

Annual Financial Statements

for

Nketoana Local Municipality

for the year ended 30 June: **2010**

Province:

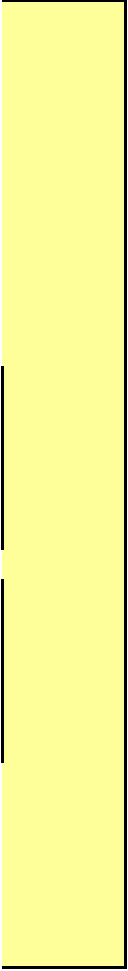
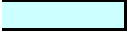
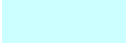
Free State

AFS rounding:

R (i.e. only cents)

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Nketoana Local Municipality
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2017

General information

Members of the Council

Mandla Mamba
MD Molapisi
P Nkomo
M Blignaut
MS Mokoena
BA Peter
LP Masoka
NM Molawa
LA Moloji
JJ Venter
SG Henning
JR Msimanga
TJ Zwane
A Fume
MS Malindi
KT Monyatsi
KB Mnguni
P M Moloedi (newly appointed)

Municipal Manager

Sipho Joseph Thomas

Chief Financial Officer

Vincent Bongani Mkhafa

Grading of Local Authority

3

Auditors

Auditor-General

Bankers

ABSA

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Mayor

Speaker

Member of the Executive Committee

Member of the Executive Committee

Member of the Executive Committee

Member of the Executive Committee

Member

Member

Member

Member

Member

Member

Member

Member

Member

Member

Member

Member

Nketoana Local Municipality
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General information (continued)

Registered Office:

Physical address:

Postal address:

Telephone number:

Fax number:

E-mail address:

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Corner Church and Voortrekker Reitz

Corner Church and Voortrekker Reitz
Reitz

P.O Box 26
Reitz
9310

058 863 2811

058 863 2524

vmkhefa@nketoanafs.co.za

Nketoana Local Municipality
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2010

Approval of annual financial statements

I am responsible for the preparation of these annual financial statements, which are set out on pages 1 to 42, 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 21 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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Nketoana Local Municipality			
STATEMENT OF FINANCIAL POSITION			
as at 30 June 2010			
	Note	2010 R	2009 R
ASSETS			
Current assets			
Cash and cash equivalents	1	7 306 747	40 202 547
Trade and other receivables from exchange transactions	2	52 505 972	20 833 076
Inventories	3	483 267	2 106 868
Non-current assets			
Investments	5	10 835 837	10 627 510
Property, plant and equipment	6	1 072 213 509	1 042 790 032
Total assets		1 143 345 333	1 116 560 032
LIABILITIES			
Current liabilities			
Trade and other payables from exchange transactions	7	4 143 507	1 393 553
Consumer deposits	8	1 186 822	1 121 407
VAT payable	9	11 140 792	9 041 926
Current provisions	10	3 071 043	2 791 804
Bank overdraft	1	-	-
Current portion of unspent conditional grants and receipts	11	3 397 264	9 062 193
Current portion of borrowings	12	202 109	312 300
Other current financial liabilities	7	1 464 317	18 129 895
Non-current liabilities			
Non-current borrowings	12	9 951 618	10 134 824
Total liabilities		34 557 471	51 987 902
Net assets		1 108 787 862	1 064 572 131
NET ASSETS			
Total reserves		69 089 991	40 745 788
Accumulated surplus / (deficit)		1 039 697 871	1 023 826 343
		-	
Total net assets		1 108 787 862	1 064 572 131

Nketoana Local Municipality
STATEMENT OF FINANCIAL PERFORMANCE
for the year ending 30 June 2010

	Note	2010 R	2009 R
Revenue			
Revenue from Non-exchange Transaction			
Taxation			
Property rates	13	15 761 300	8 164 630
Other non-exchange revenue			
Service charges	14	58 794 423	60 817 076
Rental of facilities and equipment	15	542 648	1 353 107
Interest earned - external investments	16	1 565 653	4 156 533
Interest earned - outstanding receivables	17	11 503 342	12 346 897
Fines		153 231	110 632
Licences and permits		7 022	10 228
Other income	19	2 042 477	8 778 016
Transfer revenue			
Government grants and subsidies	18	80 009 375	54 739 359
Total revenue		170 379 471	150 476 478
Expenditure			
Employee related costs	20	38 348 704	28 195 262
Remuneration of councillors	21	4 151 717	3 704 896
Contribution to Bad debts provision		2 503 998	24 378 174
Collection costs			-
Repairs and maintenance		6 991 334	5 137 026
Finance costs	22	1 049 261	1 079 420
Bulk purchases	23	13 158 274	11 340 382
Depreciation	6	-	-
General expenses	24	59 960 452	46 677 017
Total Expenditure		126 163 740	120 512 178
Inventories: (Write-down) / reversal of write-down to net realisable value		-	2 104 932
Surplus / (deficit) for the period		44 215 731	32 069 231

Nketoana Local Municipality
STATEMENT OF CHANGES IN NET ASSETS
as at 30 June 2010

	Revaluation Reserve	Government Grants Reserves	Capital Development Reserves	Total: Reserves	Accumulated Surplus/(Deficit)	Total: Net Assets
Note	R	R'000	R	R	R	R
Balance at 30 June 2008	-	-	13 823 386	13 823 386	318 229 698	332 053 084
Surplus / (deficit) on revaluation of property of property, plant and equipment						-
Correction of prior period error					5 982 374	5 982 374
Other items						-
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					32 069 231	32 069 231
Balance at 30 June 2009	-	26 922 402	13 823 386	40 745 788	329 358 901	370 104 689
Surplus / (deficit) on revaluation of property of property, plant and equipment						-
Correction of prior period error						-
Other items					2 269 044	2 269 044
Implementation of GRAP 17	27				692 198 398	692 198 398
28.1						
Restated surplus / (deficit)		26 922 402	13 823 386	40 745 788	1 023 826 343	1 064 572 131
Transfers to / from accumulated surplus/(deficit) (Government Grants Reserve)		28 344 203		28 344 203	(28 344 203)	-
Surplus / (deficit) for the period					44 215 731	44 215 731
Balance at 30 June 2010	-	55 266 605	13 823 386	69 089 991	1 039 697 871	1 108 787 862

