

OFFICE OF THE CHIEF FINANCIAL OFFICER

Date: 14 November 2012

Submission to the Section 80 Committee

SECTION 52 QUARTERLY INCOME REPORT AS AT END SEPTEMBER 2012

Purpose

To table the Section 52 quarterly income report as at end September 2012 to the Section 80 Committee for consideration.

Background

According to MFMA Section 52 the Accounting officer must quarterly submit a report in the prescribed format to the Mayor and council explaining the financial standing of the municipality for the quarter.

Discussion

1 CURRENT SITUATION

The following table shows the actual income vs. the budgeted income:

| | Cash Budget for the Year | Cash Budget Quarter | Actual Quarter | Variance Actual vs Budget Year to Date |
|---------------------|-----------------------------|------------------------|-------------------|--|
| INCOME | | | | |
| Property Rates | 13 621 196 | 3 405 299 | 1 813 679 | 1 591 620 |
| Water | 9 747 161 | 2 436 790 | 941 866 | 1 494 924 |
| Sewerage | 8 779 969 | 2 194 992 | 915 108 | 1 279 884 |
| Refuse | 6 339 846 | 1 584 962 | 666 021 | 918 941 |
| Subsidies/Grants | 94 858 000 | 23 714 500 | 39 194 000 | -15 479 500 |
| Projects | 50 521 000 | 12 630 250 | 15 172 000 | -2 541 750 |
| Transfer | | 0 | 26 304 243 | |
| Sundry | 11 180 111 | 2 795 028 | 80 983 | 2 714 045 |
| Total Income | 195 047 283 | 48 761 821 | 58 783 657 | -10 021 836 |

The above table can be analyzed as follows:

The amount of income that did not realized this quarter is R 7 999 414

The grants received are R 15 479 500 higher than the budget but this is due to the fact that the Equitable Share up to November 2012 and the full FMG and MSIG had been received.

The project grants is also R 2 541 750 more than the budget and this also due to the fact that the grants is received in advance.

Payment Rates against the budget without indigent subsidies for the quarter:

| | |
|----------------------------|-------|
| Property Rates: | 53.26 |
| Water: | 38.65 |
| Sewer: | 41.69 |
| Refuse: | 42.02 |
| Average without indigents: | 45.07 |

The above figures are shown as per the budget which was set at 75%. From the above it can be seen that the collection rate is currently 45.07% against the budget.

1.1 OTHER INCOME STATISTICS

The following table displays the actual income received per unit for the last quarter and also the payment rate:

| Unit | Jul 12 | Aug 12 | Sep 12 | Total |
|---------------------------------------|------------------|------------------|------------------|-------------------|
| Bethulie | 94 848 | 79 171 | 145 152 | 319 171 |
| Edenburg | 69 308 | 98 302 | 117 839 | 285 449 |
| Fauresmith | 96 751 | 85 995 | 115 357 | 298 103 |
| Gariep Dam | 166 281 | 196 294 | 174 065 | 536 640 |
| Jagersfontein | 56 224 | 65 955 | 56 954 | 179 133 |
| Philipollis | 46 288 | 54 157 | 48 910 | 149 355 |
| Reddersburg | 65 017 | 61 441 | 79 101 | 205 559 |
| Springfontein | 29 630 | 32 645 | 33 763 | 96 038 |
| Trompsburg | 92 977 | 177 308 | 102 591 | 372 876 |
| Total | 717 324 | 851 268 | 873 732 | 2 442 324 |
| Direct Dep. | 448 663 | 681 774 | 763 913 | 1 894 350 |
| Indigents | 218 862 | 258 602 | 205 221 | 682 685 |
| Total | 1 384 849 | 1 791 644 | 1 842 866 | 5 019 359 |
| Levies | 2 990 884 | 3 987 183 | 3 563 191 | 10 541 258 |
| Payment Rate With Indigents | 46.30 | 44.94 | 51.72 | 47.62 |
| Payment Rate Without Indigents | 38.98 | 38.45 | 45.96 | 41.14 |

