u>

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2004 (continued)

	2004	2003
	R	R
16. APPROPRIATIONS		
Appropriation account:		
Accumulated (deficit) / surplus at the beginning of the year	827,629	1,269,748
Operating surplus / (deficit) for the year	4,045,984	184,913
Appropriations for the year:	-1,723,861	-627,032
Prior year adjustments	187,608	173,834
Sundry balances write off	276,743	-800,866
Long-Term Debtors Suspense write off	5	-
Provision for bad debts	-2,188,217	-
Accumulated surplus / (deficit) at the end of the year	3,149,752	827,629
Operating account:		
Capital expenditure	616,389	406,209
Contributions to:		
- Leave Gratification Reserve	593,398	882,320
- Ruth Mompati Bursary Reserve	50,000	-
- Capital Development Fund	500,000	1,669,938
- Conditional Grants	87,202,327	17,984,411
	88,962,114	20,942,878
17. CASH GENERATED BY OPERATIONS		
Surplus for the year	4,045,984	184,913
Adjustments in respect of:		
Previous years' operating transactions	-1,723,861	-627,032
Appropriations charges against income	89,234,675	21,325,783
- Provisions and reserves	1,415,959	2,935,163
- Conditional Grants	87,202,327	17,984,411
- Fixed Assets	616,389	406,209
Capital charges:		
Interest paid:		
- to internal funds	36,413	31,405
- on external funds	3,516,351	2,351,783
Redemption:		
- of internal advances	160,491	224,745
- of external loans	1,060,154	503,118.00
Deferred charges written off	-	-
Investment income (operating account)	-1,677,398	-1,555,423
Non-operating income:		
Net income from trust funds	2,471,140	14,011,338
Net income from reserves	85,513	326,397.00
Non-operating expenditure:		
Expenditure charged against Provisions and Reserves	976,166	-748,518
Expenditure charged against trust funds	-52,794,813	-24,315,695
	45,390,815	11,712,814

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2004 (continued)

	2004	2003
	R	R
18. (INCREASE) / DECREASE IN WORKING CAPITAL		
(Increase) / Decrease in inventory	986	5,919
(Increase) / Decrease in debtors, long-term debtors	-45,736	-1,512,745
Increase / (Decrease) in creditors, consumer deposits	10,141,730	1,143,952
	<u>10,096,980</u>	<u>-362,874</u>
19. INCREASE / (DECREASE) IN LONG-TERM LOANS (EXTERNAL)		
Loans raised	981,660	28,673,401
Loans repaid	-1,131,992	-503,118
	<u>-150,332</u>	<u>28,170,283</u>
20. (INCREASE) / DECREASE IN EXTERNAL CASH INVESTMENTS		
Investments realised	10,241,139	438,546
Investments made	-57,220,261	-13,347,430
	<u>-46,979,122</u>	<u>-12,908,884</u>
21. (INCREASE) / DECREASE IN CASH ON HAND		
Cash balance at the beginning of the year	1,965,071	4,933,721
Less: Cash balance at the end of the year	-9,641,113	-1,965,071
	<u>-7,676,042</u>	<u>2,968,650</u>

22. RETIREMENT BENEFITS

The last actuarial valuation of the Cape Joint Retirement Pension Fund was done at 30 June 2003. This valuation indicated that the fund is in a sound financial condition at the valuation date.

The last actuarial valuation of the Municipal Councillors Pension Fund was done at 30 June 2003. This valuation indicated that the fund is in a financially sound position and funded at a level of 107.1%.

The last actuarial valuation of the Government Employees Pension Fund was done at 31 March 2001. This valuation indicated that the fund is in a financially sound position yet funded at a level of 98.1%.

23. CONTINGENT LIABILITIES AND CONTRACTUAL OBLIGATIONS

Guarantees by Bophirima District Municipality in respect of building society and commercial bank housing loans to officials.	<u>20,500</u>	<u>22,000</u>
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Botshelo Water (Water Service Provider) has submitted a claim to the Bophirima District Municipality for the supply of water for the period May 1999 to June 2003 to the value of R 17,3 million.