Nketoana Local Municipality

CASH FLOW STATEMENT

as at 30 June 2010

	Note	2010 R	2009 R
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts		121 977 550	138 129 581
Sales of goods and services		42 882 827	68 981 706
Grants - currency year receipts	18	74 783 692	54 739 359
Interest received		1 565 653	4 156 533
Other receipts		2 745 379	10 251 983
Payments		121 069 433	86 647 829
Employee costs		42 500 421	31 900 158
Suppliers		77 519 751	53 668 251
Interest paid	22	1 049 261	1 079 420
Other payments		-	
Net cash flows from operating activities	25	908 116	51 481 752
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of fixed assets		(34 052 820)	(33 954 639)
Proceeds from sale of fixed assets		685 214	-
Proceeds from sale of investments Non current		(208 327)	(631 546)
Net cash flows from investing activities		(33 575 933)	(34 586 185)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of borrowings		(293 398)	(453 991)
Increase in consumer deposits		65 415	65 908
Net cash flows from financing activities		(227 983)	(388 082)
Net increase / (decrease) in net cash and cash equivalents		(32 895 799)	16 507 484
Net cash and cash equivalents at beginning of period		40 202 546	23 695 062
Net cash and cash equivalents at end of period	26	7 306 747	40 202 546

INFORMATION PURPOSES ONLY - DO NOT PRINT

Examples of operating activities

- a) cash receipts from taxes, levies and fines;
- (b) cash receipts from charges for goods and services provided by the entity;
- (c) cash receipts from grants or transfers and other appropriations or other budget authority made by national government or other entities;
- (d) cash receipts from royalties, fees, commissions and other revenue;
- (e) cash payments to other entities to finance their operations (not including loans);
- (f) cash payments to suppliers for goods and services;
- (g) cash payments to and on behalf of employees;
- (h) cash receipts and cash payments of an insurance entity for premiums and claims, annuities and other policy benefits;
- (i) cash payments of local property taxes or income taxes (where appropriate) in relation to operating activities;
- (j) cash receipts and payments from contracts held for dealing or trading purposes;
- (k) cash receipts or payments from discontinuing operations; and
- (l) cash receipts or payments in relation to litigation settlements.

Examples of Investing Activities

- (a) cash payments to acquire property, plant and equipment, intangibles and other long-term assets. These payments include those relating to capitalised development costs and self-constructed property, plant and equipment;
- (b) cash receipts from sales of property, plant and equipment, intangibles and other long-term assets;
- (c) cash payments to acquire equity or debt instruments of other entities and interests in joint ventures (other than payments for those instruments considered to be cash equivalents or those held for dealing or trading purposes);
- (d) cash receipts from sales of equity or debt instruments of other entities and interests in joint ventures (other than receipts for those instruments considered to be cash equivalents and those held for dealing or trading purposes);
- (e) cash advances and loans made to other parties (other than advances and loans made by a public financial institution);
- (f) cash receipts from the repayment of advances and loans made to other parties (other than advances and loans of a public financial institution);
- (g) cash payments for futures contracts, forward contracts, option contracts and swap contracts, except
- (h) cash receipts from futures contracts, forward contracts, option contracts and swap contracts, except

Examples of Financing Activities

- a) cash proceeds from issuing debentures, loans, notes, bonds, mortgages and other short or long-term borrowings;
- (b) cash repayments of amounts borrowed; and
- (c) cash payments by a lessee for the reduction of the outstanding liability relating to a finance lease.

Nketoana Local Municipality
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ending 30 June 2010

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.

The statements have also been prepared in accordance with the various standards emanating from Directive 5 "Determining The Grap Reporting Framework", issued by the Accounting Standards Board

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GRAP 4	The Effects in Foreign Exchange Rates
GRAP 5	Borrowing Costs
GRAP 6	Consolidated and Separate Financial Statements
GRAP 7	Investments in Associates
GRAP 8	Interest in Joint Ventures
GRAP 9	Revenue form Exchange Transactions
GRAP 10	Financial Reporting in Hyperinflationary Economics
GRAP 11	Construction Contracts
GRAP 12	Inventories
GRAP 13	Leases
GRAP 14	Events after the reporting date
GRAP 16	Investment Property
GRAP 17	Property, Plant and Equipment (PPE)
GRAP 19	Provisions, Contingent Liabilities and Contingent assets
GRAP 100	Non-Current Assets Held for Sale and Discontinues operations
GRAP 101	Agricultural
GARP 102	Intangible assets

Accounting policies for material transactions, events or conditions not covered by the above GRAP have been developed with paragraphs 7, 11 and 12 of GRAP 3.

A summary of the significant accounting policies, which have been consistently applied except where and exemption or transitional provision has been granted, are disclosed below.

In terms of Directive 4: "Transitional Provisions for the Adoption of Standards of GRAP by Medium and Low Capacity Municipalities" issued by the Accounting Standards Board the municipality has adopted the transitional provisions for the following Grap Standards

GRAP 12	Inventories
GRAP 13	Leases
GRAP 16	Investment Property
GRAP 17	Property, Plant and Equipment (PPE)
GRAP 19	Provisions, Contingent Liabilities and Contingent assets
GRAP 100	Non-Current Assets Held for Sale and Discontinues operations
GARP 102	Intangible assets

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 been provided in an annexure E 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:

Combined Grap 104 on Financial
GRAP 18 Segment Reporting - issued March 2005
GRAP 21 Impairment of non-cash-generating assets
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 26 Impairment of cash-generating assets
GRAP 103 Heritage Assets - issued July 2008
GRAP 25 Employee Benefit

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:

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, its 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 revalue 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
-------------------	---

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.

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
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 de-recognition 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 de-recognition 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, PUBLIC CONTRIBUTION 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 revalue 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 revalue asset is treated as a revaluation increase.

20 CAPITAL REPLACEMENT RESERVE (CRR)

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from accumulated surplus/(deficit) to CRR. The cash in the CRR can only be utilised to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus/(deficit) credited by a corresponding amount when the amounts in the CRR are utilized.

The CRR may only be utilized for the purpose of purchasing/ construction of items of property, plant and equipment and may not be used for the maintenance of these items.

21 UNSPENT CONDITIONAL GRANTS

Unspent conditional grants are liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from the public

22 GOVERNMENT GRANTS RESERVE (GGR)

When items of property, plant and equipment are financed from government grants, a transfer is made from the accumulated surplus/(deficit) to the Government Grants Reserve equal to the government Grant recorded as revenue in the statement of financial performance in accordance with a directive issued by National Treasury. When such item of property, plant and equipment are depreciated, a transfer is made from the Government Grant Reserve to the accumulated surplus/(deficit). The purpose of this policy is to promote community equity by ensuring that plant and equipment are offset by transfer from this reserve to the accumulated surplus/(deficit). When an item of property, plant and equipment financed from government grants is disposed, the balance in the Government Grants Reserve relating to such item is transferred to the accumulated surplus/(deficit).

