

Annual Financial Statements

for

Nketoana Local Municipality

for the year ended 30 June: **2009**

Province:

Free State

AFS rounding:

R'000 (i.e. to the nearest R100,000)

Contact Information:

Name of Municipal Manager:	SJ Thomas
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Name of Chief Financial Officer:	V Mkhafa
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Nketoana Local Municipality
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2009

General information

Members of the Council

Mandla Mamba	Mayor
MD Molapisi	Speaker
P Nkomo	Member of the Executive Committee
M Blignaut	Member of the Executive Committee
MS Mokoena	Member of the Executive Committee
BA Peter	Member of the Executive Committee
LP Masoka	Member
NM Molawa	Member
LA Moli	Member
JJ Venter	Member
SG Henning	Member
JR Msimanga	Member
TJ Zwane	Member
A Fume	Member
MA Mokoena (Resigned)	Member
MS Malindi	Member
KT Monyatsi	Member
KB Mnguni	Member
P M Moloedi (Elected in November 2008)	Member

Municipal Manager

Sipho Joseph Thomas

Chief Financial Officer

Vincent Bongani Mkhafa

Grading of Local Authority

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Auditors

Auditor-General

Bankers

ABSA

Nketoana Local Municipality
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for the year ended 30 June 2009

General information (continued)

Registered Office:

Corner Church and Voortrekker Reitz

Physical address:

Corner Church and Voortrekker Reitz
Reitz

Postal address:

P.O Box 26
Reitz
9310

Telephone number:

058 863 2811

Fax number:

058 863 2524

E-mail address:

vmkhefa@nketoanafs.co.za

Nketoana Local Municipality
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for the year ended 30 June 2009

Approval of annual financial statements

I am responsible for the preparation of these annual financial statements, which are set out on pages x to x, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in note 28 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

Municipal Manager:

DATE

Nketoana Local Municipality
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for the year ended 30 June 2009

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Nketoana Local Municipality
STATEMENT OF FINANCIAL POSITION

as at 30 June 2009

	Note	2009 R'000	2008 R'000
ASSETS			
Current assets			
Cash and cash equivalents	1	2 120	1 215
Trade and other receivables from exchange transactions	2	20 833 076	15 528 442
Other receivables from non-exchange transactions	2.3	-	2 638 271
Inventories	3.3	2 106 868	25 476
Investments	4.3	30 135 501	28 181 553
Non-current assets			
Investments	5.3	10 733 174	10 024 452
Property, plant and equipment	6.3	34 550 689	-
Total assets		98 361 428	56 399 409
LIABILITIES			
Current liabilities			
Trade and other payables from exchange transactions	7.3	1 393 553	95 656
Consumer deposits	8.3	1 121 407	1 055 499
VAT payable	9.3	12 129 478	-
Current provisions	10.3	4 680 475	1 976 011
Bank overdraft	1	1 912 870	4 487 706
Current portion of unspent conditional grants and receipts	11.3	9 094 464	17 991 508
Current portion of borrowings	12.3	312 300	293 328
Other current financial liabilities	8	8 349 754	4 383 725
Non-current liabilities			
Non-current borrowings	12.3	10 134 824	10 607 787
Total liabilities		49 129 127	40 891 219
Net assets		49 232 301	15 508 190
NET ASSETS			
Reserves		40 745 788	13 823 386
Accumulated surplus / (deficit)		8 486 601	1 684 805
Total net assets		49 232 301	15 508 190

Nketoana Local Municipality
STATEMENT OF FINANCIAL PERFORMANCE
for the year ending 30 June 2009

	Note	2009 R'000	2008 R'000
Revenue			
Property rates	13.3	8 164 630	8 242 904
Property rates - penalties imposed and collection charges	13.3	-	-
Service charges	14.3	60 817 076	53 746 004
Rental of facilities and equipment	15.3	1 353 107	-
Interest earned - external investments	16.3	1 803 826	2 825 967
Interest earned - outstanding receivables	17.3	12 346 897	11 827 686
Fines		110 632	78 867
Licences and permits		10 228	-
Government grants and subsidies	18.3	61 351 293	30 143 415
Public contributions and donations	32	-	-
Other income	19.3	2 133 810	17 324 828
Total revenue		148 091 499	124 189 671
Expenses			
Employee related costs	20.3	28 195 262	25 738 911
Remuneration of councillors	21.3	3 704 896	3 439 813
Bad debts		24 378 174	25 946 292
Collection costs		-	-
Depreciation and amortisation expense	22.3	285 983	-
Repairs and maintenance		5 137 026	2 209 076
Finance costs	23.3	1 079 420	1 142 582
Bulk purchases	24.3	11 340 382	8 527 218
General expenses	25.3	48 565 688	40 178 511
Total expenses		122 686 832	107 182 403
Inventories: (Write-down) / reversal of write-down to net realisable value	3.3	2 104 932	-
Surplus / (deficit) for the period		27 509 598	17 007 268

Nketoana Local Municipality
STATEMENT OF CHANGES IN NET ASSETS
as at 30 June 2009

	Revaluation Reserve	Other reserves	Total: Reserves	Accumulated Surplus/(Deficit)	Total: Net Assets
Note	R'000	R'000	R'000	R'000	R'000
Balance at 30 June 2007	-	11 550 389	11 550 389	4 385 290	15 935 679
Changes in accounting policy	28.3	-	-	-	-
Correction of prior period error	29.3	-	-	-	-
Restated balance	-	11 550 389	11 550 389	4 385 290	15 935 679
Surplus / (deficit) on revaluation of property of property, plant and equipment					-
Changes in accounting policy				(9 644 013)	(9 644 013)
<i>Other items</i>				(10 063 740)	(10 063 740)
Net gains and losses not recognised in the statement of financial performance					-
Transfers to / from accumulated surplus/(deficit)		2 272 997			-
Surplus / (deficit) for the period				17 007 268	17 007 268
Balance at 30 June 2008	-	13 823 386	13 823 386	1 684 805	15 508 191
Surplus / (deficit) on revaluation of property of property, plant and equipment					-
Correction of prior period error				6 211 960	6 211 960
<i>Other items</i>					-
Net gains and losses not recognised in the statement of financial performance					-
Transfers to / from accumulated surplus/(deficit) (Government Grants Reserve)		26 922 402		(26 922 402)	(26 922 402)
Surplus / (deficit) for the period				27 512 239	27 512 239
Balance at 30 June 2009	-	40 745 788	40 745 788	8 486 601	49 232 390

Nketoana Local Municipality

CASH FLOW STATEMENT

as at 30 June 2009

	Note	2009 R'000	2008 R'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts		136 365 529	194 860 662
Taxation			
Sales of goods and services		68 981 706	61 988 908
Grants		61 351 293	88 680 000
Interest received		1 803 826	2 821 580
Other receipts		4 228 705	41 370 174
Payments		98 022 675	81 236 111
Employee costs		31 900 158	29 178 724
Suppliers		65 043 097	50 914 805
Interest paid		1 079 420	1 142 582
Other payments			
Net cash flows from operating activities	26.3	38 342 854	113 624 551
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of fixed assets		(33 954 639)	(98 548 318)
Proceeds from sale of investments Non current		(708 722)	(568 454)
Net cash flows from investing activities		(34 663 360)	(99 116 772)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of borrowings		(453 991)	(199 206)
Net cash flows from financing activities		(453 991)	(199 206)
Net increase / (decrease) in net cash and cash equivalents		3 225 503	14 308 573
Net cash and cash equivalents at beginning of period		23 761 951	9 423 378
Net cash and cash equivalents at end of period	27.3	26 987 454	23 731 951

Nketoana Local Municipality
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ending 30 June 2009

1 BASIS OF ACCOUNTING

1.1 BASIS OF PRESENTATION

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

These annual financial statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

The principal accounting policies adopted in the preparation of these annual financial statements are set out below.