It is the viewpoint of the Municipality that DWAF and / or the Department of Developmental Local Government and Housing is responsible for this claim as the Municipality did not receive any Equitable Share or other allocations for the period to offset the claims received. The Municipality is currently involved in negotiations with all role players to have the matter resolved.

Leave pay outstanding as at 30 June 2003 amounts to R 607,911 (2003 - R 880,149). This Council maintains a Leave Gratification Reserve. The balance of the reserve at 30 June 2004 amounts to R 607,911 (2002 - R 880,149).

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2004 (continued)

	2004	2003
	R	R
24. CAPITAL COMMITMENTS		
Commitments in respect of capital expenditure:		
- Approved and contracted for	20,885,771	41,320,645
- Approved but not yet contracted for	38,637,764	25,002,000
	59,523,535	66,322,645
This expenditure will be financed from:		
- Internal sources	6,578,732	-
- External sources	52,944,803	66,322,645
Other sources	38,572,000	66,322,645
Provincial government	14,372,803	-
	59,523,535	66,322,645
25. CAPITAL DEVELOPMENT FUND		
Outstanding advances to borrowing services		
Accumulated fund	4,264,438	3,588,652
Less: Internal investments	-645,985	-769,314
	3,618,453	2,819,338

(See Appendix A for more detail)

APPENDIX A
STATUTORY FUNDS, RESERVES AND TRUST FUNDS

	Balance at 30/06/2003	Contributions during the year	Interest on investments	Other income	Operating expenditure during the year	Capital expenditure during the year	Balance at 30/06/2004
	R	R	R	R	R	R	R
STATUTORY FUNDS							
Capital Development Fund	3,588,652	500,000	175,273	513	-	-	4,264,438
Election Fund	111,088	-	5,090	-	-	-	116,178
	3,699,740	500,000	180,363	513	-	-	4,380,616
RESERVES							
Building Reparation Reserve	90,980	-	4,130	-	-	-	95,110
Leave Gratification Reserve	880,149	593,398	9,854	-	875,490	-	607,911
Ruth Mompothi Bursary Reserve	-	50,000	46	85,000	66,000	-	69,046
	971,129	643,398	14,030	85,000	941,490	-	772,067
TRUST FUNDS							
PCSP Fund	3,438,728	-	132,618	-	-	569,884	3,001,462
RD Fund	1,155,303	-	4,528	-	-	849,337	310,494
RDP Fund	2,272,741	-	-	-	-	-	2,272,741
Transitional Grant	108,880	-	1,748	-	-	80,290	30,338
CMIP/MIG Grant	2,006,490	27,186,370	84,683	-	-	22,754,026	6,523,517
DWAF Grant	-	26,814,938	292,580	-	-	4,481,731	22,625,787
NIG Grant	-	3,760,735	6,993	-	-	2,510,313	1,257,415
New Municipalities Grant	254,093	-	5,327	-	-	-	259,420
Taung Fire Grant	11,205	-	-	-	11,205	-	-
Bray : Ambulance Grant	36,060	-	-	-	36,060	-	-
Ganyesa Library	36,908	-	-	-	36,908	-	-
Disaster Management	300,464	-	-	-	247,086	-	53,378
Taung Village Maintenance - 351	256,901	-	-	-	256,901	-	-
Dept : Tourism Eco Affairs & Agric	40,000	-	1,464	-	-	-	41,464
Department of Sport Grant	2,347,132	-	136,807	-	-	1,559,622	924,317
DWAF Grant	3,414,186	13,473,770	322,295	1,925,947	-	13,568,643	5,567,555
Department of Public Enterprises	-	180,521	-	-	-	180,520	1
Bophirima Agricultural Cluster Fund	-	-	-	29,233	-	-	29,233
PIMS Surplus Fund	-	157,815	-	511,000	-	-	668,815
Bophirima Social Club Fund	-	-	2	4,960	884	-	4,078
Transition Grant: IMMIS Suspense	213,183	600,000	32,792	-	-	-	845,975
Disaster Management Fund	436,100	-	24,860	-	14,690	139,800	306,470
Municipal Systems Improvement Grant	1,743,960	2,775,000	236,328	-	302,040	-	4,453,248
CMIP Funds	-	53,052	-	-	28,206	-	24,846
Local Government Support Grant	891,808	5,600,000	343,048	-	758,063	1,992,694	4,084,099
Local Economic Development Fund	980,810	2,000,000	56,423	-	411,633	1,953,709	671,891
LED Grant (DDLG)	-	200,000	4,193	-	-	-	204,193
IDP/PMS Support Grant (DDLG)	-	200,000	4,193	-	-	-	204,193
Department of Social Services Paypoints	-	1,000,000	22,890	-	-	-	1,022,890
Rural Transportation Grant	-	57,648	-	-	50,568	-	7,080
Two Room Clinic Grant	-	1,760,000	24,600	-	-	-	1,784,600
Financial Management Grant	-	1,000,000	15,034	-	-	-	1,015,034
Bloemhof Dam Feasibility Study Grant	-	382,478	-	-	-	-	382,478
	19,944,952	87,202,327	1,753,406	2,471,140	2,154,244	50,640,569	58,577,012

