

METSWEDING DISTRICT MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS for the year ended 30 June 2005



METSWEDING DISTRICT MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS for the year ended 30 June 2005

<u>Contents</u>	<u>Page</u>
General Information and approval of Annual Financial Statements	1
Report of the Auditor-General	3
Report of the Municipal Manager	4
Balance Sheet	9
Income Statement	10
Cash Flow Statement	11
Accounting Policies	12
Notes to the Annual Financial Statements	14
Appendix A - Analysis of Property, Plant and Equipment	22
Appendix B – Segmental Analysis of Property, Plant and Equipment	23
Appendix C - Analysis of Operating Revenue and Expenses	24
Appendix D - Segmental Income Statement	25
Appendix E - Statistical Information	26



METSWEDING DISTRICT MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS: GENERAL INFORMATION for the year ended 30 June 2005

EXECUTIVE MAYOR

Councillor M.O. Maila

SPEAKER OF THE COUNCIL

Councillor R. Sibanyoni

MEMBERS OF THE MAYORAL COMMITTEE

Councillor A. Mlondobozi

Councillor PM Mohotlane

Councillor O.A. Nkabinde

MEMBERS OF THE METSWEDING DISTRICT MUNICIPALITY

Councillor J.R. Boot

Councillor W.C. Durand (until 31 March 2005)

Councillor R.M. Mello (until 31 December 2004)

Councillor C.R. Mokgawa

Councillor D. Motaung

Councillor E.N. Myataza

Councillor R.G.P. Opperman

Councillor P.J.F. Roos

Councillor T.J. Rossouw

MUNICIPAL MANAGER

Mr. E.V. Sweeney (acting w.e.f. 01 May 2004 – 31 July 2004)

Mr. C.A. Chikane (w.e.f. 01 August 2004)

CHIEF FINANCIAL OFFICER

Mr. E.V. Sweeney



METSWEDING DISTRICT MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS: GENERAL INFORMATION for the year ended 30 June 2005

GRADING OF THE LOCAL AUTHORITY

Grade 4 for the purpose of the remuneration of councillors and grade 8 for the purpose of remuneration of officials.

AUDITORS

Auditor – General

BANKERS

ABSA Bank Limited

REGISTERED OFFICE

Lazarus Building
43 Lanham Street
Bronkhorstspuit

POSTAL ADDRESS

Private Bag X10579
Bronkhorstspuit
1020

CONTACT DETAILS

Tel: (013) 932 5121/3/4
Fax: (013) 932 1796

APPROVAL OF ANNUAL FINANCIAL STATEMENTS

The annual financial statements set out on pages 9 to 21 were approved and resubmitted by the Municipal Manager on 13 September 2006.

Mr. C.A. Chikane
MUNICIPAL MANAGER
13 September 2006

Mr. E.V. Sweeney
CHIEF FINANCIAL OFFICER
13 September 2006



REPORT OF THE AUDITOR-GENERAL TO THE COUNCIL ON THE FINANCIAL STATEMENTS OF THE METSWEDING DISTRICT MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2005

1. AUDIT ASSIGNMENT

The financial statements as set out on pages 9 to 21 for the year ended 30 June 2005, 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 accounting 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 present fairly, in all material respects, the financial position of Metsweding District Municipality at 30 June 2005 and the results of its operations and its cash flows for the period then ended, in accordance with the Generally Accepted Municipal Accounting Practice, as described in the accounting policy note 1 to the

financial statements, and in the manner required by the Municipal Finance management Act, 2003 (Act No.56 of 2003)

4. EMPHASIS OF MATTER

Without qualifying the audit opinion expressed above, attention is drawn to the following:

4.1 Internal control weaknesses

4.1.1 Section 62 (1)(c) of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003), requires that the accounting officer is responsible for financial administration, and must take all reasonable steps to ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal controls. The finance team consisted of three people, two of which were family members. This could lead to a potential conflict of interest due to the personal relationship between staff.

4.1.2 Due to capacity constraints, a number of incompatible duties were performed by the same individual.

4.2 Late submission of annual financial statements

Contrary to section 126 (1)(a) of the MFMA the annual financial statements were signed by the Accounting Officer and submitted for audit on 20 September 2006.

4 APPRECIATION

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

Ms. MA Masemola for Auditor-General

Johannesburg

31 March 2007



A U D I T O R - G E N E R A L

METSWEDING DISTRICT MUNICIPALITY

REPORT OF THE MUNICIPAL MANAGER for the year ended 30 June 2005

The Metsweding District Municipality was established as a cross-boundary category C municipality on 5 December 2000 by the Members of the Executive Councils (MEC's) responsible for local government in the Gauteng and Mpumalanga provinces, per notice 6767 of 2000 as published in the provincial gazette extraordinary no. 141 of 01 October 2000, in terms of Section 12 of the Municipal Structures Act, Act No. 117 of 1998. The Local Municipalities of Kungwini and Nokeng tsa Taamane were established as category B municipalities within the jurisdiction of Metsweding.

The year ended 30 June 2005 has been the fourth year of operations for the Metsweding District Municipality. Revenue from Regional Services Council levies has increased by 2.57%. Interest received has decreased by 19.15% mainly due to a reduction in interest rates. Grants and subsidies have increased by 10.69%. During the 2003/04 financial year the Gauteng Department of Health appointed the Metsweding District Municipality as the appointed agent of the Department to provide Emergency Medical Services (Ambulance Services). The Service is funded in total by the Gauteng Health Department. Management is of the opinion that the increase in revenue from Regional Services Councils levies has reached a plateau. Interest received will not be sustained on the same levels, due to an envisaged outflow of cash to fund increased development aid activities, as well as a substantial drop in rates.