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant policy.

1.2 PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.3 GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months.

1.4 COMPARATIVE INFORMATION

Budget information in accordance with GRAP 1 and 24, has not been provided in an annexure to these financial statements

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET

1.5 EFFECTIVE

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

- GRAP 8 Interest in Joint Ventures - issued August 2006
- GRAP 18 Segment Reporting - issued March 2005
- GRAP 23 Revenue from Non-Exchange Transactions (Taxes and Transfers) - issued February 2008
- GRAP 24 Presentation of Budget Information in Financial Statements - issued November 2007
- GRAP 103 Heritage Assets - issued July 2008

The following standards, amendments to standards and interpretations have been issued but are not yet effective and have not been early adopted by the municipality:

IAS 19 Employee Benefits - effective 1 January 2009

IFRIC 17 Distribution of Non-cash Assets to Owners - effective 1 July 2009

2 PROPERTY, PLANT AND EQUIPMENT

2.1 INITIAL RECOGNITION

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

2.2 SUBSEQUENT MEASUREMENT - REVALUATION MODEL (LAND AND BUILDINGS)

Subsequent to initial recognition, land and buildings are carried at a revalued amount, being its fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses.

An increase in the carrying amount of an asset as a result of a revaluation is credited directly to a revaluation surplus reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

A decrease in the carrying amount of an asset as a result of a revaluation is recognised in surplus or deficit, except to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

2.3 SUBSEQUENT MEASUREMENT - COST MODEL

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

2.4 DEPRECIATION AND IMPAIRMENT

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives:

In determining the backlog depreciation, the Municipality applied Treasury Directive 4 that determines the transitional provisions for the adoption of standards of GRAP by medium municipalities.

Infrastructure		Other	
Roads and Paving	20yrs	Buildings	30yrs
Pedestrian Malls	20yrs	Specialist vehicles	5-7yrs
Electricity	20-30yrs	Other vehicles	5-7yrs
Water	15-20yrs	Office equipment	3-5yrs
Sewerage	15-20yrs	Furniture and fittings	7-10yrs
		Watercraft	15yrs
Community		Bins and containers	5yrs
Buildings	30yrs	Specialised plant and equipment	5-15yrs
Recreational Facilities	30yrs	Other items of plant and equipment	5-15yrs
Security	30yrs	Landfill sites	30yrs
Halls	30yrs	Quarries	30yrs
Libraries	30yrs	Emergency equipment	5-15yrs
Parks and gardens	30yrs	Computer equipment	5yrs
Other assets	20-30yrs		
Heritage assets			
Buildings		0	
Paintings and artifacts		0	
Finance lease assets			
Office equipment	3-5yrs		
Other assets	3-7yrs		

The residual value, the useful life of an asset and the depreciation method is reviewed annually and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

2.5 DERECOGNITION

Items of Property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

3 INTANGIBLE ASSETS

3.1 INITIAL RECOGNITION

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licences, and development costs. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the municipality has the resources to complete the project; and
- it is probable that the municipality will receive future economic benefits or service potential.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

3.2 SUBSEQUENT MEASUREMENT - COST MODEL

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

3.3 AMORTISATION AND IMPAIRMENT

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. The annual amortisation rates are based on the following estimated average asset lives:

Computer software	5
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The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

3.4 DERECOGNITION

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

4 INVESTMENT PROPERTY

4.1 INITIAL RECOGNITION

Investment property includes property (land or a building, or part of a building, or both land or buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is the cost at date of completion.

4.2 SUBSEQUENT MEASUREMENT - COST MODEL

Investment property is measured using the cost model. Under the cost model, investment property is carried at cost less any accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives:

4.2 SUBSEQUENT MEASUREMENT - FAIR VALUE MODEL

Investment property is measured using the fair value model. Under the fair value model, investment property is carried at its fair value at the reporting date. Any gain or loss arising from a change in the fair value of the property is included in surplus or deficit for the period in which it arises.

5 BIOLOGICAL ASSETS

5.1 INITIAL RECOGNITION

A biological asset or agricultural produce is recognised when, and only when:

- the municipality controls the asset as a result of past events;
- it is probable that future economic benefits associated with the asset will flow to the municipality;
- and the fair value or cost of the asset can be measured reliably.

5.2 SUBSEQUENT MEASUREMENT

Biological assets are measured at their fair value less estimated point-of-sale costs.

The fair value of livestock is determined based on market prices of livestock of similar age, breed, and genetic merit.

The fair value of milk is determined based on market prices in the local area.

The fair value of the vine / pine plantations is based on the combined fair value of the land and the vines / pine trees. The fair value of the raw land and land improvements is then deducted from the combined fair value to determine the fair value of the vines / pine trees.

A gain or loss arising on initial recognition of agricultural produce at fair value less estimated point-of-sale costs is included in profit or loss for the period in which it arises.

Where market determined prices or values are not available, the present value of the expected net cash inflows from the asset, discounted at a current market-determined pre-tax rate is used to determine fair value.

An unconditional government grant related to a biological asset measured at its fair value less estimated point-of-sale costs is recognised as income when the government grant becomes receivable.

Where fair value cannot be measured reliably, biological assets are measured at cost less any accumulated depreciation and any accumulated impairment losses.

Depreciation is provided on biological assets where fair value cannot be determined, to write down the cost, less residual value. The annual depreciation rates are based on the following estimated average asset lives:

Biological assets	%
Trees in plantation	
Maize	
Wheat	
Sheep	
Pigs	
Dairy Cattle	
Other Assets	

6 NON-CURRENT ASSETS HELD FOR SALE

6.1 INITIAL RECOGNITION

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

6.2 SUBSEQUENT MEASUREMENT

Non-current assets held for sale (or disposal group) are measured at the lower of carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

7 INVENTORIES

7.1 INITIAL RECOGNITION

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

7.2 SUBSEQUENT MEASUREMENT

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down in this way. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

8 FINANCIAL INSTRUMENTS

8.1 INITIAL RECOGNITION

Financial instruments are initially recognised at fair value.

8.2 SUBSEQUENT MEASUREMENT

Financial Assets are categorised according to their nature as either financial assets at fair value through profit or loss, held-to-maturity, loans and receivables, or available for sale. Financial liabilities are categorised as either at fair value through profit or loss or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation and, in the absence of an approved GRAP Standard on Financial Instruments, is in accordance with IAS 39.