Nketoana Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

	Note	2010 R	2009 R
1 CASH AND CASH EQUIVALENTS			
Cash and cash equivalents consist of the following:			
Cash on hand		-	2 120
Cash at bank		3 725 694	18 475 377
Call deposits and investments		3 581 053	21 725 049
		<u>7 306 747</u>	<u>40 202 546</u>
1.1 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		18 475 377	(4 487 706)
Cash book balance at end of year		<u>3 725 694</u>	<u>18 475 377</u>
Cash on hand			
		-	2 120
Total cash and cash equivalents		<u>7 306 747</u>	<u>40 202 546</u>
Total bank balances		<u>3 725 694</u>	<u>18 475 377</u>
2 TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS			
2.1 Trade receivables as at 30 June 2010			
Service debtors			
Rates		12 910 235	11 347 079
Electricity		4 545 024	4 295 600
Water		33 462 009	17 482 691
Sewerage		30 687 646	26 535 685
Refuse		32 710 520	29 394 688
Reconnection		37 638 008	39 271 039
Total		<u>151 953 444</u>	<u>128 326 782</u>
Add: Other receivables			
Housing		827 533	725 008
VAT		-	-
Loans		9 229	13 624
Other debtors 1		1 644 470	439 589
Other debtors - Auction sales and Overpayment and Eskom deposits		895 166	
		155 329 842	129 505 004
Less VAT		28 543	(8 273 712)
Less provision for doubtful debts		(102 852 412)	(100 398 216)
Net balances		<u>52 505 972</u>	<u>20 833 076</u>
2.2 Reconciliation of the doubtful debt provision			
Balance at beginning of the year		100 398 216	76 946 292
Contributions to provision		2 503 998	24 378 174
Doubtful debts written off against provision		(49 802)	(926 250)
Reversal of provision		-	-
Balance at end of year		<u>102 852 412</u>	<u>100 398 216</u>

Trade Receivable age analysis per category

Category	Current	30days	60days	90days	> 90 days	Provision	Total
Individual	4 733 334.52	4 024 170.34	3 195 784.41	3 432 232.63	127 092 216.07	102 415 087.92	142 477 737.97
Partnership	-	866.28	-	-	-	-	866.28
Company	112 589.35	15 209.72	10 224.17	20 427.99	47 004.25	-	205 455.48
Trust	5 813.24	8 168.44	3 124.22	3 842.44	23 642.28	-	44 590.62
Closed corporation	1 160.44	1 141.93	1 267.82	2 079.63	102 951.16	-	108 600.98
Institution	107 659.60	210 989.75	72 171.04	108 560.59	2 915 393.39	-	3 414 774.37
Government	266 568.40	185 957.11	179 617.19	164 822.82	3 142 973.67	-	3 939 939.19
Churches	54 788.56	35 875.46	43 031.65	31 678.99	1 594 610.98	437 324.22	1 759 985.64
Company with no prof	628.94	-	-	-	-	-	628.94
Farmer	172.72	172.92	172.92	172.92	172.92	-	864.40
Totals	<u>5 282 715.77</u>	<u>4 482 551.95</u>	<u>3 505 393.42</u>	<u>3 763 818.01</u>	<u>134 918 964.72</u>	<u>102 852 412.14</u>	<u>151 953 443.87</u>

Nketoana Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

Note

2010
R

2009
R

Nketoana Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

	Note	2010 R	2009 R
3 INVENTORIES			
Consumable stores - at cost		483 267	2 106 868
		<u>483 267</u>	<u>2 106 868</u>
4 SHORT TERM INVESTMENTS			
Call deposits and investments		3 581 053	21 725 049
		<u>3 581 053</u>	<u>21 725 049</u>
5 LONG TERM INVESTMENTS			
<u>Financial Instruments</u>			
Listed Investments		5 000	5 000
Other Investments and fixed deposits		10 830 837	10 622 510
		<u>10 835 837</u>	<u>10 627 510</u>

Nketoana Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

6 PROPERTY, PLANT AND EQUIPMENT

Reconciliation of Carrying Value	Land	Buildings	Infrastructure	Community	Investment Property	Other Assets	Intangible Assets	Total
	R	R	R	R	R	R	R	R
as at 1 July 2009	190 479 469	92 775 000	739 502 842	90 000	3 550 000	16 376 759	15 962	1 042 790 032
Cost/Revaluation	190 479 469	92 775 000	739 502 842	90 000	3 550 000	16 376 759	15 962	1 042 790 032
Correction of error	-							-
Change in accounting policy/Grap 17	-		-	-				-
Accumulated depreciation and impairment losses	-	-	-	-	-	-	-	-
Acquisitions	-	-	31 873 803	-	-	6 908 033	10 000	38 791 836
Capital under Construction	-	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	-	-
Carrying value of disposals	-	-	-	-	-	(5 419 272)	-	(5 419 272)
Cost/Revaluation	-	-	-	-	-	(5 419 272)	-	(5 419 272)
Accumulated depreciation and impairment losses	-	-	-	-	-	-	-	-
Impairment loss/Reversal of impairment loss	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-
Change in accounting policy/Grap 17						(3 949 085)		(3 949 085)
Disposal*	-	-	-	-	-	-	-	-
as at 30 June 2010	190 479 469	92 775 000	771 376 645	90 000	3 550 000	13 916 435	25 962	1 072 213 509
Cost/Revaluation	190 479 469	92 775 000	771 376 645	90 000	3 550 000	13 916 435	25 962	1 072 213 509
Accumulated depreciation and disposal	-	-	-	-	-	-	-	-

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

Reconciliation of Carrying Value	Land	Buildings	Infrastructure	Community	Heritage	Other Assets	Intangible Assets	Total
	R	R	R	R	R	R	R	R
as at 1 July 2008	2 473 392	-	255 846 000	13 361 219	-	44 864 282	-	316 544 893
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	-	-	-	-	-	-	-	-
Acquisitions	882 034	-	30 515 108	61 648	-	3 377 884	-	34 836 673
Capital under Construction	-	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	-	-
Carrying value of disposals	-	-	-	-	-	-	-	-
Cost/Revaluation	-	-	-	-	-	-	-	-
Accumulated depreciation and impairment losses	-	-	-	-	-	-	-	-
Impairment loss/Reversal of impairment loss	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-
*Implementation of Grap 17	187 124 043	92 775 000	453 141 734	(13 332 867)	3 550 000	(31 865 406)	15 962	691 408 466
as at 30 June 2009	190 479 469	92 775 000	739 502 842	90 000	3 550 000	16 376 759	15 962	1 042 790 032
Cost/Revaluation	190 479 469	92 775 000	739 502 842	90 000	3 550 000	16 376 759	15 962	1 042 790 032
Accumulated depreciation/Grap 17 Implementation	-	-	-	-	-	-	-	-

Nketoana Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

7 TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS

Trade creditors	(4 143 507)
Other creditors - negative balance in suspense account	-
Other creditors - debtors with negative balances	<u>(1 464 317)</u>
Total creditors	<u><u>(5 607 824)</u></u>

