

MOPANI DISTRICT MUNICIPALITY

DRAFT FINANCIAL STATEMENTS FOR THE YEAR

ENDED 30 JUNE 2006

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GENERAL INFORMATION

MEMBERS OF MAYORAL COMMITTEE:

Councilor M.H. Mokgobi (Chairperson)
Councilor TP Ramaremele
Councillor MN Makhurupetsi
Councillor TE Ndlovu
Councillor NV Mathonsi
Councillor S Tindane
Councillor MO Moagi
Councillor MM Mukhabele

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

FINANCIAL STATEMENTS

The annual financial statements are set on pages 1 - 17.

MT Maake
Municipal Manager

Date

MM Mokgolobotho
Chief Financial Officer

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.

The Municipal Manager, Chief Financial Officer as well as Director Technical Services were appointed as from the 1st May 2005, on a five year fixed contract term. Three Interns were appointed on a twelve month contract as per the conditions of the Financial Management Grant. Other staff members were also appointed in the Finance Directorate as well as other Departments.

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. The largest source of own income was still RSC Levies. The NALDEV contract was extended up to the end of August 2006 to allow them to rap up RSC levy collection activities.

The Municipality experienced labour unrest during May 2006. This resulted in Council writing off all debts relating to the cellphone accounts of the employees. All deductions for these accounts were refunded to all staff members. This included private calls made from the landline.

MT Maake
Municipal Manager

REPORT OF THE OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE CHIEF FINANCIAL FINANCE

1. INTRODUCTION

The Chief Financial Officer was appointed on the 1st May 2006. The Assistant Director Finance and other officials were appointed during the current financial year.

Mopani received the Municipal Infrastructure Grant for the financing of mainly water related projects, Financial Management Grant for the appointment of financial Interns as well as capacity building in the finance directorate and Municipal Systems Improvement Grant which was mainly utilised for the salaries and other activities of PIMS section.

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. It should be noted that RSC levies will be discontinued as from 1st July 2006.

During the current financial year some of the financial policies were reviewed. The process of revising all financial policies is underway and should be finalised by the end of September 2006. The Determination of upper limits notice was only received in July 2006. The allowances as stipulated in the Act were backdated from March 2006, this resulted in overexpenditure on the allowances of councillors as this sudden change was not anticipated.

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 2006 are as follows:

	Actual 2005 R	Actual 2004 R	Variance 2004/2005 %
INCOME			
Opening Surplus	101 074 311	43 033 680	
Operating income, including grants	296 827 830	153 288 019	93.64
	397 902 141	196 321 699	
EXPENDITURE			
Operating expenditure for the year	241 096 942	109 918 692	119.34
Appropriations	501 324	-12 565 880	
Closing Surplus	156 303 875	98 968 887	
	55 229 564	55 935 207	-1.26
NET PROFIT FOR THE YEAR			

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 CHIEF FINANCIAL FINANCE (Continued)

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
STANLIB LONG
STANDARD BANK
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

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

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

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 receive 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 either the Municipal Gratuity Fund or the IMATU Retirement Fund, both 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 2006**

	Notes	2006 R	2005 R
CAPITAL EMPLOYED			
RETAINED SURPLUS	1	156 303 875	101 074 311
		156 303 875	101 074 311
 EMPLOYEMENT OF CAPITAL			
FIXED ASSETS	2		
INVESTMENTS	3	7 092 096	3 950 214
NET CURRENT ASSETS/(LIABILITIES)		149 211 779	97 124 095
CURRENT ASSETS			
		177 925 764	141 879 878
Debtors	4	43 369 798	20 671 186
Cash & Bank	5		
Short term portion of long term debtors	3		
Short term investments	6	134 555 967	121 208 692
 CURRENT LIABILITIES			
		28 713 986	44 755 782
Bank Overdraft	5	6 846 099	7 245 679
Creditors	8	21 867 887	37 510 103
Provisions	9	-	0
		156 303 875	101 074 309

MOPANI DISTRICT MUNICIPALITY
INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2006