Regional services (Section 12(6)(a) of Act 109 of 1985) have decreased by 7.40%. Capital Transfers to Local B Municipalities have decreased by 19.08% mainly due to project savings and roll-overs. Operational Transfers to Local B Municipalities have increased by 66.01% mainly due to an increase in humanitarian relief, specifically emergency sanitation services.

The Ekurhuleni Metropolitan Municipality was authorised by the MEC responsible for local government in the Gauteng Province to administer and collect the Regional Services Council Levies for and on behalf of the Metsweding District Municipality. This authorisation has continued for the year under review. Unfortunately, records received from Ekurhuleni proved to be unreliable to the extent that it influenced the completion of the financial statements. In essence RSC Levy Debtors as well as RSC Levy Creditors (Debtors with Credit Balances) were being overstated by considerable margins (see Note 19). RSC levy debtors were thus stated in the 2004 annual financial statements at 2003 figures. Following a reconstruction of all accounts it was found that levy debtors were overstated by R950,017 and levy debtors with credit balances were overstated by R1,213,410. The necessary adjustments were made to the 2004 financial statements as stated in Note 19.

The Metsweding District Municipality took over the collection and management of RSC Levies during April 2005.

An agency agreement was reached between the Metsweding District Municipality and the Kungwini Local Municipality whereby Kungwini administered certain corporate functions for Metsweding during the year under review.



METSWEDING DISTRICT MUNICIPALITY

REPORT OF THE MUNICIPAL MANAGER for the year ended 30 June 2005

1. KEY FINANCIAL INDICATORS: FINANCIAL STATISTICS

Balance sheet ratios and financial statements ratios

	2005	2004
Surplus/(Deficit) before appropriations	(R 3,834,333)	(R 8,750,110)
Surplus at the end of the year	R 21,875,002	R 21,003,600
Salaries and wages as % of Total expenses	32,42%	15,7%
Councillor remuneration as % of Total expenses	3,68%	3,2%
General Expenses as % of Total expenses	20,19%	21,1%
Repairs & Maintenance as % of Total expenses	0,33%	0,3%
Depreciation as % of Total expenses	0,95%	0,7%
Contributions as % of Total expenses	2,72%	17,5%
Regional services as % of Total expenses	5,52%	5,5%
Transfers to Municipalities - Capital as % of Total expenses	32,46%	35,8%
Transfers to Municipalities - Opex as % of Total expenses	0,64%	0,2%
Current ratio	1,8:1	1,6:1
Levy debtors days	53 days	91 days

2. POST BALANCE SHEET EVENTS

The Minister for Finance made public in his budget speech addressed to parliament on the 23rd February 2005 that Regional Services Council Levies will be replaced by a grant from the national fiscus with effect from 01 July 2006.



METSWEDING DISTRICT MUNICIPALITY

REPORT OF THE MUNICIPAL MANAGER for the year ended 30 June 2005

3. RECONCILIATION OF BUDGET TO ACTUAL

	2005 R	2004 R
3.1 Operating budget		
Budgeted surplus/(deficit) before appropriations	(7,321,138)	(5,244,215)
Revenue variances	(12,758,989)	8,614,617
Expense variance - Regional services	6,146,765	1,364,887
Expense variance - Development aid - Transfers	8,117,786	1,249,333
Expense variance - Operating expenses	1,981,243	(14,734,732)
Expense variances – Depreciation	276,792	124,335
Expense variances - General expenses	827,574	(4,811,429)
Expense variances - Repairs and maintenance	299,953	31,753
Expense variances - Salaries, wages and allowances	1,597,936	(1,833,992)
Expense variances – Contributions	(1,139,827)	(8,488,739)
Expense variances - Capital charges	618,000	243,341
Expense variances – Loss with disposal / write-off of fixed assets	(499,185)	-
Expense variances - Other expenses	-	-
Actual surplus/(deficit) before appropriations	(3,834,333)	(8,750,110)

Reasons for variances:

- Negative Revenue variance – Mainly due to a plateau reached with the collection of Regional Services Council levies, interest received due to a drop in rates and grant income not utilised, therefore deferred to future years.
- Positive Expense variance of Regional services deferred to the next budget.
- Positive Expense variance of Development aid – Transfers to Local B Municipalities deferred to the next budget and due to savings.
- Expense variance – Operating expenses
 - Positive Expense variances of Depreciation due to under spending on the Capital Budget.
 - Positive Expense variances of General expenses due to savings.
 - Positive Expense variances of Repairs and maintenance due to the asset base mainly consisting of new items.
 - Positive Expense variances of Salaries, wages and allowances due to unfilled vacancies.
 - Negative Expense variances of Contributions due to an increase in the bad debt provision to cover doubtful debt not known at the time of preparing the budget..
 - Positive Expense variances of Capital charges due to not taking up any loans to finance fixed assets.
 - Negative Expense variances of Loss with disposal / write-off of fixed assets which could not have been anticipated at the time of the budget.