**APPENDIX B
EXTERNAL LOANS AND INTERNAL ADVANCES**

			Balance at 30/06/2003	Received during the year	Redeemed or written off during the year	Balance at 30/06/2004
			R	R	R	R
EXTERNAL LOANS						
DBSA Loans						
<i>Issued</i>	<i>Loan No</i>	<i>Redeemable</i>				
2003 @ 10%	1	2016	2,344,425	-	76,743	2,267,682
2003 @ 12%	2	2017	5,131,230	-	115,356	5,015,874
2003 @ 12%	3	2017	5,815,180	-	120,500	5,694,680
2003 @ 10%	4	2014	2,276,865	-	120,791	2,156,074
2003 @ 10%	5	2014	6,087,162	-	322,934	5,764,228
2003 @ 10%	6	2014	2,831,784	-	148,778	2,683,006
2003 @ 10%	7	2014	1,625,818	-	69,585	1,556,233
2003 @ 10%	8	2014	1,512,764	-	64,746	1,448,018
2003 @ 10%	9	2014	545,055	-	20,722	524,333
			28,170,283	-	1,060,155	27,110,128
Stannic Loans						
<i>Issued</i>	<i>Loan No</i>	<i>Redeemable</i>				
2003 @ Prime - 1.11%	2	2007	-	259,450	35,345	224,105
2004 @ Prime - 1.11%	3	2007	-	260,100	36,492	223,608
			-	519,550	71,837	447,713
Mercedes-Benz Finance Loans						
<i>Issued</i>	<i>Loan No</i>	<i>Redeemable</i>				
2004 @ Prime - 1%	1	2007	-	462,110	-	462,110
			-	462,110	-	462,110
INTERNAL ADVANCES						
Capital Development Fund			769,314	138,339	261,668	645,985
			769,314	138,339	261,668	645,985

(Refer to note 25)