	2006 Actual Income	2006 Actual Expenditure	2006 Surplus (Deficit)	2005 Actual Income	2005 Actual Expenditure	2005 Surplus (Deficit)
Regional Services Council	R 296 827 830	R (241 096 942)	R 55 730 888	94 065 816	-62 345 741	31 720 075
Community Services	296 827 830	(241 096 942)	55 730 888	94 065 816	-62 345 741	31 720 075
Other Services	-	-	-	0	0	0
TOTAL	296 827 830	(241 096 942)	55 730 888	94 065 816	-62 345 741	31 720 075
Surplus / (Deficit) for the current year			<u>55 730 888</u>			<u>31 720 075</u>
Accumulate surplus beginning of the year			101 074 311			98 968 888
Appropriations			<u>(501 324)</u>			<u>-2 408 868</u>
ACCUMULATED SURPLUS END OF THE YEAR			<u>156 303 875</u>			<u>128 280 095</u>

**MOPANI DISTRICT MUNICIPALITY
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2006**

	Notes	2006 R	2005 R
CASH RETAINED FROM OPERATING ACTIVITIES:			
		16 888 739	-17 881 533
Cash generated by operations	10	55 229 566	29 311 207
(Increase)/Decrease in working capital	11	-38 340 827	-47 192 740
Acquisition of fixed assets	12	-	0
Cash Resources end of the year		16 888 739	-17 881 533
CASH EFFECT OF FINANCING ACTIVITIES			
Opening balance			
(Increase)/Decrease in investment	13	(16 489 158)	16 323 759
(Increase)/Decrease in cash	14	(399 580)	1 557 773
		(16 888 739)	17 881 532

MOPANI DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2006

	2006	2005
	R	R
1. APPROPRIATIONS		
Retained surplus at the beginning of the year	101 074 311	98 968 888
Operating surplus for the year	55 730 888	31 720 075
Adjustment for previous periods	(501 324)	-2 408 868
	<u>156 303 875</u>	<u>101 074 311</u>
Retained surplus at the end of the year		
2. FIXED ASSETS		
Fixed assets at the beginning of the year	15 018 091	11 497 382
Capital expenditure during the year	7 764 156	3 520 709
Less: Assets written off, transferred or disposed during the year	-	0
	<u>22 782 247</u>	<u>15 018 091</u>
Less: Loans redeemed and other capital receipts	22 782 247	15 018 091
Net Fixed Assets (See Appendix B)	<u>(0)</u>	<u>0</u>
3. INVESTMENTS		
Investment Stanlib (see note 7)	7 092 096	3 950 214
	-	0
	<u>7 092 096</u>	<u>3 950 214</u>
4. DEBTORS		
Consumer Debtors	29 3 254 707	2 910 225
Councilors Pension Fund Contribution	59 137 720	137 720
Sundry debtor	28 39 977 370	16 936 116
Short term portion of long term debtors	30 0	687 125
	<u>43 369 798</u>	<u>20 671 186</u>

MOPANI DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2006 (Continue)

		2006	2005
5. CASH			
ABSA Tzaneen	32	-6 848 099	-7 247 679
Petty Cash	33	2 000	2 000
		(6 846 099)	-7 245 679
Add back: Bank Overdraft			
Cash on hand		<u>6 846 099</u>	<u>7 245 679</u>
6. SHORT TERM INVESTMENT			
Short-term Investment : Standard Bank	35	32 632	0
Short-term Investment : Nedbank	37	12 194 185	11 587 232
Short-term Investment : FNB	38	22 697 269	21 348 729
Stanlib Life Policy	39	0	0
Short-term Investment : Standard Bank	36	25 347 592	24 005 472
ABSA Bank - Fixed deposit	34	54 732 482	63 557 505
ABSA Bank - Call account	31	19 551 807	709 754
		<u>134 555 967</u>	<u>121 208 692</u>
7. LONG TERM INVESTMENT			
Stanlib Life Policy	53	3 678 223	2 036 654
Long-term Investment - Standard Bank	52	3 413 874	1 913 560
		<u>7 092 096</u>	<u>3 950 214</u>
INVESTMENTS		<u>141 648 063</u>	<u>125 158 906</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.			
8. CREDITORS			
Retention	44	1 070 016	2 992 457
Leave Provisions	46	468 524	468 524
Sundry Creditors	40	12 766 476	3 332 094
Creditors: Salaries	41	0	193 189
Unspent Grants		7 562 872	30 523 838
M I G		-	30 523 838
Drought Relief Grant		6 716 562	0
Public Transport Grant		846 310	0
		<u>21 867 887</u>	<u>37 510 103</u>