8.2.1 INVESTMENTS

Investments, which include listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks, are categorised as either held-to-maturity where the criteria for that categorisation are met, or as loans and receivables, and are measured at amortised cost. Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. Impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the instrument. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

8.2.2 TRADE AND OTHER RECEIVABLES

Trade and other receivables are categorised as financial assets: loans and receivables and are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within 12 months from the reporting date are classified as current.

An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables through the use of an allowance account, and the amount of the loss is recognised in the Statement of Financial Performance within operating expenses. When a trade receivable is uncollectible, it is written off. Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance.

8.2.3 TRADE PAYABLES AND BORROWINGS

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost which is the initial carrying amount, less repayments, plus interest.

8.2.4 CASH AND CASH EQUIVALENTS

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

9 INVESTMENTS IN ASSOCIATES

An associate is an entity in which the investor has significant influence and which is neither a controlled entity nor a joint venture of the investor. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control over those policies. The municipality exercises judgement in the context of all available information to determine if it has significant influence over an investee.

The equity method involves recognising the investment initially at cost, then adjusting for any change in the investor's share of net assets of the associate since it acquired it. A single line-item in the Statement of Financial Performance presents the investor's share of the associate's surplus or deficit for the year.

The municipality commences accounting for an investment in an associate from the date that significant influence exists and discontinues the application of the equity method when it no longer has significant influence over an associate. Investments that are retained in whole or in part are subsequently accounted for in accordance with the accounting policies on subsidiaries, joint ventures or financial instruments depending on the nature of the retained investment.

The municipality uses the most recent available financial statements of the associate in applying the equity method. Where the reporting periods of the associate and the municipality are different, separate financial statements for the same period are prepared by the associate unless it is impracticable to do so. When the reporting dates are different, the municipality makes adjustments for the effects of any significant events or transactions between the investor and the associate that occur between the different reporting dates. Adjustments are made to ensure consistency between the accounting policies of the associate and the municipality.

10 UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

11 IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

12 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

13 PROVISIONS

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

municipality has a detailed formal plan for the restructuring identifying at least:	(a) The
business or part of a business concerned;	- the
principal locations affected;	- the
location, function, and approximate number of employees who will be compensated for terminating their services;	- the
- the expenditures that will be undertaken; and	- when
the plan will be implemented; and	

(b) The municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

14 LEASES

14.1 MUNICIPALITY AS LESSEE

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are accrued on a straight-line basis over the term of the relevant lease.

14.2 MUNICIPALITY AS LESSOR

Under a finance lease, the municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

15 REVENUE

15.1 REVENUE FROM EXCHANGE TRANSACTIONS

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Service charges relating to electricity and water are based on consumption. Meters are read on a quarterly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse containers per property.

Service charges from sewerage and sanitation are based on the number of sewerage connections on each developed property using the tariffs approved from Council and are levied monthly.

Interest revenue is recognised on a time proportion basis.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Dividends are recognised on the date that the Municipality becomes entitled to receive the dividend.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licences and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods is passed to the consumer.

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

15.2 REVENUE FROM NON-EXCHANGE TRANSACTIONS

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis.

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received, together with an estimate of spot fines and summonses that will be received based on past experience of amounts collected.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality. Where public contributions have been received but the municipality has not met the related conditions, a deferred income (liability) is recognised.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

15.3 GRANTS, TRANSFERS AND DONATIONS

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

16 BORROWING COSTS

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established. Borrowing costs incurred other than on qualifying assets are recognised as an expense in surplus or deficit when incurred.

17 RETIREMENT BENEFITS

The municipality provides retirement benefits for its employees and councillors. [The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. The defined benefit funds, which are administered on a provincial basis, are actuarially valued triennially on the projected unit credit method basis. Deficits identified are recognised as a liability and are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities. Specific actuarial information in respect of individual participating municipalities is unavailable due to centralised administration of these funds. As a result, defined benefit plans have been accounted for as if they were defined contribution plans.](#)

18 CONSTRUCTION CONTRACTS AND RECEIVABLES

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, as measured by *the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs OR surveys of work done OR completion of a physical proportion of the contract work*].

Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent that contract costs incurred are recoverable. Contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

19 IMPAIRMENT OF ASSETS

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also:

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

The recoverable service amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An impairment loss is recognised for cash-generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

Nketoana Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2009

Note	2009 R'000	2008 R'000
1 CASH AND CASH EQUIVALENTS		
Cash and cash equivalents consist of the following:		
Cash on hand	2 120	1 215
Cash at bank(overdraft)	(3 150 167)	(4 420 817)
Call deposits and investments	30 135 501	28 181 553
	26 987 454	23 761 951

The Municipality has the following bank accounts: -

Current Account (Primary Bank Account)

ABSA Bank - REITZ Branch: Account Number 2170560119
FIRST NATIONAL BANK - REITZ branch : Account Number 62064082799

Cash book balance at beginning of year	(4 487 706)	(3 710 391)
Cash book balance at end of year	(1 912 870)	(4 487 706)
Bank statement balance at beginning of year	4 846 027	(111 868)
Bank statement balance at end of year	4 871 176	4 846 027
<u>Cash on hand</u>	2 120	1 215
Total cash and cash equivalents	26 989 574	23 763 166
Total bank overdraft	(1 912 870)	(4 487 706)

2 TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS	Gross Balances R'000	Provision for Doubtful Debts R'000	Net Balance R'000
<u>Trade receivables</u>			
as at 30 June 2009			
Service debtors			
Rates	11 347 079	-	11 347 079
Electricity	4 295 600	-	4 295 600
Water	17 482 691	-	17 482 691
Sewerage	26 535 685	-	26 535 685
Refuse	29 394 688	-	29 394 688
Total	89 055 743	(100 398 216)	(11 342 473)
as at 30 June 2008			
Service debtors			
Rates	10 684 741	-	10 684 741
Electricity	2 782 229	-	2 782 229
Water	10 814 357	-	10 814 357
Sewerage	15 528 876	-	15 528 876
Refuse	18 552 407	-	18 552 407
Total	58 362 610	-	58 362 610
2.1 Other receivables	32 175 549	-	32 175 549
Other receivables	32 175 549	-	32 175 549

2.2 Reconciliation of the doubtful debt provision

Balance at beginning of the year	76 020 042	51 000 000
Contributions to provision	24 378 174	(33 772 208)
Doubtful debts written off against provision	-	(8 752 166)
Reversal of provision	-	-
Balance at end of year	100 398 216	76 020 042

2.3 OTHER RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Housing	725 008	10 015
VAT	(8 273 712)	(7 412 844)
Loans	13 624	5 510
Sundries	39 271 039	34 096 599
Other debtors	439 589	1 416 842

Nketoana Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2009

	Note	2009 R'000	2008 R'000
Prepayments (if not material)		-	-
Total Other Debtors		32 175 549	28 116 122
3.3 INVENTORIES		2 106 868	25 476
Opening balance of inventories:		25 476	25 476
Consumable stores - at cost		25 476	25 476
Additions:		456 177	-
Consumable stores		456 177	-
Water		-	-
Issued (expensed):		(2 344 704)	-
Consumable stores		(2 344 704)	-
Water		-	-
4.3 INVESTMENTS			
Deposits		114 050.75	28 181 553
Other investments		30 135 501	-
		30 135 501	28 181 553
5.3 INVESTMENTS			
<u>Financial Instruments</u>			
Listed Investments		5 000	28 488
Other Investments and fixed deposits		10 728 174	9 995 964
		10 733 174	10 024 452
Pledged Investments			