METSWEDING DISTRICT MUNICIPALITY

REPORT OF THE MUNICIPAL MANAGER for the year ended 30 June 2005

3.2 Capital budget

	Land & Buildings	Office furniture	Office equipment	Other furniture and equipment	Motor vehicles	Computer and computer equipment
Budgeted Capital Expenses	17,100,000	-	-	-	750,000	-
Actual Expenses	810,000	76,001	121,843	54,085	404,500	165,653
Variiances	16,290,000	(76,001)	(121,843)	(54,085)	345,500	(165,653)

Reasons for variances:

- Positive Expense variances of land & buildings because of a decision not to acquire any additional land & buildings due to the uncertainty regarding the municipality's future at the time
- Negative Expense variances of office furniture & office equipment because of grant funding received and utilised towards the acquisition of assets in terms of the conditions of the grant, not known at the time of the budget.
- Negative Expense variances of other furniture and equipment because of grant funding received and utilised towards the acquisition of assets in terms of the conditions of the grant, not known at the time of the budget.
- Positive Expense variances of motor vehicles due to a decision not to purchase an additional vehicle.
- Negative Expense variances of computer and computer equipment because of grant funding received and utilised towards the acquisition of assets in terms of the conditions of the grant, not known at the time of the budget.

4. FINANCIAL FORECAST FOR THE FORTHCOMING YEAR

	Budget 2006	Actual 2005
A summary of the 2006 operating budget is as follows:		
Revenue	56,582,000	42,027,921
Regional functions	(12,290,644)	(2,530,749)
Transfers to Local B Municipalities – Capital	(21,768,900)	(14,886,284)
Transfers to Local B Municipalities – Operational	(200,000)	(294,170)
Operating expenses	(30,641,484)	(28,151,051)
Capital costs	-	-
Contributions	(230,000)	(1,249,827)
Councillor remuneration	(1,800,306)	(1,686,977)
Depreciation	(490,000)	(438,208)
General expenses	(8,794,276)	(9,258,226)
Repairs and maintenance	(166,000)	(151,047)
Salaries, wages and allowances	(19,160,902)	(14,867,581)
Loss with disposal / write-off of fixed assets	-	(499,185)
Surplus/(Deficit) before budgeted appropriations	(8,319,028)	(3,834,333)
Appropriation of non distributable reserves to off-set depreciation	331,000	377,456
Appropriation of distributable reserves	8,000,000	-
Prior year appropriations	-	4,443,392
Transfer to Asset Financing Fund	-	(115,113)
Surplus/(Deficit) for the year	11,972	871,402



METSWEDING DISTRICT MUNICIPALITY

REPORT OF THE MUNICIPAL MANAGER for the year ended 30 June 2005

	Budget 2006	Actual 2005
A summary of the 2006 capital budget is as follows:		
Community services	<u>1,344,000</u>	<u>1,632,083</u>
	<u>1,344,000</u>	<u>1,632,083</u>

5. INTER – GOVERNMENTAL TRANSFERS FOR THE YEAR ENDED 30 JUNE 2005

Inter - governmental transfer	Opening balance	Received	Expensed	Used to finance fixed assets	Closing balance	Purpose
Equitable Share	-	2,243,080	2,243,080	-	-	Unconditional
Gauteng – MSP	1,711,196	-	61,912	-	1,649,284	Institutional Support
National – LGTF	525,832	-	91,600	417,583	16,649	Establishment Costs
Gauteng – ITP	289,500	-	289,500	-	-	Integrated Transport Plan
Gauteng – LED	195,930	-	-	-	195,930	Local Economic Development
National – MIG	-	12,951,165	12,873,342	-	77,823	Infrastructure
City of Tshwane – PR/R11	105,938	-	-	-	105,938	Infrastructure – Pedestrian Bridge
Gauteng – HIV/Aids	765,500	1,250,000	902,039	-	1,113,461	HIV/Aids prevention
Gauteng – LED	2,700,000	-	-	-	2,700,000	Local Economic Development
Gauteng – LED	8,530,000	-	228,995	-	8,301,005	Local Economic Development
Gauteng – WW/S45	92,449	-	-	-	92,449	Infrastructure
National – Building for Sport & Recreation	640,254	1,096,135	405,183	-	1,331,206	Infrastructure – Sport Complex
National – MSIG	1,333,665	2,875,000	965,696	-	3,242,969	Municipal Systems Improvement
Gauteng – Capacity Building	1,647,155	-	681,326	-	965,829	Institutional Support – Master Plans
Gauteng – M3 Roads	(1,994,555)	1,994,555	-	-	-	Infrastructure – Roads
Gauteng – CU/PMS/P1 M2	(650,000)	650,000	-	-	-	Infrastructure – Roads
National – MFM	-	250,000	250,000	-	-	Financial Management
National – CMIP Capacity Building	7,333	-	-	-	7,333	Institutional Support – Infrastructure
Gauteng – Capacity Building	-	676,000	252,492	-	423,508	Institutional Support – Capacity Building
Gauteng – Railway Study	-	280,000	-	-	280,000	Railway Study
Gauteng – EMS	(2,191,750)	7,609,000	7,429,750	-	(2,012,500)	Emergency Medical Services Agency