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

8 CONSUMER DEPOSITS

Electricity and Water	(1 186 822)
Total consumer deposits	<u><u>(1 186 822)</u></u>

No interests accrued or paid on consumer deposits

9 VAT PAYABLE

VAT payable	<u>(11 140 792)</u>
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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 PROVISIONS

Provision for bonus	(855 104)
Provision of leave	<u>(2 215 939)</u>
Total Provisions	<u><u>(3 071 043)</u></u>

11 UNSPENT CONDITIONAL GRANTS AND RECEIPTS

11.1 Unspent Conditional Grants from other spheres of Government

MIG Grants	(1 616 246)
DWAF drought relief	-
Thabo Mofutsanyana District municipality - Lindley storm water	-
MISG	(845 852)
MFMG	(435 166)
Other	-
DWAF drought relief	<u>(500 000)</u>

11.2 Other Unspent Conditional Grants and Receipts (included under sundry creditors)

Other	<u> </u>
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Total Unspent Conditional Grants and Receipts	<u><u>(3 397 264)</u></u>
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Non-current unspent conditional grants and receipts	-
Current portion of unspent conditional grants and receipts	(3 397 264)

12 BORROWINGS

Development Bank of South Africa	<u>(10 153 726)</u>
	(10 153 726)

Less : Current portion transferred to current liabilities	202 109
Development Bank of South Africa	<u>202 109</u>

Total non current borrowings	<u><u>(9 951 618)</u></u>
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Refer to Appendix A for more detail on borrowings.

Nketoana Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

13 PROPERTY RATES

Actual

Residential and Commercial	7 539 582
Commercial	1 877 156
Farmland	3 620 907
State	2 723 655
Total property rates	15 761 300
Property rates - penalties imposed and collection charges	-
Total	15 761 300

Valuations

Residential	324 046 020
Commercial	76 012 830
State	12 449 250
Municipal and Farmland	580 659 800
Total Property Valuations	993 167 900

14 SERVICE CHARGES

Sale of electricity	(14 075 738)
Sale of water	(22 751 271)
Refuse removal	(10 659 621)
Sewerage and sanitation charges	(11 307 793)
Total Service Charges	(58 794 423)

15 RENTAL OF FACILITIES AND EQUIPMENT

Rental of facilities	541 245
Rental of equipment	1 404
Total rentals	542 648

16 INTEREST EARNED - EXTERNAL INVESTMENTS

Bank and Financial assets	1 565 653
Total interest	1 565 653

17 INTEREST EARNED - OUTSTANDING RECEIVABLES

Interest earned - outstanding receivables	11 503 342
Total interest	11 503 342

18 GOVERNMENT GRANTS AND SUBSIDIES

Equitable share	49 942 885
MIG Grant	28 344 203
FMG	1 152 305
MSIG	569 982
LG SETA	-
Dept of Tourism	-
Total Government Grant and Subsidies	80 009 375

18.1 Equitable Share

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

The equitable share is an unconditional grant and is utilised to assist the local municipalities undertake service delivery

There was no delay or withholding of the subsidy

49 942 885

The municipality has complied with the conditions of all grants received except of portion of MIG Grant

Nketoana Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

18.2 MIG Grant

Balance unspent at beginning of year	6 605 001
Current year receipts	23 355 807
Conditions met - transferred to revenue	<u>(28 344 203)</u>
Conditions still to be met - remain liabilities	<u>1 616 605</u>

18.3 MSIG

Balance unspent at beginning of year	680 474
Current year receipts	735 000
Conditions met - transferred to revenue	<u>(569 982)</u>
Conditions still to be met - remain liabilities	<u>845 492</u>

18.4 MFMG

Balance unspent at beginning of year	837 471
Current year receipts	750 000
Conditions met - transferred to revenue	<u>(1 152 305)</u>
Conditions still to be met - remain liabilities	<u>435 166</u>

18.5 DWAF drought relief

Balance unspent at beginning of year	500 000
Current year receipts	-
Conditions met - transferred to revenue	<u>-</u>
	<u>500 000</u>

19 OTHER INCOME, PUBLIC CONTRIBUTIONS AND DONATIONS

Other income	
Other income	2 042 477
Total Other Income	<u>2 042 477</u>

20 EMPLOYEE RELATED COSTS

Employee related costs - Salaries and Wages and bonuses	27 389 454
Employee related costs - Contributions for UIF, pensions and medical aids	6 377 192
Travel, motor car, accommodation, subsistence and other allowances	2 597 297
Housing benefits and allowances	116 151
Overtime payments	<u>1 868 610</u>
Total Employee Related Costs	<u>38 348 704</u>

Remuneration of the Municipal Manager

Annual Remuneration	759 471
Performance- and other bonuses	
Travel, motor car, accommodation, subsistence and other allowances	85 259
Contributions to UIF, Medical and Pension Funds	<u>1 497</u>
Total	<u>846 227</u>

Remuneration of the Chief Finance Officer

Annual Remuneration	487 577
Performance- and other bonuses	
Travel, motor car, accommodation, subsistence and other allowances	137 929
Contributions to UIF, Medical and Pension Funds	<u>1 497</u>
Total	<u>627 003</u>

Remuneration of Individual Executive Directors

	Chief Operating Officer R	Corporate Services R
2010		
Annual Remuneration	533 374	194 693
Performance- and other bonuses	14 000	16 224
Travel, motor car, accommodation, subsistence and other allowances	100 021	238 431
Contributions to UIF, Medical and Pension Funds	<u>1 497</u>	<u>45 578</u>
Total	<u>648 892</u>	<u>494 927</u>

Technical Services	Corporate Services
R	R

Nketoana Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

2009		
Annual Remuneration	63 805	176 193
Performance- and other bonuses	-	-
Travel, motor car, accommodation, subsistence and other allowances	-	335 684
Contributions to UIF, Medical and Pension Funds	250	-
Total	64 054	511 877

Nketoana Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

21 REMUNERATION OF COUNCILLORS

Executive Mayor	575 869
Deputy Executive Mayor	-
Speaker	491 388
Executive Committee Members	695 702
Councillors	2 388 757
Back pay	
Total Councillors' Remuneration	<u>4 151 717</u>

22 FINANCE COSTS

Borrowings	1 049 261
Bank overdrafts	-
Total Finance Costs	<u>1 049 261</u>

23 BULK PURCHASES

Electricity	12 880 547
Water	277 727
Total Bulk Purchases	<u>13 158 274</u>

24 GENERAL EXPENSES

General expenses	<u>59 960 452</u>
Included in general expenses are the following:-	
Advertising	263 606
Audit fees	1 151 685
Bank charges	232 163
Cleaning	1 775 077
Free Basic Charge	13 451 971
Fuel and Oil	3 998 314
Insurance	647 927
Legal fees	571 142
Marketing Promotion	166 350
Membership fees	32 247
Postage	473 305
Loss on sale on disposal of assets	4 734 059
Printing and stationery	907 991
Professional fees	5 421 138
Rental of office equipment	620 961
Telephone Cost	1 131 816
Training and Conferences	524 979
Uniforms and Overall	178 353
Other	23 677 368
	<u>59 960 452</u>