Nketoana Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2009

6.3 PROPERTY, PLANT AND EQUIPMENT

Reconciliation of Carrying Value	Land	Buildings	Infrastructure	Community	Heritage	Other Assets	Finance lease assets	Total
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
as at 1 July 2008	-	-	-	-	-	-	-	-
Cost/Revaluation	2 473 392	-	255 846 000	13 361 219	-	44 864 282	-	316 544 893
Correction of error								-
Change in accounting policy								-
Accumulated depreciation and impairment losses	(2 473 392)	-	(255 846 000)	(13 361 219)	-	(44 864 282)	-	(316 544 893)
Acquisitions	-	-	30 515 108	61 648	-	3 377 884	-	33 954 639
Capital under Construction	-	-	-	-	-	-	-	-
Depreciation	-	-	(115 863)	-	-	(154 055)	-	(269 917)
Carrying value of disposals	-	-	-	-	-	-	-	-
Cost/Revaluation	-	-	-	-	-	-	-	-
Accumulated depreciation and impairment losses	-	-	-	-	-	-	-	-
Impairment loss/Reversal of impairment loss	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-
Other movements*	-	-	-	-	-	-	-	-
as at 30 June 2009	865 968	-	30 399 245	61 648	-	3 223 829	-	34 550 689
Cost/Revaluation	3 355 426	-	286 361 108	13 422 867	-	48 242 166	-	351 381 565
Accumulated depreciation and impairment losses	(2 489 458)	-	(255 961 863)	(13 361 219)	-	(45 018 337)	-	(316 830 876)

Nketoana Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2008

Reconciliation of Carrying Value	Land	Buildings	Infrastructure	Community	Heritage	Other Assets	Finance lease assets	Total
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
as at 1 July 2007	2 473 146	-	157 977 172	13 184 901	-	44 361 356	-	217 996 575
Cost/Revaluation	2 473 146	-	157 977 172	13 184 901	-	44 361 356	-	217 996 575
Correction of error								-
Change in accounting policy								-
Accumulated depreciation and impairment losses	-	-	-	-	-	-	-	-
Acquisitions	246	-	97 868 828	176 318	-	502 926	-	98 548 318
Capital under Construction	-	-	-	-	-	-	-	-
Depreciation	(2 473 392)	-	(255 846 000)	(13 361 219)	-	(44 864 282)	-	(316 544 893)
Carrying value of disposals	-	-	-	-	-	-	-	-
Cost/Revaluation	-	-	-	-	-	-	-	-
Accumulated depreciation and impairment losses	-	-	-	-	-	-	-	-
Impairment loss/Reversal of impairment loss	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-
*Other movements	-	-	-	-	-	-	-	-
as at 30 June 2008	-	-	-	-	-	-	-	-
Cost/Revaluation	2 473 392	-	255 846 000	13 361 219	-	44 864 282	-	316 544 893
Accumulated depreciation and impairment losses	(2 473 392)	-	(255 846 000)	(13 361 219)	-	(44 864 282)	-	(316 544 893)

All assets acquired prior to the 2007/08 financial year are fully depreciated. All asset acquisitions for 2009 have been depreciated in accordance with GRAP except for infrastructure assets acquired through grants and subsidies. These infrastructure assets are capitalised at year end and depreciated in the year following capitalisation. At year end, the residual balance of assets purchased through government grant is transferred to Government Grants Reserve.

Nketoana Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2009

7.3 TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS

Trade creditors	(1 393 553)	(95 656)
Payments received in advance	-	-
Audit fees accrual	-	-
Staff leave accrual	-	-
Accrued interest	-	-
Other creditors	(8 349 754)	(4 383 725)
Total creditors	(9 743 308)	(4 479 381)

The fair value of trade and other payables approximates their carrying amounts.

8.3 CONSUMER DEPOSITS

Electricity and Water	(1 121 407)	(1 055 499)
Total consumer deposits	(1 121 407)	(1 055 499)

No interest is accrued or paid on consumer deposits

9.3 VAT PAYABLE

VAT payable	(12 129 478)	(7 412 844)
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VAT is payable on the receipts basis. VAT is paid over to SARS only once payment is received from debtors.

10.3 PROVISIONS

Employees bonus	-	-
Provision for leave and bonuses	(3 325 962)	(1 976 011)
Other	(1 354 513)	-
Total Provisions	(4 680 475)	(1 976 011)

The movement in current provisions are reconciled as follows: -

	Provision for leave and bonus
as at 1 July 2008	(1 976 011)
Contributions to provision	(1 349 952)
Expenditure incurred	-
as at 30 June 2009	(3 325 962)
as at 1 July 2007	(2 090 226)
Contributions to provision	(114 215)
Expenditure incurred	-
as at 30 June 2008	(1 976 011)

11.3 UNSPENT CONDITIONAL GRANTS AND RECEIPTS

12.1 Unspent Conditional Grants from other spheres of Government

MIG Grants	(6 605 001)	(15 477 176)
Thabo Mofutsanyana District municipality	(381 284)	(88 665)
Thabo Mofutsanyana District municipality - Lindley storm water	(90 234)	-
MISG	(680 474)	(329 777)
MFMG	(837 471)	(1 595 891)
DWAF drought relief	(500 000)	(500 000)

Nketoana Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
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12.2 Other Unspent Conditional Grants and Receipts (included under sundry creditors)

Other		
Total Unspent Conditional Grants and Receipts	(9 094 464)	(17 991 508)
Non-current unspent conditional grants and receipts	-	-
Current portion of unspent conditional grants and receipts	(9 094 464)	(17 991 508)

See Note 31 for reconciliation of grants and receipts. These amounts are invested in ring-fenced investment until utilised.

12.3 BORROWINGS

Local Registered Stock Loans	-	-
Annuity Loans	-	-
Government Loans : Other	-	-
Other borrowings	(10 447 124)	(10 901 115)
	(10 447 124)	(10 901 115)

Less : Current portion transferred to current liabilities	312 300	293 328
Local Registered Stock Loans	-	-
Annuity Loans	-	-
Government Loans : Other	-	-
Other borrowings	312 300	293 328

Total borrowings	(10 134 824)	(10 607 787)
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Refer to Appendix A for more detail on borrowings.