METSWEDING DISTRICT MUNICIPALITY

BALANCE SHEET as at 30 June 2005

	NOTES	2005 R	2004 R
CAPITAL EMPLOYED			
STATUTORY FUNDS	1	1,408,512	1,697,899
NON DISTRIBUTABLE RESERVES	2	1,486,837	1,087,665
DISTRIBUTABLE RESERVES		21,875,002	21,003,600
Un-appropriated surplus		21,875,002	21,003,600
		<u>24,770,351</u>	<u>23,789,164</u>
TRUST FUNDS	3	-	-
		<u>24,770,351</u>	<u>23,789,164</u>
EMPLOYMENT OF CAPITAL			
PROPERTY, PLANT AND EQUIPMENT	4	2,567,580	1,918,345
NET CURRENT ASSETS		22,202,771	21,870,819
CURRENT ASSETS		49,914,174	57,594,651
Levy debtors	5	538,968	1,918,954
Other debtors	6	3,362,357	8,265,840
Deferred expenditure	7	-	1,115
Cash and cash equivalents	8	46,012,849	47,408,742
CURRENT LIABILITIES		27,711,403	35,723,832
Provisions	9	4,152,079	9,391,205
Creditors	10	3,063,273	7,795,347
Deferred income	11	20,496,051	18,537,280
		<u>24,770,351</u>	<u>23,789,164</u>



METSWEDING DISTRICT MUNICIPALITY

INCOME STATEMENT for the year ended 30 June 2005

	NOTES	2005 R	2004 R
(DEFICIT)/SURPLUS FROM ORDINARY ACTIVITIES			
Regional services		(3,834,333)	(8,750,110)
NET (DEFICIT)/SURPLUS FOR THE YEAR	12	(3,834,333)	(8,750,110)
NET (DEFICIT)/SURPLUS BEFORE APPROPRIATIONS			
		(3,834,333)	(8,750,110)
UNAPPROPRIATED SURPLUS AT BEGINNING OF THE YEAR		21,003,600	29,915,875
APPROPRIATIONS:			
Prior year appropriations	13	4,443,392	(305,584)
Transfer to Asset Financing Fund	14	(115,113)	(102,520)
Transfer from Non-Distributable Reserves	15	377,456	245,939
UNAPPROPRIATED SURPLUS AT END OF THE YEAR		21,875,002	21,003,600



METSWEDING DISTRICT MUNICIPALITY

CASH FLOW STATEMENT for the year ended 30 June 2005

	NOTES	2005 R	2004 R
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from levy payments, government and other sources		51,294,697	50,643,911
Cash paid to suppliers and employees		(54,894,946)	(49,860,929)
Cash generated / (utilised) from / (in) operations	16	(3,600,249)	782,982
Interest received		3,409,356	4,062,366
NET CASH FROM OPERATING ACTIVITIES		(190,893)	4,845,348
CASH FLOWS UTILISED IN INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(1,632,083)	(806,511)
Proceeds on disposal of fixed assets		9,500	-
NET CASH UTILISED IN INVESTING ACTIVITIES		(1,622,583)	(806,511)
CASH FLOWS FROM FINANCING ACTIVITIES			
(Decrease) in trust funds		-	(201,106)
Other capital receipts		417,583	806,628
NET CASH FROM FINANCING ACTIVITIES		417,583	605,522
NET INCREASE/(DECREASE) IN CASH & CASH EQUIVALENT	17	(1,395,893)	4,644,359



METSWEDING DISTRICT MUNICIPALITY

ACCOUNTING POLICIES for the year ended 30 June 2005

1. BASIS OF PRESENTATION

- 1.1 These annual financial statements have been prepared so as to conform to Generally Accepted Municipal Accounting Practice.
- 1.2 The annual financial statements have been prepared on the historical cost basis.

2. PROPERTY, PLANT AND EQUIPMENT

- 2.1 Property, plant and equipment is stated at cost less accumulated depreciation.
- 2.2 Major improvements to buildings, plant and equipment are capitalised. Maintenance and repairs are expensed when incurred.
- 2.3 Depreciation is calculated on cost, using the straight-line method over the estimated useful lives of the assets. The depreciation rates are based on the following estimated asset lives.

Community assets

Cemeteries	30 years
------------	----------

Other assets

Office furniture	7 years
Office equipment	3 years
Other furniture and equipment	3 to 5 years
Motor vehicles	5 years
Computer and computer equipment	3 to 5 years

3. RETIREMENT BENEFITS

- 3.1 The municipality provides retirement benefits for its employees and councillors. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year they become payable. The municipality associates with defined contribution funds, under the protection of the Registrar of Pension Funds.



METSWEDING DISTRICT MUNICIPALITY

ACCOUNTING POLICIES for the year ended 30 June 2005

4. REVENUE RECOGNITION

- 4.1 Revenue from levies is recognised when the legal entitlement to this revenue arises. This entitlement arises on the payment due date as reflected on the RSC4 declaration, alternatively upon receipt when no RSC4 declaration is made whilst it is certain that the economic benefits have flown to the municipality. If no RSC4 declaration was made, revenue so recognised is proportionately split between Regional Establishment Levies (82.48%) and Regional Services Levies (17.52%). Collection charges are recognised when such amounts are legally enforceable. Interest on unpaid levies is recognised on a time proportion basis.
- 4.2 Interest is recognised on the time proportion basis that takes into account the effective yield on assets.
- 4.3 Amounts received from government and donors for the purpose of acquiring items of property, plant and equipment are classified as capital receipts and credited to non-distributable reserves. These amounts are released to the income statement over the estimated life of the item of property, plant and equipment acquired.
- 4.4 Amounts received from government and donors for the purpose of operating expenses are classified as deferred income. These amounts are released to the income statement when the corresponding expenses are incurred.

5. SEGMENTAL INFORMATION

- 5.1 The principle segments have been identified on a primary basis by service operation and on a secondary basis by the classification of income and expenditures. The primary basis is representative of the internal structure for both budgeting and management purposes. The secondary basis classifies all operations based on the classification of income and expenditure.

