

**MOPANI DISTRICT MUNICIPALITY**

**FINANCIAL STATEMENTS FOR THE YEAR**

**ENDED 30 JUNE 2005**

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## **GENERAL INFORMATION**

### **MEMBERS OF MAYORAL COMMITTEE:**

Councilor M.H. Mokgobi (Chairperson)

Councilor TJS Sibanda

Councillor MN Makhurupetsi

Councillor NP Lebepe

Councillor NV Mathonsi

Councillor GM Mushwana

Councillor SV Mathye

Councillor CAN Meletse

### **GRADING OF THE LOCAL AUTHORITY**

Grade 4

### **AUDITORS**

Office of the Auditor General

### **BANKERS**

ABSA BANK

### **REGISTERED OFFICE**

Main Road

Government Buildings

Giyani

Private Bag X 9687

Giyani

0826

Tel: (015) 811 6300

Fax: (015) 812 4301

### **APPROVAL OF FINANCIAL STATEMENTS**

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Maake MT  
Municipal Manager

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Date

## **PREFACE**

Mopani District Municipality is one of the new District Municipalities in the province that was established with effect from December 2000 due to the demarcation process.

A Deputy Director Finance was appointed during July 2002. He was acting as the Director Finance until the 30th April 2005. The Chief Financial Officer was appointed on the 1st May 2005. The Municipal Manager resigned on the 30th June 2004. Mr MT Maake was appointed as the Acting Municipal Manager from the 1st July 2004 until the 30th April 2005. He was appointed as the Municipal Manager on the 1st May 2005. On the same date the Director Technical Services was also appointed.

Some positions were filled during the period.

Naldev Agency was still performing the registration of unregistered businesses as well as performing the billing and revenue collection within Mopani District Municipality's area of jurisdiction during the this financial period.

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**Mokgolobotho MM**  
**Chief Financial Officer**

**REPORT OF THE OFFICE OF THE AUDITOR-GENERAL**

# REPORT OF THE DIRECTOR FINANCE

## 1. INTRODUCTION

Deputy Director of Finance was appointed in July 2002. The vacant post of Chief Financial Officer was filled with effect from 1st May 2005.

Mopani received a Municipal Infrastructure Grant for the purposes of financing Capital projects. This fund was managed by the Director Technical services.

Revenue generated by the Municipality consists of Regional Services Council levies collected, donations received, investment income, interest received on bank accounts and the sale of tender documents. The Major Income of the Municipality is from the grants.

## 2. OPERATING RESULTS

Details of operating results per department, classification and object of expenditure are included in appendices C and D. The overall operating results for the year ended 30 June 2005 are as follows:

	Actual 2005 R	Actual 2004 R	Variance 2004/2005 %
<b>INCOME</b>			
Opening Surplus	98,968,889	43,033,680	
Operating income, including grants	98,801,881	153,288,019	-35.54
	197,770,770	196,321,699	
<b>EXPENDITURE</b>			
Operating expenditure for the year	65,068,282	109,918,692	-40.80
Appropriations	2,763,128	-12,565,880	
Closing Surplus	129,939,360	98,968,887	
<b>NET PROFIT FOR THE YEAR</b>	30,970,471	55,935,207	-44.63

## 3. CAPITAL EXPENDITURE AND FINANCING

	2005	2004
Machine and equipment	220,570	220,570
Computers	403,615	403,615
Furniture and equipment	258,619	258,619
Vehicles	191,597	191,597
	1,074,401	1,074,401

A complete analysis of capital expenditure per department, classification or service is included in appendix B.

## **REPORT OF THE DIRECTOR FINANCE (continue)**

### **4. FUNDS AND RESERVES AND CASH**

#### **4.1 FUNDS**

The movement regarding trust funds is detailed in Appendix A.

#### **4.2 INVESTMENTS**

Investments consist of money invested at the following institutions:

ABSA Bank - Call account

ABSA Bank - Fixed term Deposits

STANLIB - Money Market Fund, endowment policy and Monthly Investment

PEOPLES Bank - Fixed term Deposit

FIRST NATIONAL BANK 32 days call account

NEDBANK Call account

#### **4.3 CREDITORS**

Increase in Creditors was mainly due the purchase of capital items at the end of June 2004 and paid in the next Financial Year

## ACCOUNTING POLICIES

### 1. Basis of presentation

These financial statements have been prepared conforming to the standards laid down by the Institute of the Municipal Finance Officers in its code of Accounting Practice (1997) and Report on Published Annual Financial Statements (Second Edition January 1

1.1 The annual financial statements are prepared on the historical cost basis.

1.2 The financial statements are prepared on the accrual principle:

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

### 2. Consolidation

The Balance Sheet includes Regional Services Council Levies and different funds, reserves and provisions. All inter-departmental charges are set-off against each other.