13.3 PROPERTY RATES

Actual		
Residential and Commercial	-	5 041 770
Commercial	-	-
Municipal	-	6 275
Farmland	-	1 690 826
State	-	1 504 033
Total property rates	-	8 242 904
Property rates - penalties imposed and collection charges	-	-
Total	8 164 630	8 242 904

Valuations

Residential		188 119 009
Commercial		82 558 520
State		99 070 331
Municipal		386 701 665
Total Property Valuations	-	756 449 525

14.3 SERVICE CHARGES

Sale of electricity	13 958 224	12 812 731
Sale of water	22 544 084	21 566 153
Refuse removal	9 668 757	9 152 471
Sewerage and sanitation charges	14 646 011	10 214 648
Total Service Charges	60 817 076	53 746 003

Nketoana Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2009

15.3 RENTAL OF FACILITIES AND EQUIPMENT

Rental of facilities	1 344 167	-
Rental of equipment	8 940	-
Other rentals	-	-
Total rentals	1 353 107	-

16.3 INTEREST EARNED - EXTERNAL INVESTMENTS

Bank and Financial assets	1 803 826	2 821 591
Total interest	1 803 826	2 821 591

17.3 INTEREST EARNED - OUTSTANDING RECEIVABLES

Interest earned - outstanding receivables	12 346 897	11 827 686
Total interest	12 346 897	11 827 686

18.3 GOVERNMENT GRANTS AND SUBSIDIES

Equitable share	36 286 096	30 143 000
MIG Grant	15 335 000	56 426 000
FMG	500 000	734 000
MSIG	735 000	734 000
LG SETA	99 505	
Dept of Tousim	23 550	
Councillor support grant	-	643 000
DPLG		2 100 000
Total Government Grant and Subsidies	61 351 293	88 680 000

19.3 Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

20.1 MIG Grant

Balance unspent at beginning of year	15 477 176	55 906 969
Current year receipts	15 335 000	56 426 000
Conditions met - transferred to revenue	(26 922 402)	(96 855 794)
Conditions still to be met - remain liabilities	3 889 774	15 477 176

19.3 OTHER INCOME, PUBLIC CONTRIBUTIONS AND DONATIONS

20.1 Other income

Other income	2 101 539	17 324 828
Total Other Income	2 101 539	17 324 828

Nketoana Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2009

20.3 EMPLOYEE RELATED COSTS

Employee related costs - Salaries and Wages and bonuses	19 824 999	18 963 215
Employee related costs - Contributions for UIF, pensions and medical aids	4 866 552	3 419 726
Travel, motor car, accommodation, subsistence and other allowances	3 904 581	1 953 737
Housing benefits and allowances	1 221 010	73 942
Overtime payments	2 083 016	1 328 291
Total Employee Related Costs	31 900 158	25 738 911

Remuneration of the Municipal Manager

Annual Remuneration	672 098	519 473
Performance- and other bonuses	-	-
Travel, motor car, accommodation, subsistence and other allowances	-	63 500
Contributions to UIF, Medical and Pension Funds	1 497	1 497
Total	673 595	584 471

Remuneration of the Chief Finance Officer

Annual Remuneration	348 065	289 379
Performance- and other bonuses	-	-
Travel, motor car, accommodation, subsistence and other allowances	100 000	173 600
Contributions to UIF, Medical and Pension Funds	1 248	1 497
Total	449 313	464 476

Remuneration of Individual Executive Directors

	Technical Services R'000	Corporate Services R'000	Community Services R'000
2009			
Annual Remuneration	63 805	176 193	357 678
Performance- and other bonuses	-	-	-
Travel, motor car, accommodation, subsistence and other allowances	-	335 684	180 000
Contributions to UIF, Medical and Pension Funds	250	-	1 497
Total	64 054	511 877	539 176

2008

	Technical Services R'000	Corporate Services R'000	Community Services R'000
Annual Remuneration	-	261 379	-
Performance- and other bonuses	-	-	-
Travel, motor car, accommodation, subsistence and other allowances	-	204 000	-
Contributions to UIF, Medical and Pension Funds	-	1 497	-
Total	-	466 876	-

21.3 REMUNERATION OF COUNCILLORS

Executive Mayor	544 548	507 834
Deputy Executive Mayor	-	-
Speaker	439 179	368 289
Executive Committee Members	457 870	818 553
Councillors	2 263 299	1 730 471
Councillors' pension and medical aid contributions	-	-
Councillors' allowances	-	-
Total Councillors' Remuneration	3 704 896	3 425 147

22.3 DEPRECIATION AND AMORTISATION EXPENSE

Property, plant and equipment	(285 983)	-
Intangible assets	-	-
Investment property carried at cost	-	-
Biological assets carried at cost	-	-
Total Depreciation and Amortisation	(285 983)	-

Nketoana Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2009

23.3 FINANCE COSTS

Borrowings	1 077 459	1 142 580
Consumer deposits	-	-
Bank overdrafts	1 961	-
Total Finance Costs	1 079 420	1 142 580

24.3 BULK PURCHASES

Electricity	10 788 732	-
Water	551 650	-
Total Bulk Purchases	11 340 382	-

25.3 GENERAL EXPENSES

General expenses	46 003 019	40 178 511
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26.3 CASH GENERATED BY OPERATIONS

Surplus/(deficit) for the year	27 509 598	17 007 268
Adjustment for:-		
Depreciation and amortisation	285 983	-
Inventories: (Write-down) / reversal of write-down to net realisable value	(2 104 932)	-
Contribution to provisions - non-current		
Bad debts	24 378 174	25 946 292
Contribution to provisions - current	2 704 465	(114 215)
Finance costs	1 079 420	(1 142 582)
Adjustments in respect of prior year financial statements/grap implementation	36 057 257	39 296 418
Impairment loss / (reversal of impairment loss)	2 104 932	-
Interest earned	(14 150 722)	(14 653 653)
Other non- operating items		98 098 392
Capital charges debited to operating income		607 542
Operating surplus before working capital changes:	77 864 175	165 045 462
(Increase)/decrease in inventories	(2 081 392)	62 985
(Increase)/decrease in trade receivables	(29 832 266)	(11 529 324)
(Increase)/decrease in other receivables	(4 920 294)	(10 242 734)
(Increase)/decrease in VAT receivable		-
Increase/(decrease) in conditional grants and receipts	(8 897 044)	(37 915 461)
Increase/(decrease) in trade payables	1 297 897	(1 308 248)
Increase/(decrease) in consumer deposits	65 908	83 929
Increase/(decrease) in VAT payable	860 868	1 743 627
Other asset		
Other current financial liability	3 985 001	7 684 315
Cash generated by/(utilised in) operations	38 342 854	113 624 551

27.3 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statement comprise the following:

Short term call deposits	30 135 501	28 181 553
Bank balances and cash	2 120	1 215
Bank overdrafts	(3 150 167)	(4 420 817)
Net cash and cash equivalents (net of bank overdrafts)	26 987 454	23 761 951

Nketoana Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2009

28.3 CHANGE IN ACCOUNTING POLICY

The following adjustments were made to amounts previously reported in the annual financial statements of the municipality arising from the implementation of new accounting policies and changes to existing policies:

29.1 Statutory Funds

Balance previously reported: -	
Capital Development Fund	10 100 843
Ervin Truct Fund	3 722 544
Loans redeemed and other capital receipts	306 149 569
Total	319 972 956

Implementation of GRAP	
Transferred to Accumulated Surplus/(Deficit) (see 47.7 below)	306 149 569
Transferred to Government Grant Reserve	-
Transferred to Capitalisation Reserve	13 823 387

29.2 Provisions and Reserves

Balance previously reported	
Capacity Building Fund	314 066
Valuation Cost	437 245
Total	751 311