6. INTERNAL FINANCING OF PROPERTY, PLANT AND EQUIPMENT

- 6.1 In order to finance the provision of items of property, plant and equipment, amounts are set aside from unappropriated surpluses in the Asset Financing Fund (AFF). A total contribution, based on 1% of the revenue from RSC levies received during the previous financial year is made towards the Asset Financing Fund.



METSWEDING DISTRICT MUNICIPALITY

NOTES TO ANNUAL THE FINANCIAL STATEMENTS for the year ended 30 June 2005

	2005 R	2004 R
1. STATUTORY FUNDS		
Asset Financing Fund	<u>1,408,512</u>	<u>1,697,899</u>

Movements in funds are reconciled as follows:

Asset Financing Fund

Balance at the beginning of the year	1,697,899	1,595,378
Contributions charged to income	115,113	102,521
Cash utilised to finance property, plant and equipment	<u>(404,500)</u>	-
Balance at the end of the year	<u>1,408,512</u>	<u>1,697,899</u>

The purpose of the Asset Financing Fund is to set aside cash to finance fixed asset additions from internal sources. The contribution to the AFF is based on the Integrated Development Plan financing requirements. When cash is used to finance property, plant and equipment a corresponding amount is transferred to a non-distributable reserve. (See note2).

2. NON – DISTRIBUTABLE RESERVES

Capital Receipts	936,633	850,243
Transfers from Asset Financing Fund	<u>550,204</u>	<u>237,422</u>
	<u>1,486,837</u>	<u>1,087,665</u>

Movements

Capital receipts	417,583	806,628
Used to finance property, plant and equipment	<u>417,583</u>	<u>806,628</u>
Unutilised	-	-
Transfers from Asset Financing Fund used to finance property, plant and equipment	<u>404,500</u>	-
Net movements	<u>822,083</u>	<u>806,628</u>

Movements can be reconciled as follows:

Capital Receipts (used to finance property, plant and equipment)

Balance at beginning of year	850,243	224,803
Used to finance current year additions	417,583	806,628
Transfer to income statement to offset depreciation charge	(285,738)	(181,188)
Disposal of fixed assets	(147,122)	-
Accumulated depreciation of fixed assets disposed	<u>101,667</u>	-
Balance at end of year	<u>936,633</u>	<u>850,243</u>



METSWEDING DISTRICT MUNICIPALITY

NOTES TO ANNUAL THE FINANCIAL STATEMENTS for the year ended 30 June 2005

These amounts represent property, plant and equipment financed by government grants, subsidies and contributions from the public. The intention of the benefactor of these amounts is to subsidise the cost of acquiring property, plant and equipment. Accordingly, these amounts are released to the income statement over the estimated useful lives of the property, plant and equipment so financed to offset the relevant depreciation charge. The balance of the reserve is transferred to the income statement when the fixed asset so financed is disposed of.

	2005 R	2004 R
Transfers from Asset Financing Fund		
Balance at beginning of year	237,422	302,173
Used to finance current year additions	404,500	-
Transfer to income statement to offset depreciation charge	(91,718)	(64,751)
Balance at end of year	<u>550,204</u>	<u>237,422</u>

These amounts represent property, plant and equipment financed by the Asset Financing Fund. These amounts are released to the income statement over the estimated useful lives of the property, plant and equipment so financed to offset the relevant depreciation charge and avoid duplication in expenses.

3. TRUST FUNDS

-	-
---	---

Movements can be reconciled as follows:

Balance at beginning of year	-	201,106
Used to settle claims	-	-
Fund restated as a sundry creditor (See note.10).	-	(201,106)
Balance at end of year	<u>-</u>	<u>-</u>



METSWEDING DISTRICT MUNICIPALITY

NOTES TO ANNUAL THE FINANCIAL STATEMENTS for the year ended 30 June 2005

4. PROPERTY, PLANT AND EQUIPMENT

	Cost R	Accumulated Depreciation R	Net Book Value R
--	-----------	----------------------------------	------------------------

30 June 2005

OWNED PROPERTY, PLANT AND EQUIPMENT

Community	-	-	-
Other	3,469,200	(901,620)	2,567,580
	<u>3,469,200</u>	<u>(901,620)</u>	<u>2,567,580</u>

30 June 2004

OWNED PROPERTY, PLANT AND EQUIPMENT

Community	549,357	(55,830)	493,527
Other	2,099,402	(674,584)	1,424,818
	<u>2,648,759</u>	<u>(730,414)</u>	<u>1,918,345</u>

Refer to Appendix A and B for more detail on property, plant and equipment.

	2005 R	2004 R
--	-----------	-----------

5. LEVY DEBTORS

Levy debtors	1,359,695	2,069,953
Less: Provision for bad debts	(820,727)	(150,999)
	<u>538,968</u>	<u>1,918,954</u>

Bad Debt Provision

The bad debt provision is calculated on identified levy debtors that are unlikely to pay.