25 CASH GENERATED BY OPERATIONS

Surplus/(deficit) for the year	44 215 731
Adjustment for:-	
Depreciation and amortisation	-
Inventories: (Write-down) / reversal of write-down to net realisable value	-
Contribution to provisions - non-current	-
Bad debts	2 503 998
Contribution to provisions - current	279 240
Loss on disposal of fixed assets	4 734 058
Indigent Written Off	926 733
Finance costs	1 049 261
Adjustments in respect of prior year financial statements/grap implementation	-
Impairment loss / (reversal of impairment loss)	-
Interest earned	(11 503 342)
Other non- operating items	385 362
Capital charges debited to operating income	
Operating surplus before working capital changes:	<u>42 591 042</u>
(Increase)/decrease in inventories	1 623 601
(Increase)/decrease in trade receivables	(23 626 662)
(Increase)/decrease in other receivables	(2 198 177)
(Increase)/decrease in VAT receivable	-
Increase/(decrease) in conditional grants and receipts	(5 664 929)

Nketoana Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

Increase/(decrease) in trade payables	2 749 953
Increase/(decrease) in VAT payable	2 098 866
Other asset	-
Other current financial liability	(16 665 578)
Cash generated by/(utilised in) operations	<u>908 116</u>

26 CASH AND CASH EQUIVALENTS

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

Short term call deposits	3 581 053
Cash on hand	-
Bank balances and cash	3 725 694
Net cash and cash equivalents (net of bank overdrafts)	<u>7 306 747</u>

27 ACCUMULATED SURPLUSES

the following items has been written off against accumulated surpluses

Clearing of suspense account (council resolution)	10 690 957
Other	(12 960 002)
Total	<u>(2 269 044)</u>

28 CHANGE IN ACCOUNTING POLICY

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

Implementation of GRAP

Transferred to Accumulated Surplus/(Deficit) (see notes below)

28.1 Implementation of GRAP

Balance previously reported	
Implementation of GRAP 17	692 198 398
Transferred to Accumulated Surplus/(Deficit)	
Total	<u>692 198 398</u>

29 RESTATEMENT OF COMPARATIVE INFORMATION

Restatements

The comparative amount has been restated as follows:

Provision	2 791 804
Accumulated Surplus/(Deficit) due to correction of leave and bonuses	329 358 901
Investments	10 627 510
Fixed Assets	1 042 790 032
Accumulated Surplus/(Deficit)	1 023 826 343
VAT payable	9 041 926
Net cash flow from operating activities	51 481 752
Net cash flow from investing activities	388 082
	<u>2 470 306 349</u>

UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE

30 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>

30.2 Fruitless and wasteful expenditure

Reconciliation of fruitless and wasteful expenditure

Nketoana Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

Opening balance -		136 400
Fruitless and wasteful expenditure current year		1 498
Condoned or written off by Council		
To be recovered – contingent asset		
Fruitless and wasteful expenditure awaiting condonement		
		137 898

At 30th June 2009, management write off amount of R300 900 of a debt raised for a fraudulent payment made to indingo as Dihl Hospital

The fruitless and wasteful expenditure awaiting condonement consists with the following:

Payment of salary to fictitious employee	R12 788	Previously reported
TeamMate	R17 121	Previously reported
Loss of council property due to theft	R15 000	Previously reported
Loss due to the approval of an old disused tractor which is unsuitable for municipal use	R1 400	Previously reported
Penalty interest due to withdrawals of investment before maturity	R1 498	Current year

30.3 Irregular expenditure

Reconciliation of irregular expenditure		
Opening balance		409 269
Irregular expenditure - current year		165 571
Condoned or written off by Council		
Transfer to receivables for recovery – not condoned		
Irregular expenditure awaiting condonement		
		574 840

Current year irregular expenditure relate to salaries of officials with terminated contract as follows:

MC MAKOPOI - R4000.00	4 000	
MC MAKOPOI - R4224.00	4 224	
Lawnmowers paid but not received - R153895.97	153 896	
Overpayment of travel claims -	3 451	
	165 571	

ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE

31 MANAGEMENT ACT

31.1 Contributions to organised local government

Opening balance		-
Council subscriptions - membership fees		32 247
Amount paid - current		20 000
Amount paid - previous years		-
Balance unpaid (included in payables)		52 247

31.2 Audit fees

Amount paid		1 151 685
Total		1 151 685

31.3 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.

31.4 PAYE and UIF

Opening balance		-
Current year payroll deductions		3 515 695
Amount paid - current year		(3 515 695)
Amount paid - previous years		-
Balance unpaid (included in payables)		-

31.5 Pension and Medical Aid Deductions

Opening balance		
Current year payroll deductions and Council Contributions		6 123 898

Nketoana Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

Amount paid - current year	(6 123 898)
Amount paid - previous years	-
Balance unpaid (included in payables)	-

31.6 Councillor's arrear consumer accounts

	Total	Outstanding less than 90 days
at: -	R	R
as at 30 June 2010		
Councillor P M Moloedi	10 781	181
Councillor M S Mokoena	8 753	335
Total Councillor Arrear Consumer Accounts	19 533	516
as at 30 June 2009		
Councillor P M Moloedi	12 529	699
Councillor M S Mokoena	1 046	364
Total Councillor Arrear Consumer Accounts	13 575	1 063

32 CAPITAL COMMITMENTS

32.1 Commitments in respect of capital expenditure

- Approved and contracted for	23 925 860
Infrastructure	23 925 860
Community	-
Heritage	-
Other	-
See appendix G	
- Approved but not yet contracted for	32 612 000
Infrastructure	31 717 000
Community	-
Heritage	-
Other	895 000
Does not form part of appendix G	
Total	32 612 000

This expenditure will be financed from:

- External Loans	-
- Government Grants	23 317 000
- Own resources	895 000
- District Council Grants	-
	24 212 000

32.2 Operating leases - Lessee

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

Operating leases - lessee

Within one year	186 593
In the second to fifth year inclusive	382 545
After five years	569 138
Total	1 138 276

32.3 Operating leases - Lessor

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

Operating leases - lessee

Within one year	325 180
In the second to fifth year inclusive	572 302
After five years	734 892
Total	1 632 374

Nketoana Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

34 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

35 CONTINGENT LIABILITY

- 35.1** 1. Ateng Mafumadi v/s Nketoana Local Municipality. The Service provider is suing the municipality an amount of R96 400 for outstanding payments
2. BOSAMWU v/s Nketoana Local Municipality. The temporary employees whose contracts were terminated on the 31 August 2009 have taken the municipality to the bargaining council requesting to be reinstated to their positions.
3. South African Local Government Association Bargaining Council have agreed with unions to back date all salary payments after job valuation for six months

36 RELATED PARTIES

None reported for the current period

37 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

38 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

39 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 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 risk taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal credit control procedures and are regularly monitored. Sales to retail customers are settled through 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	14 416 890
Trade and other receivables	151 953 444

These balances represent the maximum exposure to credit risk.