Implementation of GRAP	
Transferred to Accumulated Surplus/(Deficit) (see 47.7 below)	751 311

29.3 Inventory

Balance previously reported	
Implementation of GRAP	
Transferred to Accumulated Surplus/(Deficit) (see 47.7 below)	
Change from first-in-first-out to weighted average method	
Total	-

29.4 Non-current provisions

Balance previously reported -	
Implementation of GRAP	
Transferred to Accumulated Surplus/(Deficit) (see 47.7 below)	
Long-service	
Total	-

29.5 Property, plant and equipment

Balance previously reported	
Implementation of GRAP	
Infrastructure previously not recorded credited to Accumulated Surplus/(Deficit) (see 47.7 below)	
Total	-

29.6 Accumulated Depreciation

Balance previously reported -	
Implementation of GRAP	
Backlog depreciation: Land and buildings	2 473 392
Backlog depreciation: Infrastructure	255 846 000
Backlog depreciation: Community	13 361 219
Backlog depreciation: Other	44 864 282
Total (debited to Accumulated Surplus/(Deficit))	316 544 893

29.7 Accumulated Surplus/(Deficit)

Implementation of GRAP	
Adjustment to Loans Redeemed and other Capital receipts to balance the reconciliation to Zero	10 395 324
Backlog depreciation (see 29.6 above)	316 544 893
Total	326 940 217

Nketoana Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2009

29.3 RESTATEMENT OF COMPARATIVE INFORMATION

The comparative amount has been restated as follows:

Trade and other payables from exchange transactions	95 656	22 470 889
Consumer deposits	1 055 499	-
Current portion of unspent conditional grants and receipts	17 991 508	-
Property, plant and equipment	-	10 395 324
Funds and Reserve (face of the statement of Position)	-	14 574 699
	<u>19 142 663</u>	<u>47 440 912</u>
Revenue		-
Property rates	8 242 904	-
Property rates - penalties imposed and collection charges	-	-
Service charges	53 746 004	-
Rental of facilities and equipment	-	-
Interest earned - external investments	2 825 967	-
Interest earned - outstanding receivables	11 827 686	-
Fines	78 867	-
Licences and permits	-	-
Government grants and subsidies	30 143 415	-
Public contributions and donations	-	-
Other income	17 324 828	-
Community services	-	69 501 033
Subsidised services	-	131 861
Economic service	-	19 467 925
Expenses		
Employee related costs	25 738 911	
Remuneration of councillors	3 439 813	-
Bad debts	-	-
Collection costs	-	-
Depreciation and amortisation expense	-	-
Repairs and maintenance	2 209 076	-
Finance costs	1 142 582	-
Bulk purchases	8 527 218	-
Contracted services	-	-
Grants and subsidies paid	-	-
General expenses	66 124 803	-
Community services	-	63 206 202
Subsidised services	-	3 097 088
Economic service	-	13 173 600

UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE

30.3 DISALLOWED

30.1 Unauthorised expenditure

Reconciliation of unauthorised expenditure

Opening balance	-	-
Unauthorised expenditure current year	-	-
Approved by Council or condoned	-	-
Transfer to receivables for recovery	-	-
Unauthorised expenditure awaiting authorisation	<u>-</u>	<u>-</u>

30.2 Fruitless and wasteful expenditure

Reconciliation of fruitless and wasteful expenditure

Opening balance -	106400	-
Fruitless and wasteful expenditure current year	-	-
Condoned or written off by Council	-	-
To be recovered – contingent asset	-	-
Fruitless and wasteful expenditure awaiting condonement	<u>106 400</u>	<u>-</u>

Nketoana Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2009

30.3 Irregular expenditure

Reconciliation of irregular expenditure

Opening balance	409 269	
Fruitless and wasteful expenditure current year		
Condoned or written off by Council		
Transfer to receivables for recovery – not condoned		
Irregular expenditure awaiting condonement	<u>409 269</u>	<u>-</u>

ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE

31.3 MANAGEMENT ACT

32.1 Contributions to organised local government

Opening balance	-	-
Council subscriptions	-	-
Amount paid - current	-	-
Amount paid - previous years	-	-
Balance unpaid (included in payables)	<u>-</u>	<u>-</u>

32.2 Audit fees

Amount paid	1 285 005	943 298
Total	<u>1 285 005</u>	<u>943 298</u>

32.3 VAT

VAT input receivables and VAT output payables are shown in note 10. All VAT returns have been submitted by the due date throughout the year.

32.4 PAYE and UIF

Opening balance		-
Current year payroll deductions	3 348 837	2 672 401
Amount paid - current year	(3 348 837)	(2 672 401)
Amount paid - previous years		
Balance unpaid (included in payables)	<u>-</u>	<u>-</u>

32.5 Pension and Medical Aid Deductions

Opening balance		
Current year payroll deductions and Council Contributions	3 975 959	4 742 046
Amount paid - current year	(3 975 959)	(4 742 046)
Amount paid - previous years		
Balance unpaid (included in payables)	<u>-</u>	<u>-</u>

32.6 Councillor's arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days as at: -

	Total	Outstanding less	Outstanding more
	R'000	than 90 days	than 90 days
		R'000	R'000
as at 30 June 2009			
Councillor P M Moloedi	12 529	699	11 830
Councillor M S Mokoena	1 047	364	682
Councillor xx	-		
Total Councillor Arrear Consumer Accounts	<u>13 576</u>	<u>1 063</u>	<u>12 512</u>
as at 30 June 2008			
MS Mokeona	4 107	-	4 107
Total Councillor Arrear Consumer Accounts	<u>4 107</u>	<u>-</u>	<u>4 107</u>

Nketoana Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2009

32.3 CAPITAL COMMITMENTS

33.1 Commitments in respect of capital expenditure

- Approved and contracted for	-	60 086 408
Infrastructure	-	60 086 408
Community	-	-
Heritage	-	-
Other	-	-
- Approved but not yet contracted for	41 674 412	374 908 052
Infrastructure	39 374 412	374 908 052
Community	-	-
Heritage	-	-
Other	2 300 000	-
Total	41 674 412	434 994 460

This expenditure will be financed from:

- External Loans	-	-
- Government Grants	31 268 912	372 528 852
- Own resources	10 405 500	2 379 200
- District Council Grants	-	-
	41 674 412	374 908 052

33.2 Operating leases

At the reporting date the entity has outstanding commitments under operating leases which fall due as follows:

Operating leases - lessee

Within one year	137 733	125 211
In the second to fifth year inclusive	640 258	639 218
After five years	291 224	429 997
Total	1 069 215	1 194 426

33.3 RETIREMENT BENEFIT INFORMATION

34.1 Defined contribution plan

The employees and councillors of the Municipality are members of the following pension funds

SALA pension fund
SAMWU National Provident fund
Free state pension fund
Pension fund for municipal councillors

No actuarial valuations were available on completion of the financial statements

34.3 CONTINGENT LIABILITY

35.1 DWARF

To date there are two cases which may have financial implication for the municipality and they are as follows:

1. DD Radebe VS Nketoana Local Municipality
2. WJ Jacobs VS Nketoana Local Municipality

35.3 RELATED PARTIES

None reported for the current period

Nketoana Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2009

36.3 EVENTS AFTER THE REPORTING DATE

No items/ events have been identified, subsequent to the balance sheet date, that would impact the Annual Financial Statements at all

37.3 KEY SOURCES OF ESTIMATION UNCERTAINTY AND JUDGEMENTS

The following areas involve a significant degree of estimation uncertainty:

Useful lives and residual values of property, plant, and equipment
 Recoverable amounts of property, plant and equipment
 Provision for doubtful debts
 Impairment of assets

The following areas involved judgements, apart from those involving estimations disclosed above, that management has made in the process of applying the municipality's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

Useful lives and residual values of property, plant, and equipment (treasury circulation directive 4)
 Provisions

38.3 RISK MANAGEMENT

39.1 Maximum credit risk exposure

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluates credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

Financial assets exposed to credit risk at year end were as follows:

Investments and deposits	40 868 675	38 206 005
Trade and other receivables		
	121 231 292	(100 398 216)

These balances represent the maximum exposure to credit risk.