6. OTHER DEBTORS

Float account - Emerging contractors	400,000	400,000
Eastern Gauteng Services Council - Distribution account	7,754,333	7,754,333
Less: Provision for bad debts	(8,154,333)	(8,154,333)
VAT receivable	1,094,985	1,631,862
Sundry debtors	2,267,372	6,633,978
	<u>3,362,357</u>	<u>8,265,840</u>

7. DEFERRED EXPENDITURE

License and security fees paid in advance.	-	<u>1,115</u>
--	---	--------------



METSWEDING DISTRICT MUNICIPALITY

NOTES TO ANNUAL THE FINANCIAL STATEMENTS for the year ended 30 June 2005

	2005 R	2004 R
8. CASH AND CASH EQUIVALENTS		
Current account	46,012,849	47,408,742
Call account	-	-
	<u>46,012,849</u>	<u>47,408,742</u>
9. PROVISIONS		
Development aid – Transfers to Local B Municipalities	3,018,227	8,904,663
Leave pay	1,133,852	486,542
Spatial Development Framework	-	-
Demarcation Viability Study	-	-
	<u>4,152,079</u>	<u>9,391,205</u>
Movements in Leave Pay Provision		
Balance at the beginning of the year	486,542	111,761
Contributions charged to income	866,582	478,406
Leave paid out to employees	(219,272)	(103,625)
Balance at the end of the year	<u>1,133,852</u>	<u>486,542</u>
10. CREDITORS		
Accruals	642,600	230,297
Retention creditors	1,076,808	569,497
Levy debtors with credit balances	-	5,199,491
RSC Levies – unallocated credits	242,498	-
Ekurhuleni Metropolitan Municipality	900,261	1,202,297
Sundry creditors	201,106	221,324
Gauteng Consolidated Infrastructure Programme – Backlog Study	-	372,441
	<u>3,063,273</u>	<u>7,795,347</u>
11. DEFERRED INCOME		
Operating grants received not yet expensed	<u>20,496,051</u>	<u>18,537,280</u>



METSWEDING DISTRICT MUNICIPALITY

NOTES TO ANNUAL THE FINANCIAL STATEMENTS for the year ended 30 June 2005

	2005 R	2004 R
12. NET SURPLUS/(DEFICIT) FOR THE YEAR		
The following has been taken into account in determining the net surplus/(deficit) for the year:		
Contribution to provisions		
Leave pay	866,582	478,407
Bad debt provision	<u>1,249,827</u>	<u>8,154,332</u>
	<u>2,116,409</u>	<u>8,632,739</u>
Councillors remuneration		
Executive Mayor's allowance	329,659	298,425
Speaker of the Council's allowance	213,727	198,940
Councillors' allowances	326,499	387,918
Members of the Mayoral Committee's allowances	668,721	556,971
Councillors' pension contribution	<u>148,371</u>	<u>137,638</u>
	<u>1,686,977</u>	<u>1,579,892</u>
Depreciation		
Community	-	18,312
Other	<u>438,208</u>	<u>311,239</u>
	<u>438,208</u>	<u>329,551</u>
Interest received		
Banking institutions	3,267,095	3,588,842
Levies	<u>142,261</u>	<u>473,524</u>
	<u>3,409,356</u>	<u>4,062,366</u>
Operating lease charges		
	<u>52,810</u>	<u>39,812</u>
Audit fees		
	<u>128,571</u>	<u>299,728</u>
Revenue		
District municipality levies	11,814,665	11,511,284
Government, Provincial and other grants and subsidies	19,245,165	17,187,852
- Inter-government grants	<u>19,245,165</u>	<u>17,187,852</u>
- Other	-	-
Interest received	3,409,356	4,062,366
Ambulance fees	87,099	2,316
Ambulance agency fee	7,429,750	7,900,156
Other income	<u>41,886</u>	<u>41,198</u>
	<u>42,027,921</u>	<u>40,705,172</u>



METSWEDING DISTRICT MUNICIPALITY

NOTES TO ANNUAL THE FINANCIAL STATEMENTS for the year ended 30 June 2005

	2005 R	2004 R
13. PRIOR YEAR APPROPRIATIONS		
Prior year appropriations		
- Rental of the Official Residence for the Executive Mayor	-	(36,400)
- Retention credit reversed	14,798	341,757
- Provision for demarcation viability study reversed	-	33,244
- Provision for completed development aid projects reversed	9,578	189,163
- Section 12(6)(5) creditor reversed due to repeal of Act 41 of 1985	-	-
- Correction of levy debtors overstatement (See Note 19)	-	(833,348)
- Suspense credit reversed	7,769	-
- Levy debtors' credit balances appropriated as revenue	4,411,247	-
	<u>4,443,392</u>	<u>(305,584)</u>
14. TRANSFER TO ASSET FINANCING FUND		
Contributions	<u>115,113</u>	<u>102,520</u>
The total contribution is based 1% of the revenue from RSC levies received during the previous financial year.		
15. TRANSFERS FROM NON-DISTRIBUTABLE RESERVES		
Transfer from capital receipts utilised to finance fixed asset additions (See note.2)	285,738	181,188
Transfer from Asset Financing Fund utilised to finance fixed asset additions (See note.2)	91,718	64,751
	<u>377,456</u>	<u>245,939</u>



METSWEDING DISTRICT MUNICIPALITY

NOTES TO ANNUAL THE FINANCIAL STATEMENTS for the year ended 30 June 2005

	2005 R	2004 R
16. CASH GENERATED / (UTILISED) FROM / (IN) OPERATIONS		
Net surplus/(deficit) for the year	(3,834,333)	(8,750,109)
Adjustments for:		
Previous year's appropriations (See note.13)	4,443,392	(305,584)
Depreciation	438,208	329,551
Profit on disposal of property, plant and equipment	(9,500)	-
Loss on disposal of property, plant and equipment	499,185	-
Interest received	(3,409,356)	(4,062,366)
Operating surplus/(deficit) before working capital changes:	<u>(1,872,404)</u>	<u>(12,788,508)</u>
Decrease in levy debtors	1,379,986	950,017
Decrease in other debtors	4,903,483	1,975,587
Increase/(Decrease) in provisions	(5,239,126)	4,266,467
Increase/(Decrease) in creditors	(4,732,074)	(4,705,615)
Increase in deferred income	1,958,771	11,075,580
Decrease/(Increase) in deferred expenditure	1,115	9,454
	<u>3,600,249</u>	<u>782,982</u>
17. NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENT		
Balance at the end of the year	46,012,849	47,408,742
Balance at the beginning of the year	47,408,742	42,764,383
	<u>(1,395,893)</u>	<u>4,644,359</u>