Nketoana Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

39.2 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.

39.3 Interest rate risk

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the group to credit 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	14 416 890
- Development Bank of South Africa loan	10 153 726

40 Non-compliance with the Municipal Finance Management Act

The municipality has not established performance audit committee for the year
The municipality has not adopted the annual report

41 Comparison with the budget

The comparison of the municipality's actual financial performance with the budget is set out in Annexure E
The municipality has not adopted the annual report

(1 393 553)
(18 129 895)

(19 523 448)

(1 121 407)

(1 121 407)

(9 041 926)

(617 968)
(2 173 836)
(2 791 804)

(6 605 001)
(381 284)
(57 962)
(680 474)
(837 471)

(500 000)

(9 062 193)

-
(9 062 193)

(10 447 124)
(10 447 124)

312 300
312 300

(10 134 824)

3 905 636
972 400
1 875 693
1 410 901
8 164 630
8 164 630

188 119 009
82 558 520
99 070 331
386 701 665
756 449 525
756 449 525

13 958 224
22 544 084
9 668 757
14 646 011
60 817 076
60 817 076

1 344 167
8 940
1 353 107
1 353 107

4 156 533
4 156 533
4 156 533

12 346 897
12 346 897
12 346 897

38 049 424
15 335 000
500 000
735 000
96 385
23 550
54 739 359
54 739 359

38 049 424

15 477 176
15 335 000
(26 922 402)
3 889 774

329 777
735 000
(384 303)
680 474

1 595 891
750 000
(1 508 420)
837 471

500 000
-
-
500 000

8 778 016
8 778 016

16 120 103
4 866 552
3 904 581
1 221 010
2 083 016
28 195 262

672 098
-
-
1 497
673 595

348 065
-
100 000
1 248
449 313

Community Services
R

475 577
32 000
154 521
1 497
663 595

Community Services
R

357 678
-
180 000
1 497
539 176

544 548
-
439 179
457 870
2 263 299

3 704 896

1 077 459
1 961

1 079 420

10 788 732
551 650

11 340 382

46 677 017

46 677 017

236 739
1 285 005
198 837
838 129
28 043 766
2 460 909
308 662
17 805
121 454
103 193
437 663
-
611 281
3 389 220
929 742
577 026
556 448
-
6 561 137

46 677 017

31 472 046
-
(2 104 932)
-
24 378 174
1 412 978

1 079 420
-
-
(12 346 897)
27 664 673
-

71 555 464

(2 081 392)
(27 840 023)
(3 698 865)
-
(8 929 315)

1 297 897
7 412 844
-
13 765 142
51 481 752

21 725 049
2 120
18 475 377
40 202 546

(12 028 954)
9 759 910
(2 269 044)

ng from the

-

Previously reported

3 388 989
328 761 716
10 655 998
351 381 565
3 329 358 901
12 129 478
51 547 660
453 991
4 087 678 297

-
-
-
-
-

437 300
(300 900)
-
136 400

labeng Provincia

409 269
-
-
-
409 269

-
-
103 193
-
103 193

1 285 005
1 285 005

-
3 348 837
(3 348 837)
-
-

3 975 959

(3 975 959)

-

**Outstanding more
than 90 days
R**

10 600

8 418

19 018

11 830

682

12 512

60 086 408

60 086 408

-

-

-

41 674 412

39 374 412

-

-

2 300 000

41 674 412

-

31 268 912

10 405 500

-

41 674 412

137 733

640 258

291 224

1 069 215

137 733

640 258

291 224

1 069 215

banks with high quality

ing basis. If customers
quality of the customer,
l or external ratings in
l in cash or using major

32 352 559

128 326 782

ash flow interest rate

32 352 559
10 447 124

Nketoana Local Municipality
APPENDIX A
SCHEDULE OF EXTERNAL LOANS
as at 30 June 2010

EXTERNAL LOANS	Loan number	Redeemable Date	Balance at 30 June 2009	Received during the period	Redeemed / written off during the period	Balance at 30 June 2010	Carrying Value of Property, Plant & Equipment	Other Costs in accordance with MFMA
			R	R	R	R	R	R
LONG-TERM LOANS								
Development bank @ 10.35%		31/12/2024	8 938 851	-	246 762	8 692 090	-	-
Development bank @ 9.09%			1 508 273	-	46 636	1 461 637	-	-
Total long-term loans								
TOTAL EXTERNAL LOANS			10 447 124	-	293 398	10 153 726	-	-

Nketoana Local Municipality
APPENDIX B
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
as at 30 June 2010

	Cost / Revaluation					Accumulated Depreciation					Transfers	Other movements
	Opening Balance	Additions	Disposals	Adjustments	Closing Balance	Opening Balance	Depreciation	Disposals	Impairment loss/Reversal of impairment loss	Closing Balance		
	R	R	R	R	R	R	R	R	R	R		
Land												
Land	-	-	-	-	-	-	-	-	-	-	-	-
Landfill Sites	190 479 468	-	-	-	190 479 468	-	-	-	-	-	-	-
Quarries	-	-	-	-	-	-	-	-	-	-	-	-
	190 479 468	-	-	-	190 479 468	-	-	-	-	-	-	-
Buildings	92 775 000	-	-	-	92 775 000	-	-	-	-	-	-	-
Infrastructure												
Drains	-	-	-	-	-	-	-	-	-	-	-	-
Roads	543 436 702	16 951 638	-	-	560 388 340	-	-	-	-	-	-	-
Sewerage Mains & Purification	120 129 813	11 743 570	-	-	131 873 383	-	-	-	-	-	-	-
Electricity Mains	32 340 286	2 455 444	-	-	34 795 730	-	-	-	-	-	-	-
Electricity Peak Load Equip	-	-	-	-	-	-	-	-	-	-	-	-
Water Mains & Purification	43 596 041	723 152	-	-	44 319 193	-	-	-	-	-	-	-
Reservoirs – Water	-	-	-	-	-	-	-	-	-	-	-	-
Water Meters	-	-	-	-	-	-	-	-	-	-	-	-
Storm Water	-	-	-	-	-	-	-	-	-	-	-	-
	832 277 842	31 873 803	-	-	864 151 645	-	-	-	-	-	-	-
Community Assets												
Parks & Gardens	-	-	-	-	-	-	-	-	-	-	-	-
Libraries	-	-	-	-	-	-	-	-	-	-	-	-
Recreation Grounds	-	-	-	-	-	-	-	-	-	-	-	-
Civic Buildings	-	-	-	-	-	-	-	-	-	-	-	-
Stadiums	90 000	-	-	-	90 000	-	-	-	-	-	-	-
Halls	-	-	-	-	-	-	-	-	-	-	-	-
Theatre	-	-	-	-	-	-	-	-	-	-	-	-
Swimming Pools	-	-	-	-	-	-	-	-	-	-	-	-
Cemeteries	-	-	-	-	-	-	-	-	-	-	-	-
	90 000	-	-	-	90 000	-	-	-	-	-	-	-
Investment Property												
Rental Buildings	3 550 000	-	-	-	3 550 000	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-
Total carried forward	1 026 397 310	31 873 803	-	-	1 058 271 114	-	-	-	-	-	-	-