60.2 Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

60.3 Interest rate risk

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the group to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk.

At year end, financial instruments exposed to interest rate risk were as follows:

Investments and deposits	40 868 675	38 206 005
- Development Bank of South Africa loan	10447123.99	10 901 115
- ABSA overdraft		

Nketoana Local Municipality
APPENDIX A
SCHEDULE OF EXTERNAL LOANS
as at 30 June 2009

EXTERNAL LOANS	Loan number	Redeemable Date	Balance at 30 June 2008	Received during the period	Redeemed / written off during the period	Balance at 30 June 2009	Carrying Value of Property, Plant & Equipment	Other Costs in accordance with MFMA
			R'000	R'000	R'000	R'000	R'000	R'000
LONG-TERM LOANS								
Development bank @ 10.35%		31/12/2024	9 161 373	-	(222 522)	8 938 851		
Development bank @ 9.09%		31/12/2024	1 550 860	-	(42 588)	1 508 273		
Total long-term loans								
ANNUITY LOAN								
Absa Bank			188 881		(188 881)	-		
GOVERNMENT LOANS								
- Other @ x%								
Total Government Loans								
TOTAL EXTERNAL LOANS			10 901 115	-	(453 991)	10 447 124		

Nketoana Local Municipality
APPENDIX B
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
as at 30 June 2009

	Cost / Revaluation					Accumulated Depreciation					Transfers	Other movements	Carrying Value
	Opening Balance	Additions	Disposals	Under Construction	Closing Balance	Opening Balance	Depreciation	Disposals	Impairment loss/Reversal of impairment loss	Closing Balance			
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000			
Land													
Land	-	-	-	-	-	-	-	-	-	-	-	-	-
Landfill Sites	2 473 392	882 034	-	-	3 355 426	(2 473 392)	(16 066)	-	-	(2 489 458)	-	-	865 968
Quarries	-	-	-	-	-	-	-	-	-	-	-	-	-
	2 473 392	882 034	-	-	3 355 426	(2 473 392)	(16 066)	-	-	(2 489 458)	-	-	865 968
Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-
Infrastructure													
Drains	-	-	-	-	-	-	-	-	-	-	-	-	-
Roads	33 968 789	4 984 751	-	-	38 953 540	(33 968 789)	(45 636)	-	-	(34 014 425)	-	-	4 939 115
Sewerage Mains & Purification	129 992 260	22 388 176	-	-	152 380 436	(129 992 260)	(20 811)	-	-	(130 013 071)	-	-	22 367 365
Electricity Mains	15 837 994	1 899 829	-	-	17 737 823	(15 837 994)	(34 430)	-	-	(15 872 424)	-	-	1 865 399
Electricity Peak Load Equip	-	-	-	-	-	-	-	-	-	-	-	-	-
Water Mains & Purification	76 046 957	-	-	-	76 046 957	(76 046 957)	-	-	-	(76 046 957)	-	-	-
Reservoirs – Water	-	-	-	-	-	-	-	-	-	-	-	-	-
Water Meters	-	-	-	-	-	-	-	-	-	-	-	-	-
Storm Water	-	1 242 351	-	-	1 242 351	-	(14 986)	-	-	(14 986)	-	-	1 227 366
	255 846 000	30 515 108	-	-	286 361 108	(255 846 000)	(115 863)	-	-	(255 961 863)	-	-	30 399 245
Community Assets													
Parks & Gardens	1 475 339	-	-	-	1 475 339	(1 475 339)	-	-	-	(1 475 339)	-	-	-
Libraries	131 376	-	-	-	131 376	(131 376)	-	-	-	(131 376)	-	-	-
Recreation Grounds	-	61 648	-	-	61 648	-	-	-	-	-	-	-	61 648
Civic Buildings	11 703 795	-	-	-	11 703 795	(11 703 795)	-	-	-	(11 703 795)	-	-	-
Stadiums	-	-	-	-	-	-	-	-	-	-	-	-	-
Halls	-	-	-	-	-	-	-	-	-	-	-	-	-
Theatre	-	-	-	-	-	-	-	-	-	-	-	-	-
Swimming Pools	-	-	-	-	-	-	-	-	-	-	-	-	-
Cemeteries	50 709	-	-	-	50 709	(50 709)	-	-	-	(50 709)	-	-	-
	13 361 219	61 648	-	-	13 422 867	(13 361 219)	-	-	-	(13 361 219)	-	-	61 648
Heritage Assets													
Historical Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-
Paintings & Artifacts	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-
Total carried forward	271 680 611	31 458 789	-	-	303 139 400	(271 680 611)	(131 928)	-	-	(271 812 539)	-	-	31 326 860

Nketoana Local Municipality
APPENDIX B
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
as at 30 June 2009

	Cost / Revaluation					Accumulated Depreciation					Transfers	Other movements	Carrying Value
	Opening Balance	Additions	Disposals	Under Construction	Closing Balance	Opening Balance	Depreciation	Disposals	Impairment loss/Reversal of impairment loss	Closing Balance			
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Total brought forward	271 680 611	31 458 789	-	-	303 139 400	(271 680 611)	(131 928)	-	-	(271 812 539)	-	-	31 326 860
Other Assets													
Office Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
Furniture & Fittings	-	-	-	-	-	-	-	-	-	-	-	-	-
Bins and Containers	-	-	-	-	-	-	-	-	-	-	-	-	-
Emergency Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
Motor vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-
Fire engines	-	-	-	-	-	-	-	-	-	-	-	-	-
Refuse tankers	-	-	-	-	-	-	-	-	-	-	-	-	-
Computer Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
Computer Software (part of computer equipment)	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets	44 864 282	3 377 884	-	-	48 242 166	(44 864 282)	(154 055)	-	-	(45 018 337)	-	-	3 223 829
	44 864 282	3 377 884	-	-	48 242 166	(44 864 282)	(154 055)	-	-	(45 018 337)	-	-	3 223 829
Finance Lease Assets													
Office Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	316 544 893	34 836 672	-	-	351 381 565	(316 544 893)	(285 983)	-	-	(316 830 876)	-	-	34 550 689

Nketoana Local Municipality
APPENDIX B
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
as at 30 June 2008