18. RETIREMENT BENEFIT INFORMATION

All councillors and employees belong to 4 defined contribution retirement funds administered individually, under the statutory protection of the Registrar of Pension Funds.

Council contributed an amount of R1,902,454 (R1,114,455: 2004) in respect of councillor and employees retirement fund. These contributions have been expensed.



METSWEDING DISTRICT MUNICIPALITY

NOTES TO ANNUAL THE FINANCIAL STATEMENTS for the year ended 30 June 2005

	2005 R	2004 R
19. FUNDAMENTAL ERRORS & CHANGES IN ACCOUNTING POLICY		
<p>RSC levy debtors were stated in the 2004 annual financial statements at 2003 figures. Following a reconstruction of all accounts it was found that levy debtors were overstated by R950,017 and levy debtors with credit balances were overstated by R1,213,410. The following changes were made to the 2004 annual financial statements:</p>		
Charged to income statement		
- Appropriations of accumulated surplus		833,348
Levy debtors		(950,017)
Other debtors – VAT receivable		116,669
Creditors		
- Levy debtors with credit balances		1,213,410
- Ekurhuleni Metropolitan Municipality		(1,202,297)
Other debtors – Sundry debtors (Ekurhuleni Metropolitan Municipality)		<u>(11,113)</u>
		-

A change in the accounting policy regarding revenue recognition of RSC levies was effected during the 2004/05 financial year. RSC Levies were only recognised upon receipt of a declaration from the Levy Payer before. The accounting policy was changed to the effect that RSC Levies are recognised as revenue upon: (a) the receipt of a declaration from the Levy Payer; and (b) the receipt of payment from a Levy Payer in the absence of a declaration. The effect thereof was that prior year RSC levy debtors with credit balances were appropriated as revenue to the amount of R5,028,821. The following appropriations of prior years were made (See Note 13):

Charged to income statement		
- Appropriations of accumulated surplus	(4,411,247)	
Other debtors – VAT receivable	(617,574)	
Creditors - Levy debtors with credit balances	<u>5,028,821</u>	
		-



METSWEDING DISTRICT MUNICIPALITY

ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
for the year ended 30 June 2005

	COST			ACCUMULATED DEPRECIATION				
	Opening balance	Additions	Disposals	Closing balance	Opening balance	Current year	Disposals	Closing balance
Community assets								
Cemeteries	549,357	-	(549,357)	-	55,831	-	(55,831)	-
Other assets								
Land	189,105	810,000	-	999,105	-	-	-	-
Office furniture	405,991	76,001	(7,871)	474,121	167,306	58,112	(5,776)	219,642
Office equipment	21,820	121,843	-	143,663	8,746	30,683	-	39,429
Other furniture and equipment	145,804	54,085	(7,150)	192,739	34,216	40,741	(6,618)	68,339
Motor vehicles	733,232	404,500	(42,610)	1,095,122	247,460	165,091	(42,609)	369,942
Computers and computer equipment	603,450	165,654	(204,654)	564,450	216,855	143,581	(156,168)	204,268
	2,099,402	1,632,083	(262,285)	3,469,200	674,583	438,208	(211,171)	901,620
Total	2,648,759	1,632,083	(811,642)	3,469,200	730,414	438,208	(267,002)	901,620

	BOOK VALUE	
	Opening balance	Closing balance
Community assets		
Cemeteries	493,526	-
Other assets		
Land	189,105	999,105
Office furniture	238,685	254,479
Office equipment	13,074	104,234
Other furniture and equipment	111,588	124,400
Motor vehicles	485,772	725,180
Computers and computer equipment	386,595	360,182
	1,424,819	2,567,580
Total	1,918,345	2,567,580



METSWEDING DISTRICT MUNICIPALITY

SEGMENTAL ANALYSIS OF PROPERTY PLANT AND EQUIPMENT

for the year ended 30 June 2005

2004 Expenditure Net book value R		Balance at 01/07/2004 Net book value R	2005 Expenditure Net book value R	2005 Disposals Net book value R	Balance at 30/06/2005 Net book value R
REGIONAL SERVICES					
	Community services				
495,273	Administration	1,424,818	1,193,875	(51,113)	2,567,580
	Subsidised services				
(18,312)	Cemeteries	493,527	-	(493,527)	-
476,961	TOTAL	1,918,345	1,193,875	(544,640)	2,567,580