MOPANI DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2006 (Continue)

	2006	2005
	R	R
9. CASH GENERATED BY OPERATIONS		
(Deficit)/Surplus for the year	55 730 888	31 720 075
Adjustment for:		
Previous period transactions	(501 324)	-2 408 868
2004/2005 adjustments	6 757	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	809 335	179 006
Cheques duplicated		-494 837
Bank Recon adjustments iro 2003/2004	1 470 874	
Previous year Salary creditors	193 189	
Donation Naldev		7 000
Debtors 2004/2005	(2 981 479)	-4 114 391
	55 229 564	29 311 207
10. MOVEMENT IN WORKING CAPITAL		
(Increase)/Decrease in Debtors and Long term Debtors	(22 698 611)	-11 220 880
(Decrease)/Increase in Provisions		0
(Decrease)/Increase in Creditors	(15 642 216)	-35 971 860
	(38 340 827)	-47 192 740

MOPANI DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2006 (Continue)

	2006 R	2005 R
11. ACQUISITION OF FIXED ASSETS		
Contribution to fixed assets	7 736 777	3 520 709
	<u>7 736 777</u>	<u>3 520 709</u>
12. (INCREASE)/DECREASE IN INVESTMENTS		
(Increase)/Decrease in ABSA - Short term investment	8 825 023	11 254 717
(Increase)/Decrease in Standard Bank - Short term investment	(1 342 120)	-11 200 000
(Increase)/Decrease in Peoples Bank - Short term investment	(32 632)	6 112 509
(Increase)/Decrease in Nedbank - Short term investment	(606 953)	10 000 000
(Increase)/Decrease in FNB - Short term investment	(1 348 540)	0
(Increase)/Decrease in Stanlib - Policy	(1 641 569)	-1 260 000
(Increase)/Decrease in Standard Bank - Long term investment	(1 500 314)	-1
(Increase)/Decrease in ABSA - Call Account	(18 842 053)	1 416 535
	<u>(16 489 158)</u>	<u>16 323 759</u>
13. (INCREASE)/DECREASE OF CASH ON HAND		
Cash balance at the beginning of the year	(7 245 679)	-3 992 202
Less : Cashbalance at the end of the year	(6 846 099)	-5 549 974
	<u>(399 580)</u>	<u>1 557 773</u>

**MOPANI DISTRICT MUNICIPALITY
APPENDIX A**

CONDITIONAL GRANTS

					Balance at 30.6.2005	Grants during the year	Contributions Own Income	Operating Expenditure during the year	Capital Expenditure during the year	Balance at 30.6.2006
					R	R	R	R	R	R
GRANTS										
Transitional grant	1	2	4	3	0	0	0	0	0	(0)
Establishment fund	5	6	8	7	0	0	0	0	0	-
CMIP	20	21	23	22	0	0	0	0	0	-
PIMS	9		11	10	0	0		0	0	0
MIG	61	62	63	64	30 523 838	116 207 325	5 528 966	0	-152 260 129	-
Equitable Shares	12	13	15	14	0	0	0	0	0	0
Conditional grant - Provisional (DWAF)	24	25	27	26	0	0	0	0	0	-
Drought Relief Grant	100	101	102	103	0	8 190 000	0	0	-1 473 438	6 716 562
Public Transport Grant	104	105	106	107	0	846 310	0	0	0	846 310
Conditional grant - Provisional (CBPWP)	16	17	19	18	0	0	0	0	0	-
Unconditional Reserve - MSIG	54	55	57	56	0	0	0	0	0	-
					<u>30 523 838</u>	<u>125 243 635</u>	<u>5 528 966</u>	<u>-</u>	<u>(153 733 567)</u>	<u>7 562 871</u>