### 3. Fixed assets

3.1 Fixed assets are stated at historical costs while they are in existence and fit for use.

3.2 Non-substantial fixed assets are written off against income at the date of purchase and are controlled by asset inventory sheets.

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

- 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.

3.4 The acquisition of fixed assets was financed from the transitional fund and from equitable share

### 4. Funds and Reserves

4.1 Capital Development Fund

No allocation has been made to the Capital Development Fund.

4.2 Recognition

RSC levies are accounted for when billed and adjustments have been made on receipt of client information. Funds and reserves are accounted for when they become receivable.

The portion of the reserve or grant that is expensed during the period is recognised as deferred income in the Income Statement and the balance on hand is reflected in the Balance sheet.

Mopani District Municipality and its employees contribute to the Municipal Gratuity Fund, National Fund For Municipal Workers, Municipal Employees Pension Fund or the IMATU Retirement Fund, all of which provide retirement benefits to the employees. The funds are subject to the Pension Funds Act, 1956.



**MOPANI DISTRICT MUNICIPALITY  
BALANCE SHEET AT 30 JUNE 2005**

	Notes	2005 R	2004 R
<b>CAPITAL EMPLOYED</b>			
RETAINED SURPLUS	1	129,939,360	98,968,888
		<u>129,939,360</u>	<u>98,968,888</u>
<b>EMPLOYEMENT OF CAPITAL</b>			
FIXED ASSETS	2		
LONG TERM INVESTMENT	3	3,950,214	1,176,799
NET CURRENT ASSETS/(LIABILITIES)		125,989,145	97,792,090
<b>CURRENT ASSETS</b>			
Debtors	4	141,879,878	144,989,442
Cash & Bank	5	20,671,187	8,873,977
Short term portion of long term debtors	3	-	2,000
Short term investments	6	121,208,692	136,113,465
<b>CURRENT LIABILITIES</b>			
Bank Overdraft	5	15,890,733	47,197,352
Creditors	8	7,035,834	3,994,202
Provisions	9	7,886,375	42,209,486
		968,524	993,665
		<u>129,939,360</u>	<u>98,968,888</u>

**MOPANI DISTRICT MUNICIPALITY  
INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2005**

	<b>2005 Actual Income</b>	<b>2005 Actual Expenditure</b>	<b>2005 Surplus (Deficit)</b>	<b>2004 Actual Income</b>	<b>2004 Actual Expenditure</b>	<b>2004 Surplus (Deficit)</b>
Regional Services Council	R 98,801,881	R (65,068,282)	R 33,733,599	153,288,016	109,918,689	263,206,705
Community Services	98,801,881	(65,068,282)	33,733,599	153,288,016	109,918,689	263,206,705
Other Services	-	-	-	-	-	-
<b>TOTAL</b>	<b>98,801,881</b>	<b>(65,068,282)</b>	<b>33,733,599</b>	<b>153,288,016</b>	<b>109,918,689</b>	<b>263,206,705</b>
Surplus / (Deficit) for the current year			<u>33,733,599</u>			<u>43,369,328</u>
Accumulate surplus beginning of the year			98,968,889			43,033,680
Appropriations			<u>(2,763,128)</u>			<u>12,565,880</u>
<b>ACCUMULATED SURPLUS END OF THE YEAR</b>			<b><u>129,939,360</u></b>			<b><u>98,968,888</u></b>

**MOPANI DISTRICT MUNICIPALITY**  
**CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2005**

	Notes	2005 R	2004 R
CASH RETAINED FROM OPERATING ACTIVITIES:		-15,174,990	66,113,987
Cash generated by operations	10	30,970,471	55,935,208
(Increase)/Decrease in working capital	11	-46,145,461	10,178,779
Acquisition of fixed assets	12	-	-
Cash Resources end of the year		(15,174,990)	66,113,987
 CASH EFFECT OF FINANCING ACTIVITIES			
Opening balance			
(Increase)/Decrease in investment	13	12,131,358	(70,917,593)
(Increase)/Decrease in cash	14	3,043,632	4,803,606
		15,174,990	(66,113,987)