Nketoana Local Municipality
APPENDIX B
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
as at 30 June 2010

	Cost / Revaluation					Accumulated Depreciation					Transfers	Other movements
	Opening Balance	Additions	Disposals	Adjustments	Closing Balance	Opening Balance	Depreciation	Disposals	Impairment loss/Reversal of impairment loss	Closing Balance		
	R	R	R	R	R	R	R	R	R	R	R	R
Total brought forward	1 026 397 310	31 873 803	-	-	1 058 271 114	-	-	-	-	-	-	-
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	16 376 758	6 908 033	(5 419 272)	(3 949 085)	13 916 434	-	-	-	-	-	-	-
	16 376 758	6 908 033	(5 419 272)	(3 949 085)	13 916 434	-	-	-	-	-	-	-
Intangible Assets												
Computer Software	15 962	10 000	-	-	25 962	-	-	-	-	-	-	-
	15 962	10 000	-	-	25 962	-	-	-	-	-	-	-
Total	1 042 790 031	38 791 836	(5 419 272)	(3 949 085)	1 072 213 509	-	-	-	-	-	-	-

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

	Cost / Revaluation					Accumulated Depreciation					Transfers	Other movements
	Opening Balance	Additions	Disposals	Adjustments	Closing Balance	Opening Balance	Depreciation	Disposals	Impairment loss/Reversal of impairment loss	Closing Balance		
	R	R	R	R	R	R	R	R	R	R		
Land												
Land	-	-	-	-	-	-	-	-	-	-	-	-
Landfill Sites	2 473 392	882 034	-	187 124 043	190 479 468	-	-	-	-	-	-	-
Quarries	-	-	-	-	-	-	-	-	-	-	-	-
	2 473 392	882 034	-	187 124 043	190 479 468	-	-	-	-	-	-	-
Buildings	-	-	-	92 775 000	92 775 000	-	-	-	-	-	-	-
Infrastructure												
Drains	-	-	-	-	-	-	-	-	-	-	-	-
Roads	33 968 789	4 984 751	-	504 483 162	543 436 702	-	-	-	-	-	-	-
Sewerage Mains & Purification	129 992 260	22 388 176	-	(32 250 623)	120 129 813	-	-	-	-	-	-	-
Electricity Mains	15 837 994	1 899 829	-	14 602 463	32 340 286	-	-	-	-	-	-	-
Electricity Peak Load Equip	-	-	-	-	-	-	-	-	-	-	-	-
Water Mains & Purification	76 046 957	1 242 351	-	(33 693 267)	43 596 041	-	-	-	-	-	-	-
Reservoirs – Water	-	-	-	-	-	-	-	-	-	-	-	-
Water Meters	-	-	-	-	-	-	-	-	-	-	-	-
Storm Water	-	-	-	-	-	-	-	-	-	-	-	-
	255 846 000	30 515 108	-	545 916 735	832 277 842	-	-	-	-	-	-	-
Community Assets												
Parks & Gardens	1 475 339	-	-	(1 475 339)	-	-	-	-	-	-	-	-
Libraries	131 376	-	-	(131 376)	-	-	-	-	-	-	-	-
Recreation Grounds	-	61 648	-	(61 648)	-	-	-	-	-	-	-	-
Civic Buildings	11 703 795	-	-	(11 703 795)	-	-	-	-	-	-	-	-
Stadiums	-	-	-	90 000	90 000	-	-	-	-	-	-	-
Halls	-	-	-	-	-	-	-	-	-	-	-	-
Theatre	-	-	-	-	-	-	-	-	-	-	-	-
Swimming Pools	-	-	-	-	-	-	-	-	-	-	-	-
Cemeteries	50 709	-	-	(50 709)	-	-	-	-	-	-	-	-
	13 361 219	61 648	-	(13 332 867)	90 000	-	-	-	-	-	-	-
Investment Property												
Rental Building	-	-	-	3 550 000	3 550 000	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-
Total carried forward	271 680 611	31 458 789	-	723 257 910	1 026 397 310	-	-	-	-	-	-	-

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

	Cost / Revaluation					Accumulated Depreciation					Transfers	Other movements
	Opening Balance	Additions	Disposals	Adjustments	Closing Balance	Opening Balance	Depreciation	Disposals	Impairment loss/Reversal of impairment loss	Closing Balance		
	R	R	R	R	R	R	R	R	R	R	R	R
Total brought forward	271 680 611	31 458 789	-	723 257 910	1 026 397 310	-	-	-	-	-	-	-
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	-	(31 865 408)	16 376 758	-	-	-	-	-	-	-
	316 544 893	34 836 673	-	691 392 503	1 042 774 069	-	-	-	-	-	-	-
Intangible Assets												
Computer software	-	-	-	15 962	15 962	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	15 962	15 962	-	-	-	-	-	-	-
Total	316 544 893	34 836 673	-	691 408 464	1 042 790 030	-	-	-	-	-	-	-

Carrying Value
R
-
190 479 468
-
190 479 468
92 775 000
-
560 388 340
131 873 383
34 795 730
-
44 319 193
-
-
-
864 151 645
-
-
-
-
180 000
-
-
-
-
180 000
3 550 000
-
-
1 058 271 114

Carrying Value
R
1 058 271 114
-
-
-
-
-
-
-
13 916 434
13 916 434
25 962
13 916 434
25 962
1 072 213 509

Carrying Value
R
-
190 479 468
-
<u>190 479 468</u>
-
92 775 000
-
-
-
543 436 702
120 129 813
32 340 286
-
43 596 041
-
-
-
-
<u>832 277 842</u>
-
-
-
-
-
90 000
-
-
-
-
<u>90 000</u>
3 550 000
-
-
<u>1 026 397 310</u>

Carrying Value
R
1 026 397 310
-
-
-
-
-
-
-
-
-
-
-
16 376 758
1 042 774 069
-
-
15 962
1 042 790 031