**APPENDIX C
ANALYSIS OF FIXED ASSETS**

Expenditure 2003	Service	Budget 2004	Balance at 30/06/2003	Expenditure during the year	Redeemed, transferred or written off	Balance at 30/06/2004
R		R	R	R	R	R
30,878,676	Rates and General Services	4,589,635	37,788,675	3,185,644	1,645,450	39,328,869
30,780,455	Community services	4,332,635	35,523,758	3,084,771	1,645,450	36,963,079
26,215	Office of the Executive Mayor	15,000	47,405	107,752	-	155,157
41,180	Office of the Speaker	27,500	41,180	14,653	-	55,833
121,788	Other Councillor Expenses	7,500	121,858	-	-	121,858
63,094	Office of the Municipal Manager	7,500	68,575	-	-	68,575
13,667	Integrated Development Planning	7,500	19,585	-	-	19,585
-	Internal Audit	7,500	-	15,275	-	15,275
94,612	Finance	52,500	344,070	37,352	-	381,422
457,958	Official Vehicles	500,000	925,027	1,889,479	1,889,471	925,035
481,617	Administration	32,500	663,526	638,775	-	1,302,301
420	Human Resources	7,500	12,557	1,402	-	13,959
21,219	Office Buildings	205,000	827,525	1,251	-	828,776
36,000	Council Housing	-	147,001	2,646	-	149,647
-	PIMS	-	-	170,641	-244,021	414,662
252,936	Fire Fighting Services - Kagisano	-	495,620	-	-	495,620
150,254	Fire Fighting Services - Taung	397,135	2,462,535	158,443	-	2,620,978
252,936	Fire Fighting Services - Molopo	-	495,620	-	-	495,620
28,736,847	Engineering Services	3,034,500	28,737,098	31,752	-	28,768,850
23,849	Local Economic Development	7,500	84,339	11,408	-	95,747
4,034	Tourism, Airports and Passenger Services	7,500	21,455	2,346	-	23,801
1,829	Agriculture	16,000	8,782	1,596	-	10,378
98,221	Subsidised services	257,000	1,335,560	100,873	-	1,436,433
-	Environmental Health	17,500	6,183	2,809	-	8,992
10,877	Environmental Health - Ganyesa	11,700	75,984	-	-	75,984
17,366	Clinics	45,000	406,937	26,440	-	433,377
69,978	Disaster Management	182,800	846,456	71,624	-	918,080
-	Economic services	-	929,357	-	-	929,357
-	Bray Sewerage Works	-	929,357	-	-	929,357
-	TRADING SERVICES	-	205,760	-	-	205,760
-	Bray Water Works	-	35,000	-	-	35,000
-	Piet Plessis Water Works	-	170,760	-	-	170,760
30,878,676		4,589,635	37,994,435	3,185,644	1,645,450	39,534,629
	Less: Loans redeemed and other capital receipts		-9,262,316	-3,358,126	-735,627	-11,884,815
	Loans redeemed and advances repaid		647,031	1,292,482	-71,837	1,867,676
	Contributions from operating income		1,963,023	1,524,203	-907,811	2,579,415
	Grants and subsidies		6,652,262	541,441	244,021	7,437,724
	NET FIXED ASSETS		28,732,119	-172,482	909,823	27,649,814

**APPENDIX D
ANALYSIS OF OPERATING INCOME AND EXPENDITURE
FOR THE YEAR ENDED 30 JUNE 2004**

Actual 2003 R		Actual 2004 R	Budget 2004 R
INCOME			
31,788,277	Grants and subsidies	121,991,589	82,798,253
26,893,057	- Central Government	110,610,040	78,397,746
4,895,220	- Provincial Government	11,381,549	4,400,507
11,158,837	Operating income:	13,577,993	10,872,404
-	- Assessment rates	-	-
-	- Sale of water	-	-
11,158,837	- Other service charges	13,577,993	10,872,404
42,947,114	Total Income	135,569,582	93,670,657
EXPENDITURE			
11,315,319	Salaries, wages and allowances	15,096,840	18,105,712
10,318,848	General expenses:	22,331,652	20,742,491
-	- Purchase of water	12,195,262	9,800,000
12,373	- Contribution to local authorities	681,997	491,115
10,306,475	- Other general expenses	9,454,393	10,451,376
782,223	Repairs and maintenance	1,060,061	789,050
3,025,886	Capital charges	4,701,572	1,934,227
406,209	Contributions to fixed assets	616,389	4,089,635
20,536,669	Contributions	88,345,726	48,482,780
331,658	Agency services	18,579	17,000
46,716,812	Gross expenditure	132,170,819	94,160,895
-3,954,611	Less: Amounts charged out	-647,222	-490,238
42,762,201	Net expenditure	131,523,597	93,670,657