MOPANI DISTRICT MUNICIPALITY					
APPENDIX C					
ANALYSIS OF INCOME AND EXPENDITURE FOR THE YEAR ENDED 30 JUNE 2006					
				2006	2005
				R	R
INCOME					
Grants and subsidies				248 598 767	55 836 067
- Conditional grant (CBPWP)		I-cbpwp	0	0	
- CMIP fund		I-cmip	0	0	
- MSIG		I-msig	1 152 296	1 687 500	
- MIG Grant		I-mig	152 260 129		
- Conditional grant (DWAF)		I-dwaf	2 544 749	7 834 578	
- Drought Relief		I-dref	1 473 438		
- Technical Projects		I-tproj	0	0	
- Facilitation Grant		I-fac	0	0	
- Capacity Building Grant		I-cbg	0	0	
- BSRPG Sport		I-bsrpg	0	0	
- Public Transport Grant		I-ptg	3 690	0	
- PIMS fund		I-pims			
- LGFMG		I-lgfm	250 000	250 000	
- IDP Plan		I-idp	0	182 336	
- LGW SETA		I-seta	433 976	78 968	
- Establishment fund					
- Equitable shares		I-es	90 480 489	45 802 685	
- Transition fund					
Operating Income				48 229 063	38 229 749
- Interest received		I-int	300 127	273 785	
- Interest Motor Loans		I-ml			
- Regional Services Council Levies		I-rsc	32 543 171	33 653 870	
- Donations		I-don			
- Investment Income		I-inv	7 713 819	0	
- Other Income		I-oth	7 671 946	4 302 094	
TOTAL INCOME				296 827 830	94 065 816
EXPENDITURE					
Salaries and wages		e-sal	23 810 572	18 989 569	
Council Remuneration		e-cnlsal	2 720 820	2 435 360	
General Expenses		e-gen	47 256 260	37 016 661	
Repair and Maintenance		e-main	740 741	372 794	
Contribution to Capital Outlay		e-cap	7 306 017	3 526 359	
Special Projects (M I G & Draught Relief)		e-proj	153 733 567	0	
Contribution to M I G Funds		e-prov	5 528 966	5 000	
Charged Out		e-charge	0	0	
TOTAL EXPENDITURE				241 096 942	62 345 741
NET SURPLUS				55 730 889	31 720 075

MOPANI DISTRICT MUNICIPALITY				
APPENDIX D				
DETAILED INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2006				
	2006	2006	2006	2006
	Budget	Actual	Actual	Surplus/ (Deficit)
	R	R	Expenditure	R
R			R	
Regional Services Council				
Community Services				
General Council	4366366	0001	-5 946 551	(5 946 551)
Municipal Manager	2635935	0005	-4 485 928	(4 485 928)
Strategic Support Unit	1140152	0015	-1 082 010	(1 082 010)
Finance	18844448	296 827 830020	-18 648 858	278 178 972
Planning & Development	2839094	0030	-1 521 746	(1 521 746)
LED	5571196	0035	-4 450 513	(4 450 513)
IDP	876990	0040	-786 842	(786 842)
Technical Services	8430976	0050	-10 098 379	(10 098 379)
Water Services	109259034	0055	-155 632 423	(155 632 423)
Electrical Services	636996	0060	-74 128	(74 128)
Road Services	27165356	0065	-14 767 664	(14 767 664)
Project Management	0	0066	0	-
Community Services	2091976	0070	-1 589 890	(1 589 890)
Fire Services	24271925	0075	-10 045 004	(10 045 004)
Disaster Management	15208831	0080	-2 984 341	(2 984 341)
Health Services	3044060	0085	-1 562 189	(1 562 189)
Corporate Services	883976	0090	-412 576	(412 576)
HR Management	3225086	0095	-2 032 803	(2 032 803)
Administration Services	6497011	0100	-3 096 233	(3 096 233)
Legal Services	1035284	0105	-124 318	(124 318)
Office of the Executive Mayor	1993308	0110	-1 754 148	(1 754 148)
CBPWP	0	0115	-395	(395)
CMIP	0	0120	0	-
District Co-Ordination	0	0135	0	-
Capacity Building		0140	0	-
TOTAL	240 018 000	296 827 830	(241 096 942)	55 730 888
Less: Appropriations		8200		-501 324
TOTAL AFTER APPROPRIATIONS				55 229 564
Accumulated surplus beginning of the year				101 074 311
ACCUMULATED SURPLUS END OF THE YEAR				156 303 875