Nketoana Local Municipality
APPENDIX C
SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT
as at 30 June 2010

	Cost / Revaluation					Accumulated Depreciation				Carrying value
	Opening Balance	Additions	Adjustments	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	
Executive & Council			-	-	-	-	-	-	-	-
Finance & Admin			-	-	-	-	-	-	-	-
Planning & Development			-	-	-	-	-	-	-	-
Health			-	-	-	-	-	-	-	-
Community & Social Services	90 000	-	-	-	90 000	-	-	-	-	90 000
Public Safety			-	-	-	-	-	-	-	-
Sport & Recreation			-	-	-	-	-	-	-	-
Environmental Protection			-	-	-	-	-	-	-	-
Waste Management	120 129 813	11 743 570	-	-	131 873 383	-	-	-	-	131 873 383
Road Transport	543 436 702	16 951 638	-	-	560 388 340	-	-	-	-	560 388 340
Water	43 596 041	723 152	-	-	44 319 193	-	-	-	-	44 319 193
Electricity	32 340 286	2 455 444	-	-	34 795 730	-	-	-	-	34 795 730
Other	303 197 190	6 918 033	(3 949 086)	(5 419 272)	300 746 864	-	-	-	-	300 746 864
Total	1 042 790 032	38 791 836	-3 949 086.26	-5 419 272.03	1 072 213 509	-	-	-	-	1 072 213 509

Nketoana Local Municipality
APPENDIX D
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE
for the year ended 30 June 2010

2009			2010		
Actual Income	Actual Expenditure	Surplus / (Deficit)	Actual Income	Actual Expenditure	Surplus / (Deficit)
R	R	R	R	R	R
445 538	9 775 931	(9 330 393)	339 529	16 040 376	(15 700 847)
32 589 845	47 935 605	(15 345 760)	109 939 380	21 578 619	88 360 761
		-			-
		-			-
21 912	2 424 844	(2 402 932)	371 980	7 365 416	(6 993 436)
		-	146 277	1 704 690	(1 558 413)
7 490	1 618 331	(1 610 841)	467 137	3 028 652	(2 561 515)
		-			-
12 125 307	2 420 662	9 704 645	22 026 473	16 914 453	5 112 020
		-	15 766	5 651 345	(5 635 579)
46 329 786	3 585 548	42 744 239	22 764 139	8 704 063	14 060 076
18 124 286	12 954 726	5 169 559	14 244 360	25 631 586	(11 387 226)
40 832 315	39 796 531	1 035 784	64 430	19 544 540	(19 480 110)
150 476 478	120 512 178	29 964 300	-	-	-
	2 104 932	2 104 932			
150 476 478	118 407 246	32 069 232	170 379 471	126 163 740	44 215 731

Nketoana Local Municipality

APPENDIX E

ACTUAL VERSUS BUDGET FOR THE YEAR ENDED 30 JUNE 2010

	2010 Actual (R)	2010 Budget (R)	2010 Variance (R)	2010 Budget (%)
Revenue				
Revenue from Non-exchange Transaction				
Taxation				
Property rates	15 761 300	7 153 000	8 608 300	55%
			-	
Other non-exchange revenue				
Service charges	58 794 423	49 601 858	9 192 565	16%
Rental of facilities and equipment	542 648	341 314	201 334	37%
Interest earned - external investments	1 565 653	350 000	1 215 653	78%
Interest earned - outstanding receivables	11 503 342	4 976 894	6 526 448	57%
Fines	153 231	-	153 231	100%
Licences and permits	7 022	60 000	-52 978	-754%
Other income	2 042 477	743 500	1 298 977	64%
			-	
Transfer revenue				
Government grants and subsidies	80 009 375	51 428 000	28 581 375	36%
			-	
Total revenue	170 379 471	114 654 566	55 724 905	33%
			-	
Expenditure				
Employee related costs	42 500 421	35 860 919	-6 639 502	-16%
Contribution to Bad debts provision	2 503 998	6 453 641	3 949 643	158%
Repairs and maintenance	6 991 334	9 554 000	2 562 666	37%
Finance costs	1 049 261	1 440 000	390 739	37%
Bulk purchases	13 158 274	15 450 000	2 291 726	17%
General expenses	59 960 452	43 508 165	-16 452 287	-27%
			-	
Total Expenditure	126 163 740	112 266 725	-13 897 015	-11%
			-	
Inventories: (Write-down) / reversal of write-down to net realisable value	-	-	-	
			-	
Surplus / (deficit) for the period	44 215 731	2 387 841	-41 827 890	-95%

**DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003
FOR THE YEAR ENDED 30 JUNE 2010**

APPENDIX F

GRANT DESCRIPTION	Balance as at 1	Other	Current year	Operating	Capital	Balance as at
	July 2009	Adjustments	receipts	expenditure during the year (Transferred to revenue)	expenditure during the year (Transferred to revenue)	30 June 2010
	R	R	R	R	R	R
District Municipality Grants						
National Government Grants						
DWAF drought relief	381 284	(381 284)				-
Thabo Mofutsanyana District municipality - Lindley storm w:	57 962	(57 962)				-
Equitable share	-		49 942 885	(49 942 885)	-	-
Financial Management Grant	837 471		750 000	(1 152 305)		435 166
MSIG Grant	680 474		735 000	(569 982)		845 492
Municipal Infrastructure Grant (MIG)	6 605 001		23 355 807		(28 344 203)	1 616 605
DWAF drought relief	500 000					500 000
TOTAL	<u>9 062 193</u>	<u>(439 246)</u>	<u>74 783 692</u>	<u>(51 665 171)</u>	<u>(28 344 203)</u>	<u>3 397 264</u>

Nketoana Local Municipality
 SCHEDULE OF CAPITAL COMMITMENTS
 FOR THE YEAR ENDED 30 JUNE 2010

APPENDIX G

DESCRIPTION	2010	2010	2010	2010	2010
	Budgeted Expenditure	Actual Expenditure	Commitment	Retention Monies	Suretyship
	R	R	R	R	R
Municipal Infrastructure Grant (MIG)					
<u>Ntha 1</u>					
Roads	5 977 073	177 282	5 799 791	298 854	See tender document
<u>Ntha 2</u>					
Roads	5 821 147	448 234	5 372 913	291 057	See tender document
<u>Petsana 2</u>					
Roads	6 040 981	85 373	5 955 608	302 049	See tender document
<u>Mamafubedu 2</u>					
Roads	5 772 076	91 981	5 680 095	288 604	See tender document
<u>Mamafubedu 1</u>					
Roads	7 372 934	6 114 331	1 258 603	368 647	See tender document
TOTAL	30 984 212	6 917 202	24 067 010	1 549 211	-