**MOPANI DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2005**

	<b>2005</b>	<b>2004</b>
	<b>R</b>	<b>R</b>
<b>1. APPROPRIATIONS</b>		
Retained surplus at the beginning of the year	98,968,889	43,033,680
Operating surplus for the year	33,733,599	43,369,328
Adjustment for previous periods	(2,763,128)	12,565,880
	<u>129,939,360</u>	<u>98,968,888</u>
<b>2. FIXED ASSETS</b>		
Fixed assets at the beginning of the year	11,497,382	10,422,990
Capital expenditure during the year	3,520,709	1,074,391
Less: Assets written off, transferred or disposed during the year	-	-
	<u>15,018,091</u>	<u>11,497,381</u>
Less: Loans redeemed and other capital receipts	<u>15,018,091</u>	<u>11,497,381</u>
<b>Net Fixed Assets (See Appendix B)</b>	<u>(0)</u>	<u>-</u>
<b>3. LONG TERM INVESTMENT</b>		
Investment Stanlib (see note 7)	3,950,214	1,176,799
Vehicle loan	-	-
	<u>3,950,214</u>	<u>1,176,799</u>
<b>4. DEBTORS</b>		
Consumer Debtors	29 2,910,225	3,661,549
Councilors Pension Fund Contribution	59 137,720	137,720
Sundry debtor	28 17,623,241	4,958,452
Short term portion of long term debtors	30 0	116,255
	<u>20,671,187</u>	<u>8,873,977</u>

**MOPANI DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2005 (Continue)**

	2005	2004
<b>5. CASH</b>		
ABSA Tzaneen	32 -7,037,834	(3,994,202)
Petty Cash	33 2,000	2,000
	(7,035,834)	(3,992,202)
Add back: Bank Overdraft		(3,994,202)
Cash on hand	<u>7,035,834</u>	<u>(2,000)</u>
<b>6. SHORT TERM INVESTMENT</b>		
Short-term Investment : Peoples Bank	35 0	5,831,554
Short-term Investment : Nedbank	37 11,587,232	20,452,110
Short-term Investment : FNB	38 21,348,729	20,477,729
Stanlib Life Policy	39 0	-
Short-term Investment : Standard Bank	36 24,005,472	12,855,809
ABSA Bank - Fixed deposit	34 63,557,505	69,943,012
ABSA Bank - Call account	31 709,754	6,553,250
	<u>121,208,692</u>	<u>136,113,465</u>
<b>7. LONG TERM INVESTMENT</b>		
Stanlib Life Policy	53 2,036,654	600,385
Long-term Investment - Standard Bank	52 1,913,561	576,413
	<u>3,950,214</u>	<u>1,176,799</u>
<b>INVESTMENTS</b>	<u>125,158,906</u>	<u>137,290,264</u>
Investment in a Guaranteed Fund at Stanlib, @ R100 000.00 p.m. for 5 years. Endowment policy with Stanlib @ R100 000.00 p.m. for 5 years.		
<b>8. CREDITORS</b>		
Retention	44 2,992,457	2,992,457
	4,893,918	39,217,029
Sundry Creditors	40 3,332,094	8,370,968
Sundry Creditors Cheques 61,62 Written Back	60 500	500
Creditors: Salaries	41 193,189	634,129
Creditors: Vehicle Loans	42 0	55726.7
Projects: Work In Progress - (Technical)	45 0	600000
Projects: Work In Progress - (SIP)	58 0	400000
SARS - VAT	43 0	-
Transition fund	(0)	(0)
Establishment fund	-	-
CMIP	(0)	2,442,403
PIMS	0	0
MIG	1,368,135	
Equitable Share	0	0
Conditional grant - Provisional (DWAF)	-	16,108,294
Conditional grant (CBPWP)	-	9,648,605
Unconditional Reserve - MISG	-	956,404
	<u>7,886,375</u>	<u>42,209,486</u>

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**MOPANI DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2005 (Continue)**