APPENDIX E
DETAILED INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2004

2003	2003	2003		2004	2004	2004	2004
Actual Income	Actual Expenditure	Surplus / (deficit)		Actual Income	Actual Expenditure	Surplus / (deficit)	Budget Surplus / (deficit)
R	R	R		R	R	R	R
46,570,067	46,385,154	184,913	RATES AND GENERAL SERVICES	136,198,225	132,152,241	4,045,984	-
43,774,067	41,981,658	1,792,409	Community services	132,107,113	128,427,884	3,679,229	-
52,924	714,108	-661,184	Office of the Executive Mayor	3,677,051	2,890,868	786,183	-
30,950	505,853	-474,903	Office of the Speaker	659,000	374,564	284,436	-
446,950	2,455,628	-2,008,678	Other Councillor Expenses	941,045	876,366	64,679	-
-	1,008,786	-1,008,786	Office of the Municipal Manager	760,862	691,057	69,805	-
67,881	643,483	-575,602	Integrated Development Planning	699,560	159,636	539,924	-
-	876	-876	Internal Audit	452,299	382,479	69,820	-
23,617,618	7,976,644	15,640,974	Finance	17,007,765	14,962,683	2,045,082	-
510,793	600,788	-89,995	Official Vehicles	647,222	647,227	-5	-
1,464,417	3,501,737	-2,037,320	Administration	3,156,986	4,388,390	-1,231,404	-
1,800	529,594	-527,794	Human Resources	731,681	568,250	163,431	-
459,862	920,249	-460,387	Office Buildings	1,341,046	837,486	503,560	-
6,000	259,762	-253,762	Council Housing	165,698	31,283	134,415	-
			PIMS	1,300,000	1,300,000	-	-
1,767,562	2,950,281	-1,182,719	Fire Fighting Services - Taung	2,704,034	2,754,280	-50,246	-
			Fire Fighting Services - Kagisano	427,862	67,518	360,344	-
			Fire Fighting Services - Molopo	415,535	86,635	328,900	-
15,347,310	18,777,505	-3,430,195	Engineering Services	89,716,780	92,357,280	-2,640,500	-
-	687,255	-687,255	Local Economic Development	5,553,277	3,697,614	1,855,663	-
-	159,155	-159,155	Tourism, Airports and Passenger	804,769	227,307	577,462	-
-	277,581	-277,581	Agriculture	454,364	444,964	9,400	-
-	12,373	-12,373	Contribution to Local Authorities	490,277	681,997	-191,720	-
2,796,000	4,403,496	-1,607,496	Subsidized services	4,091,112	3,724,357	366,755	-
610,941	988,827	-377,886	Environmental Health	906,589	710,338	196,251	-
209,918	409,620	-199,702	Environmental Health - Ganyesa	304,015	335,382	-31,367	-
1,375,141	2,405,049	-1,029,908	Clinics	2,265,687	1,964,824	300,863	-
600,000	600,000	-	Disaster Management	614,821	713,813	-98,992	-
-	-	-	Economic services	-	-	-	-
-	-	-	Cleaning	-	-	-	-
-	-	-	TRADING SERVICES	-	-	-	-
-	-	-	Water	-	-	-	-
331,658	331,658	-	AGENCY SERVICES	18,579	18,579	-	-
331,658	331,658	-	Ambulances	18,579	18,579	-	-
46,901,725	46,716,812	184,913	TOTAL	136,216,804	132,170,820	4,045,984	-
		-627,032	Appropriations for the year (refer to note 14)			-1,723,861	
		-442,119	Net surplus / (deficit) for the year			2,322,123	
		1,269,748	Accumulated surplus / (deficit): beginning of the year			827,629	
		827,629	ACCUMULATED SURPLUS / (DEFICIT) : END OF THE YEAR			3,149,752	

**APPENDIX F
STATISTICAL INFORMATION**

a) General Statistics

(i)	Population	439,674
(ii)	Number of levy payers on 30 June 2004	5,660
(iii)	Levy rate	
	- regional services levy	0.28%
	- regional establishment levy	0.12%
(iv)	Number of employees in service on 30 June 2004	82

b) Water Statistics (Mareetsane service transferred to Central District Municipality)

(i)	Number of residential users	-
	Number of commercial users	-
(ii)	Units bought / purified	-
(iii)	Units sold	-
(iv)	Units lost in distribution	-
(v)	Units lost in distribution as % of (iv)	-
(vi)	Cost per unit sold	-