	Cost / Revaluation					Accumulated Depreciation					Transfers	Other movements	Carrying Value
	Opening Balance	Additions	Disposals	Under Construction	Closing Balance	Opening Balance	Depreciation	Disposals	Impairment loss/Reversal of impairment loss	Closing Balance			
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000			
Land													
Land	-	-	-	-	-	-	-	-	-	-	-	-	-
Landfill Sites	2 473 146	246	-	-	2 473 392	-	(2 473 392)	-	-	(2 473 392)	-	-	-
Quarries	-	-	-	-	-	-	-	-	-	-	-	-	-
	2 473 146	246	-	-	2 473 392	-	(2 473 392)	-	-	(2 473 392)	-	-	-
Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-
Infrastructure													
Drains	-	-	-	-	-	-	-	-	-	-	-	-	-
Roads	33 423 283	545 506	-	-	33 968 789	-	(33 968 789)	-	-	(33 968 789)	-	-	-
Sewerage Mains & Purification	54 802 148	75 190 112	-	-	129 992 260	-	(129 992 260)	-	-	(129 992 260)	-	-	-
Electricity Mains	15 524 081	313 913	-	-	15 837 994	-	(15 837 994)	-	-	(15 837 994)	-	-	-
Electricity Peak Load Equip	-	-	-	-	-	-	-	-	-	-	-	-	-
Water Mains & Purification	54 227 660	21 819 297	-	-	76 046 957	-	(76 046 957)	-	-	(76 046 957)	-	-	-
Reservoirs – Water	-	-	-	-	-	-	-	-	-	-	-	-	-
Water Meters	-	-	-	-	-	-	-	-	-	-	-	-	-
Storm Water	-	-	-	-	-	-	-	-	-	-	-	-	-
	157 977 172	97 868 828	-	-	255 846 000	-	(255 846 000)	-	-	(255 846 000)	-	-	-
Community Assets													
Parks & Gardens	1 474 832	507	-	-	1 475 339	-	(1 475 339)	-	-	(1 475 339)	-	-	-
Libraries	130 911	465	-	-	131 376	-	(131 376)	-	-	(131 376)	-	-	-
Recreation Grounds	-	-	-	-	-	-	-	-	-	-	-	-	-
Civic Buildings	11 528 449	175 346	-	-	11 703 795	-	(11 703 795)	-	-	(11 703 795)	-	-	-
Stadiums	-	-	-	-	-	-	-	-	-	-	-	-	-
Halls	-	-	-	-	-	-	-	-	-	-	-	-	-
Theatre	-	-	-	-	-	-	-	-	-	-	-	-	-
Swimming Pools	-	-	-	-	-	-	-	-	-	-	-	-	-
Cemeteries	50 709	-	-	-	50 709	-	(50 709)	-	-	(50 709)	-	-	-
	13 184 901	176 318	-	-	13 361 219	-	(13 361 219)	-	-	(13 361 219)	-	-	-
Heritage Assets													
Historical Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-
Paintings & Artifacts	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-
Total carried forward	173 635 219	98 045 392	-	-	271 680 611	-	(271 680 611)	-	-	(271 680 611)	-	-	-

Nketoana Local Municipality
APPENDIX B
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
as at 30 June 2008

	Cost / Revaluation					Accumulated Depreciation					Transfers	Other movements	Carrying Value
	Opening Balance	Additions	Disposals	Under Construction	Closing Balance	Opening Balance	Depreciation	Disposals	Impairment loss/Reversal of impairment loss	Closing Balance			
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Total brought forward	173 635 219	98 045 392	-	-	271 680 611	-	(271 680 611)	-	-	(271 680 611)	-	-	-
Other Assets													
Office Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
Furniture & Fittings	-	-	-	-	-	-	-	-	-	-	-	-	-
Bins and Containers	-	-	-	-	-	-	-	-	-	-	-	-	-
Emergency Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
Motor vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-
Fire engines	-	-	-	-	-	-	-	-	-	-	-	-	-
Refuse tankers	-	-	-	-	-	-	-	-	-	-	-	-	-
Computer Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
Computer Software (part of computer equipment)	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets	44 361 356	502 926	-	-	44 864 282	-	(44 864 282)	-	-	(44 864 282)	-	-	-
	44 361 356	502 926	-	-	44 864 282	-	(44 864 282)	-	-	(44 864 282)	-	-	-
Finance Lease Assets													
Office Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	217 996 575	98 548 318	-	-	316 544 893	-	(316 544 893)	-	-	(316 544 893)	-	-	-

Nketoana Local Municipality
APPENDIX C
SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT
as at 30 June 2009

	Cost / Revaluation					Accumulated Depreciation				Carrying value
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	
Executive & Council	-	3 138 729			3 138 729	-	(146 756)		(146 756)	2 991 973
Finance & Admin	-				-	-			-	-
Planning & Development	411 632				411 632	(411 632)			(411 632)	-
Health	2 650 701				2 650 701	(2 650 701)			(2 650 701)	-
Community & Social Services	1 657 424				1 657 424	(1 657 424)			(1 657 424)	-
Public Safety	-	112 995			112 995	-	(7 298)		(7 298)	105 697
Sport & Recreation	-	61 648			61 648	-	-		-	61 648
Environmental Protection	-				-	-			-	-
Waste Management	-	23 270 210			23 270 210	-	(36 877)		(36 877)	23 233 333
Road Transport	-	4 907 561			4 907 561	-	(45 636)		(45 636)	4 861 925
Water	-	1 235 311			1 235 311	-	(14 986)		(14 986)	1 220 325
Electricity	-	1 799 708			1 799 708	-	(34 430)		(34 430)	1 765 278
Other	311 825 135				311 825 135	(311 825 135)			(311 825 135)	-
Total	316 544 892	34 526 162	-	-	351 071 055	(316 544 892)	(285 983)	-	(316 830 875)	34 240 179

Nketoana Local Municipality
APPENDIX D
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE
for the year ended 30 June 2009

2008			2009		
Actual Income	Actual Expenditure	Surplus / (Deficit)	Actual Income	Actual Expenditure	Surplus / (Deficit)
R'000	R'000	R'000	R'000	R'000	R'000
171 085	5 302 391	(5 131 306)	445 538	9 775 931	(9 330 393)
67 998 193	40 730 797	27 267 396	32 589 845	47 935 605	(15 345 760)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	21 912	2 424 844	(2 402 932)
-	-	-	-	-	-
127 518	1 945 891	(1 818 373)	7 490	1 618 331	(1 610 841)
-	-	-	-	-	-
10 288 066	7 158 002	3 130 064	12 125 307	2 420 662	9 704 645
-	-	-	-	-	-
21 640 466	13 434 818	8 205 648	46 329 786	3 585 548	42 744 239
13 448 386	14 270 697	(822 311)	18 124 286	12 954 726	5 169 559
10 515 957	24 339 809	(13 823 852)	38 447 336	39 866 253	(1 418 917)
124 189 671	107 182 405	17 007 266	148 091 499	120 581 900	27 509 599
					Less: Inter-Department Charges
124 189 671	107 182 405	17 007 266	148 091 499	120 581 900	27 509 599
					Total