	2005	2004
	R	R
<b>9. PROVISIONS</b>		
Leave Provisions	46 468,524	493,665
Bursary Fund	47 500,000	500,000
	<u>968,524</u>	<u>993,665</u>
<b>10. CASH GENERATED BY OPERATIONS</b>		
(Deficit)/Surplus for the year	33,733,599	43,369,328
Adjustment for:		
Previous period transactions	(2,763,128)	12,565,880
2003/2004 adjustments	29,032	19,322
Contribution to councilors pension fund		137,720
Refund Consultants		62,079
Transfer of reserve funds to income		16,917,601
Adjustment to creditors list		(147,620)
Stale cheques		179,006
Technical Grant Provision Spent	600,000	
S I P Grant Provision Spent	400,000	
Previous Year Payments - Creditors	(580,275)	
Cheques duplicated		(494,837)
Donation Naldev		7,000
Debtors 2003/2004	(3,211,885)	(4,114,391)
	<u>30,970,471</u>	<u>55,935,208</u>
<b>11. MOVEMENT IN WORKING CAPITAL</b>		
(Increase)/Decrease in Debtors and Long term Debtors	(11,797,210)	(4,524,850)
(Decrease)/Increase in Provisions	(25,141)	707,252
(Decrease)/Increase in Creditors	(34,323,111)	13,996,376
	<u>(46,145,461)</u>	<u>10,178,779</u>

**MOPANI DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2005 (Continue)**

	<b>2005</b>	<b>2004</b>
	<b>R</b>	<b>R</b>
<b>12. ACQUISITION OF FIXED ASSETS</b>		
Contribution to fixed assets	3,520,709	951,196
	<u>3,520,709</u>	<u>951,196</u>
<b>13. (INCREASE)/DECREASE IN INVESTMENTS</b>		
(Increase)/Decrease in ABSA - Short term investment	6,385,507	(23,707,136)
(Increase)/Decrease in Standard Bank - Short term investment	(11,149,663)	(1,137,911)
(Increase)/Decrease in Peoples Bank - Short term investment	5,831,554	(541,937)
(Increase)/Decrease in Nedbank - Short term investment	8,864,878	(20,452,110)
(Increase)/Decrease in FNB - Short term investment	(871,000)	(20,477,729)
(Increase)/Decrease in Stanlib - Policy	(1,436,269)	(600,385)
(Increase)/Decrease in Standard Bank - Long term investment	(1,337,148)	(576,413)
(Increase)/Decrease in ABSA - Call Account	5,843,496	(3,423,970)
	<u>12,131,357</u>	<u>(70,917,593)</u>
<b>14. (INCREASE)/DECREASE OF CASH ON HAND</b>		
Cash balance at the beginning of the year	(3,992,202)	811,404
Less : Cashbalance at the end of the year	<u>(7,035,834)</u>	<u>(3,992,202)</u>
	<u>3,043,632</u>	<u>4,803,606</u>

**MOPANI DISTRICT MUNICIPALITY  
APPENDIX A**

**STATUTORY FUNDS, TRUST FUNDS AND RESERVES**

				Balance at 30.6.2004	Grants during the year	Contributions Own Income	Operating Expenditure during the year	Capital Expenditure during the year	Balance at 30.6.2005	
				R	R	R	R	R	R	
<b>TRUST FUNDS</b>										
Transitional grant	1	2	4	3	(0)	0	0	0	(0)	
Establishment fund	5	6	8	7	-	0	0	0	-	
CMIP	20	21	23	22	2,442,403	0	0	-2,442,403	(0)	
PIMS	9		11	10	0	0	0	0	0	
MIG	61	62	63	64	0	110,378,919	0	0	1,368,135	
Equitable Shares	12	13	15	14	0	0	0	0	0	
Conditional grant - Provisional (DWAF)	24	25	27	26	16,108,294	0	0	-16,108,294	-	
Conditional grant - Provisional (CBPWP)	16	17	19	18	9,648,605	0	0	-9,648,604	-	
Unconditional Reserve - MSIG	54	55	57	56	956,404	0	0	-956,404	-	
					29,155,705	110,378,919	-	(29,155,704)	(109,010,785)	1,368,134