The following table displays the number of indigents as on 30 September 2012

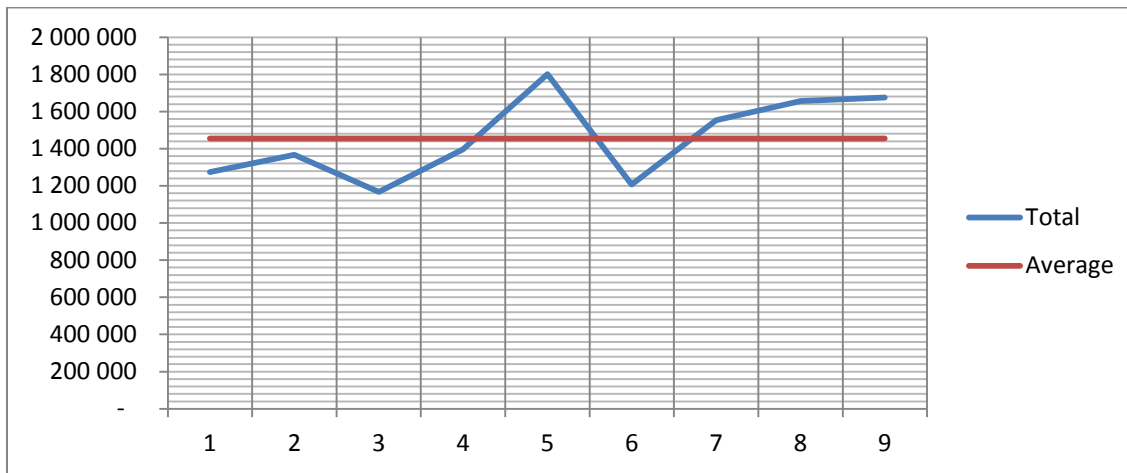
| | Indigents | Indigents | Indigents |
|---------------|--------------|--------------|----------------|
| | July 2012 | August 2012 | September 2012 |
| Bethulie | 312 | 329 | 342 |
| Edenburg | 99 | 113 | 130 |
| Fauresmith | 121 | 129 | 138 |
| Gariep Dam | 84 | 99 | 102 |
| Jagersfontein | 221 | 241 | 264 |
| Philipollis | 128 | 138 | 143 |
| Reddersburg | 256 | 277 | 299 |
| Springfontein | 142 | 165 | 195 |
| Trompsburg | 65 | 86 | 117 |
| Total | 1 428 | 1 577 | 1 730 |

Tabel of cash received from debtors since February 2012

| | Feb 12 | Mrt 12 | Apr 12 | May 12 | Jun 12 | Jul 12 | Aug 12 | Sep 12 | Oct 12 |
|------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Bethulie | 83 557 | 97 256 | 93 618 | 97 092 | 104 340 | 94 848.00 | 79 171.00 | 145 152.00 | 110 386.66 |
| Edenburg | 124 132 | 124 368 | 139 198 | 137 034 | 106 900 | 69 308.00 | 98 301.00 | 117 838.00 | 105 276.99 |
| Fauresmith | 83 354 | 74 720 | 77 696 | 95 787 | 99 535 | 96 751.00 | 85 996.00 | 115 357.00 | 93 399.53 |
| Gariep Dam | 171 279 | 172 331 | 165 098 | 216 282 | 177 186 | 166 281.00 | 196 294.00 | 174 065.00 | 143 445.62 |
| Jagersfontein | 51 096 | 46 010 | 63 541 | 51 829 | 62 257 | 56 224.00 | 65 955.00 | 56 954.00 | 61 322.68 |
| Philipollis | 54 957 | 57 603 | 56 679 | 57 897 | 52 364 | 46 289.00 | 54 157.00 | 48 910.00 | 64 902.88 |
| Reddersburg | 66 564 | 70 230 | 60 438 | 92 659 | 70 812 | 65 016.00 | 61 441.00 | 79 101.00 | 112 972.88 |
| Springfontein | 27 698 | 32 006 | 30 789 | 36 734 | 27 165 | 29 629.00 | 32 645.00 | 33 763.00 | 37 069.32 |
| Trompsburg | 99 556 | 108 231 | 92 075 | 96 534 | 101 982 | 92 977.00 | 177 308.00 | 102 591.00 | 102 593.80 |
| Total Units | 762 193 | 782 755 | 779 132 | 881 848 | 802 541 | 717 323 | 851 268 | 873 731 | 831 370 |
| Direct Deposits | 512 422 | 584 009 | 388 226 | 514 983 | 999 087 | 489 940 | 702 171 | 783 221 | 844 500 |
| Total | 1 274 615 | 1 366 764 | 1 167 358 | 1 396 831 | 1 801 628 | 1 207 263 | 1 553 439 | 1 656 952 | 1 675 870 |

From the table it can be seen that although there is improvement in the income there are still towns that are under collecting. These towns are Jagersfontein, Philipollis, Reddersburg and Springfontein. Three of these towns had service delivery uprising and will be discussed later in the report. Springfontein is the only town that is underperforming that didn't have any uprising. This problem had however been experienced over the last years and the reason could be the large unemployment in the area.