METSWEDING DISTRICT MUNICIPALITY

ANALYSIS OF OPERATING REVENUE AND EXPENSES
for the year ended 30 June 2005

2004 R		2005 R	2005 R
Actual		Actual	Budget
REVENUE			
11,511,284	RSC levies	11,814,665	13,000,000
17,187,852	Government, Provincial and other grants and subsidies	19,245,165	28,058,930
4,062,366	Interest received	3,409,356	2,500,000
7,900,156	Provincial agency fee – emergency medical services	7,429,750	8,767,000
43,514	Other income	128,985	2,460,980
40,705,172		42,027,921	54,786,910
EXPENSES			
2,718,113	Regional functions	2,530,749	8,677,514
17,727,222	Transfers to Local B municipalities – capital	14,886,284	22,848,240
100,000	Transfers to Local B municipalities – operational	294,170	450,000
28,909,947	Operating expenses	28,151,051	30,132,294
329,551	- Depreciation	438,208	715,000
10,418,729	- General and other expenses	9,258,226	10,085,800
168,747	- Repairs and maintenance	151,047	451,000
8,258,696	- Salaries, wages and allowances	14,867,581	16,403,259
1,579,892	- Councillor remuneration	1,686,977	1,749,235
-	- Capital charges	-	618,000
8,154,332	- Contributions	1,249,827	110,000
-	- Loss with disposal/writing-off of fixed assets	499,185	-
49,455,282		45,862,254	62,108,048
(8,750,110)	NET SURPLUS/(DEFICIT) FOR THE YEAR	(3,834,333)	(7,321,138)
29,915,875	UNAPPROPRIATED SURPLUS AT BEGINNING OF THE YEAR	21,003,600	21,003,600
APPROPRIATIONS:			
(305,584)	Prior year appropriations	4,443,392	6,855,000
(102,520)	Transfer to Asset Financing Fund	(115,113)	(110,000)
245,939	Transfer from Non-Distributable Reserves	377,456	610,000
21,003,600	UNAPPROPRIATED SURPLUS AT END OF THE YEAR	21,875,002	21,037,462



METSWEDING DISTRICT MUNICIPALITY

SEGMENTAL INCOME STATEMENT
for the year ended 30 June 2005

2004 R	2004 R	2004 R		2005 R	2005 R	2005 R
Actual income	Actual expenditure	Surplus / (deficit)		Actual income	Actual expenditure	Surplus / (deficit)
REGIONAL SERVICES						
32,802,700	42,736,034	(9,933,334)	Community Services	34,511,072	(37,233,226)	(2,722,154)
11,511,284	-	11,511,284	<i>Administration</i>			
17,187,852	-	17,187,852	RSC levies	11,814,665	-	11,814,665
			Government and Provincial grants	19,245,165	-	19,245,165
			and subsidies			
4,062,366	-	4,062,366	Interest received	3,409,356	-	3,409,356
41,198	-	41,199	Other income	41,886	-	41,886
-	2,718,113	(2,718,113)	Regional functions	-	(2,530,749)	(2,530,749)
-	17,727,222	(17,727,530)	Transfers to Local B municipalities – capital	-	(14,886,284)	(14,886,284)
-	100,000	(100,000)	Transfers to Local B municipalities – operational	-	(294,170)	(294,170)
-	22,190,699	(22,190,699)	Operating expenses (Section 12(6)(c))	-	(19,522,023)	(19,522,023)
-	311,239	(311,239)	- Depreciation	-	(438,208)	(438,208)
-	7,174,244	(7,174,244)	- General and other expenses	-	(8,563,509)	(8,563,509)
-	167,927	(167,927)	- Repairs and maintenance	-	(143,355)	(143,355)
-	4,803,065	(4,803,065)	- Salaries, wages and allowances	-	(7,434,489)	(7,434,489)
-	1,579,892	(1,579,892)	- Councillor remuneration	-	(1,686,977)	(1,686,977)
-	8,154,332	(8,154,332)	- Contributions	-	(1,249,827)	(1,249,827)
-	-	-	- Loss with write-off of fixed assets	-	(5,658)	(5,658)
-	18,312	(18,312)	Subsidised Services	-	(493,527)	(493,527)
-	18,312	(18,312)	<i>Cemeteries</i>			
-			Operating expenses (Section 12(6)(c))	-	(493,527)	(493,527)
-	18,312	(18,312)	- Depreciation	-	-	-
-			- Loss with write-off of cemetery	-	(493,527)	(493,527)
EMERGENCY MEDICAL SERVICES						
7,902,472	6,700,936	1,201,536	Ambulance Services	7,516,849	(8,135,501)	(618,652)
7,900,156	-	7,900,156	Provincial agency fee	7,429,750	-	7,429,750
2,316	-	2,316	Ambulance fees	87,099	-	87,099
-	6,700,936	(6,700,936)	Operating expenses	-	(8,135,501)	(8,135,501)
-	3,244,485	(3,244,485)	- General and other expenses	-	(694,717)	(694,717)
-	820	(820)	- Repairs and maintenance	-	(7,692)	(7,692)
-	3,455,631	(3,455,631)	- Salaries, wages and allowances	-	(7,433,092)	(7,433,092)
-	-	-	- Contributions	-	-	-
40,705,172	(49,455,282)	(8,750,110)	TOTAL	42,027,921	(45,862,254)	(3,834,333)



METSWEDING DISTRICT MUNICIPALITY

STATISTICAL INFORMATION
for the year ended 30 June 2005

A. GENERAL STATISTICS

1. Population (approximate)	119,539	119,539
	2005	2004
	R	R
2. RSC levies: Establishment levies	7,825,844	8,524,269
Services levies	3,988,821	2,987,015
	11,814,665	11,511,284
3. RSC levies: Establishment levy (incl. 14% VAT)	0,15162%	0,15162%
Services levy (incl. 14% VAT)	0,37962%	0,37962%
4. Number of employees at Metsweding District Municipality		
Active employees.	104	103