PIMS will be replaced by MSIG in 2004 / 2005





<b>MOPANI DISTRICT MUNICIPALITY</b>				
<b>APPENDIX C</b>				
<b>ANALYSIS OF INCOME AND EXPENDITURE FOR THE YEAR ENDED 30 JUNE 2005</b>				
		<b>2005</b>	<b>2005</b>	<b>2004</b>
		<b>BUDGET</b>	<b>ACTUAL</b>	<b>ACTUAL</b>
		<b>R</b>	<b>R</b>	<b>R</b>
<b>INCOME</b>				
<b>Grants and subsidies</b>		<b>53,715,000.00</b>	<b>55,836,067</b>	<b>111,561,677</b>
- Conditional grant (CBPWP)			0	14,459,942
- CMIP fund			0	27,989,488
- MSIPG		3,656,000.00	1,687,500	3,182,647
- MIG Grant				
- Conditional grant (DWAF)		4,000,000.00	7,834,578	25,945,500
- Technical Projects			0	1,000,000
- Facilitation Grant			0	
- Capacity Building Grant			0	
- BSRPG Sport			0	
- Public Transport Grant			0	
- PIMS fund				
- LGFM		250,000.00	250,000	
- IDP Plan			182,336	
- LGW SETA			78,968	
- Establishment fund				
- Equitable shares		45,809,000.00	45,802,685	38,984,100
- Transition fund				
<b>Operating Income</b>		<b>57,701,079.00</b>	<b>42,965,814</b>	<b>41,726,339</b>
- Interest received		110,000.00	273,785	477,097
- Interest Motor Loans				12,502
- Regional Services Council Levies		49,428,929.00	29,770,571	32,193,628
- Donations				
- Investment Income		6,000,000.00	8,619,364	7,549,745
- Other Income		2,162,150.00	4,302,094	1,493,367
<b>TOTAL INCOME</b>		<b>111,416,079.00</b>	<b>98,801,881</b>	<b>153,288,016</b>
<b>EXPENDITURE</b>				
Salaries and wages		40,551,321.00	21,265,821	16,329,747
Council Remuneration		2,481,288.00	2,435,360	2,364,327
General Expenses		36,298,099.00	37,462,948	17,758,581
Repair and Maintenance		5,061,000.00	372,794	307,839
Contribution to Capital Outlay		39,055,190.00	3,526,359	1,074,391
Special Projects			0	45,580,877
Contribution to Funds			5,000	112,296,536
Charged Out		-21,576,582.00	0	-85,793,609
<b>TOTAL EXPENDITURE</b>		<b>101,870,316.00</b>	<b>65,068,282</b>	<b>109,918,689</b>
<b>NET SURPLUS</b>		<b>9,545,763.00</b>	<b>33,733,599</b>	<b>43,369,327</b>

<b>MOPANI DISTRICT MUNICIPALITY</b>				
<b>APPENDIX D</b>				
<b>DETAILED INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2005</b>				
		<b>2005</b>	<b>2005</b>	<b>2005</b>
		<b>Actual</b>	<b>Actual</b>	<b>Surplus/ (Deficit)</b>
		<b>Income</b>	<b>Expenditure</b>	
		<b>R</b>	<b>R</b>	<b>R</b>
<b>Regional Services Council</b>				
<b>Community Services</b>				
General Council		1,823,014	-5,249,686	(3,426,672)
Municipal Manager		0	-3,809,563	(3,809,563)
Strategic Support Unit		1,587,500	-913,562	673,938
Finance		87,129,774	-9,227,950	77,901,824
Planning & Development		0	-1,554,442	(1,554,442)
LED		0	-1,202,499	(1,202,499)
IDP		0	-804,701	(804,701)
Technical Services		343,875	-3,210,042	(2,866,167)
Water Services		7,834,578	-17,125,467	(9,290,889)
Electrical Services		0	-1,211	(1,211)
Road Services		0	-944	(944)
Project Management			-5,790	(5,790)
Community Services		0	-1,143,611	(1,143,611)
Fire Services		4,172	-8,391,644	(8,387,472)
Disaster Management		0	-2,323,681	(2,323,681)
Health Services		0	-936,405	(936,405)
Corporate Services		0	-1,412,913	(1,412,913)
HR Management		78,968	-1,072,432	(993,464)
Administration Services		0	-3,197,284	(3,197,284)
Legal Services		0	-2,431,133	(2,431,133)
Office of the Executive Mayor		0	-1,049,027	(1,049,027)
CBPWP		0	-897	(897)
CMIP		0	0	-
District Co-Ordination		0	-3,396	(3,396)
Capacity Building		0	0	-
<b>TOTAL</b>		<b>98,801,881</b>	<b>(65,068,282)</b>	<b>33,733,599</b>
Less: Appropriations				-2,763,128
<b>TOTAL AFTER APPROPRIATIONS</b>				<b>30,970,471</b>
Accumulated surplus beginning of the year				98,968,889
<b>ACCUMULATED SURPLUS END OF THE YEAR</b>				<b>129,939,360</b>