Graph of the above table



From the graph it can be seen that the income had started to increase since July 2012 and since August 2012 it is above the average for the period. The income is monitored closely and any negative change will be followed up immediately.

2 BANK RECONCILIATION

The bank reconciliation for the quarter up to 30 September 2012 is as follows:

| | Amount |
|---|-------------|
| Cash Book balance beginning of month | -5 711 707 |
| Add: Receipts (Should agree to figures as per cash flow) | 85 087 900 |
| less: Contributions (Book Entry) | 4 783 832 |
| Less: Payments (Should agree to figures as per cash flow) | -85 479 233 |
| Cash Book balance at end of month | -1 319 208 |
| Add: Outstanding Cheques | 367 328 |
| Less: Outstanding Deposits | |
| Bank Balance at end of month | -951 880 |

3 CASH FLOW PROJECTIONS

Attached as annexure B is the cash flow projection until October 2012.

The overdraft is currently R 3 million.

4 DEBTORS

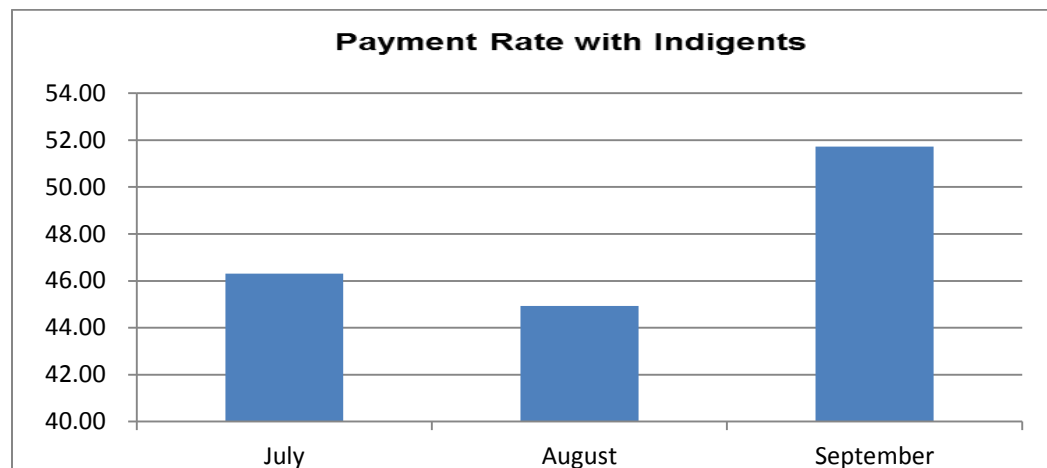
The total outstanding debtors as on 30 September 2012 are R 87 794 499 and the average payment rate for the Quarter is 48.30%

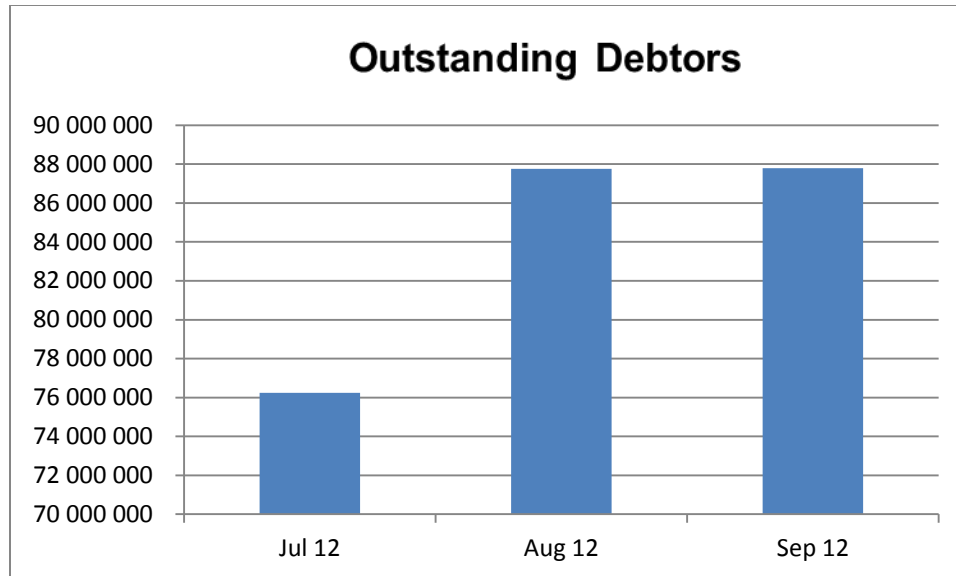
The debtor's figures had changed as follows in the quarter ending 30 September 2012:

| | | |
|------------------------------|--|------------|
| 01/07/2012 | | 74 737 781 |
| Less Paid (Incl. Indigents): | | 5 019 359 |
| Plus Levies: | | 10 541 258 |
| Less: Rates Correction | | 1 055 092 |
| Plus Rates Levies 2012/13 | | 8 804 461 |
| Less: Old funds receipted | | 214 550 |
| 30 September 2012 | | 87 794 499 |

4.1 Other Debtor's Statistics

The following two graphs show the payment rate and the outstanding debtors respectively:





5 ACCOUNT PROBLEMS

In the last year the Income Section started to correct all the incorrect rates levies on all the accounts of Kopanong. At this stage the rates is at 95% completed. The only problem we are facing with rates is the outstanding feedback on objections and inquiries send to the valuator. We are following the outstanding info up on a regular basis.

The water readings are better than the previous year as we have better control over the route lists and readings. The current situation at unit level is that they have not enough fieldworkers to rotate them between different areas in a town and it takes long to do the readings. They make use of general worker to assist the fieldworkers but they do not always want to do it and then they start to estimate the readings.

The incorrect tariffs is still a problem but we did put in a huge effort to correct the problem and as a result it is better than the previous year but there is still some work to be done. The owner information check is almost done. We are starting the proses of checking each account for mistakes from the beginning to ensure that all accounts is now correct and up to date.

6 FARMERS ACCOUNTS

Farmers accounts are being send out monthly. The addresses of the farms are still a problem and the following figures will give a good idea of what the situation is. We did contacted Free State agriculture to assist but till now we did not have any response back from them. The farmers that received accounts started to pay the property rates, some of them are paid in full others only paid the outstanding till 30 June 2012.

| | Total Outstanding | % outstanding |
|-------------------------|----------------------|---------------|
| Bethulie | 58 | 6.64 |
| Bloemfontein | 352 | 40.27 |
| Fauresmith | 237 | 27.12 |
| Edenburg | 43 | 4.92 |
| Reddersburg | 91 | 10.41 |
| Trompsburg | 11 | 1.26 |
| Philippolis | 82 | 9.38 |
| | 874 | 100.00 |
| | | |
| Total Farms | 3086 | |
| No addresses | 874 | |
| Percentage no addresses | 28.32 | |
| Percentage addresses | 71.68 | |

7 DISTRIBUTION OF ACCOUNTS

The distribution of accounts is still not what it should be. Kopanong did purchase a folding machine that folds the accounts and put them into an envelope. This fast-tracked the time the fieldworkers took to do it but we could only do it for two months. We must buy a franking machine so we do not have to buy prepaid envelopes from the post office anymore and the accounts could be posted from head office. The account that the units hand delivers can still be done and it will be faster than normal. We do monitor the distribution each month and each month.

8 UNREST IN THE DIFFERENT TOWNS

Due to service delivery uprising in the following four towns, Philippolis, Reddersburg, Edenburg and Jagersfontein the Credit Control Section cannot send the disconnection team to restrict water of those consumers that do not pay their accounts. These communities chase the disconnection team out of the towns and promise to set the vehicles alight. We need political intervention in these four towns to ensure that credit control can be done.

9 INVESTMENTS

The interest earned during this quarter is as follows:

| | |
|-----------------|---------------|
| Investments: | R 228 343.15 |
| Current Account | (R 44 505.55) |

Attached as annexure A is a list of all investments held by the municipality.

Financial Implications

None

Legal Implications

To comply with MFMA Section 71.

Parties Consulted

Provincial Treasury

National Treasury

Recommendations

That the Section 80 Committee takes note of the report as it is a compliance matter.

That political intervention/assistance be obtained in the four towns where service delivery uprising were experienced.

That the Income Section pays special attention on Springfontein to solve the low payment rate experienced in this town.

MJ Mekhoe

Chief Financial Officer

LY Moletsane

Municipal Manager

Date:.....

Date:.....