

| Planning by | Reviewed | Performed by | Final review |
|-------------|----------|--------------|--------------|
| | | | |

Client details

Client name: Nketoana Local Municipality
Year end: 30 June 2013

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**NKETOANA LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013**

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2013

General Information

| | |
|--|---|
| Legal form of entity | Local Municipality Demarcation number:FS193 |
| Nature of business and principal activities | Providing municipal service and maintain the best interests of the local community mainly in the Reitz area. |
| Mayoral council | M.Molapisi (Mayor) P.Nkomo (Speaker) M.Malindi (Executive Member) M.Mphaka (Executive Member) M. Blignaut (Executive Member) M.Moloedi (Executive Member) |
| Councillors | G.Nhlapo P.Mofokeng T.Radebe M.Nakedi M.Mosia M.Semela K..Mokoena N.Shabalala P.Sibeko P.Moshoadiba S.Du Preez S.Henning |
| Grading of local authority | Medium Capacity Grade 3 in terms of the Remuneration of Public office Bearers Act |
| Accounting Officer | L.I Mokgatlhe (Municipal Manager) |
| Chief Finance Officer (CFO) | Fikile Mzizi (Acting Chief Finance Officer) |
| Registered office | Corner Church and Voortrekker Reitz 9810 |
| Business address | Corner Church and Voortrekker Reitz 9810 |
| Postal address | P.O. Box 26 Reitz 9810 |
| Bankers | ABSA (Primary bank) |
| Auditors | Auditor General South Africa |

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2013

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The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

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Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2013

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Abbreviations

| | |
|----------------|---|
| DBSA | Development Bank of South Africa |
| SA GAAP | South African Statements of Generally Accepted Accounting Practice |
| GRAP | Generally Recognised Accounting Practice |
| GAMAP | Generally Accepted Municipal Accounting Practice |
| VAT | Value Added Tax |
| IAS | International Accounting Standards |
| IMFO | Institute of Municipal Finance Officers |
| IPSAS | International Public Sector Accounting Standards |
| MFMG | Municipal Finance Management Grant |
| LG SETA | Local Government Sector Education Training Authority |
| MFMA | Municipal Finance Management Act |
| MIG | Municipal Infrastructure Grant |
| ABSA | Amalgamated Bank of South Africa |
| MSIG | Municipal System Improvement Grant |
| SARS | South African Revenue Service |

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2013

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2014 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 5.

The annual financial statements set out on pages 5 to 94, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2013 and were signed on its behalf by:

Accounting Officer
L.I Mokgatlhe

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2013

Statement of Financial Position as at 30 June 2013

| Figures in Rand | Note(s) | 2013 | Restated 2012 |
|--|---------|--------------------|--------------------|
| Assets | | | |
| Current Assets | | | |
| Inventories | 4 | 301 342 | 211 506 |
| Receivables from non-exchange transactions | 5 | 10 044 888 | 6 078 201 |
| VAT receivable | 6 | 3 469 164 | 3 502 201 |
| Receivables for exchange transaction | 7 | 69 785 812 | 60 069 845 |
| Cash and cash equivalents | 8 | 3 698 369 | 17 128 369 |
| | | 87 299 575 | 86 990 122 |
| Non-Current Assets | | | |
| Biological assets that form part of an agricultural activity | 9 | 11 500 | 11 200 |
| Investment property | 10 | 2 958 485 | 3 076 742 |
| Property, plant and equipment | 11 | 595 503 185 | 618 313 028 |
| Intangible assets | 12 | 156 352 | 717 924 |
| Investments | 13 | 4 282 973 | 4 174 208 |
| | | 602 912 495 | 626 293 102 |
| Non-current assets held for sale and assets of disposal groups | 14 | 2 250 000 | 2 583 593 |
| Total Assets | | 692 462 070 | 715 866 817 |
| Liabilities | | | |
| Current Liabilities | | | |
| Payables from exchange transactions | 15 | 15 637 427 | 20 364 854 |
| VAT payable | 16 | 17 625 069 | 11 516 511 |
| Consumer deposits | 17 | 1 228 563 | 1 191 285 |
| Unspent conditional grants and receipts | 18 | 5 489 578 | 5 657 957 |
| Other financial liabilities | 19 | 427 786 | 430 325 |
| Bank overdraft | 8 | 14 088 697 | - |
| | | 54 497 120 | 39 160 932 |
| Non-Current Liabilities | | | |
| Other financial liabilities | 19 | 12 765 548 | 13 270 832 |
| Provisions | 20 | 7 178 766 | 6 289 757 |
| Employee benefit obligations | 21 | 6 972 000 | 6 586 000 |
| | | 26 916 314 | 26 146 589 |
| Total Liabilities | | 81 413 434 | 65 307 521 |
| Net Assets | | 611 048 636 | 650 559 296 |
| Net Assets | | | |
| Accumulated surplus | | 611 048 636 | 650 559 296 |

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2013

Statement of Financial Performance

| Figures in Rand | Note(s) | 2013 | Restated 2012 |
|---|---------|----------------------|----------------------|
| Revenue | | | |
| Revenue from exchange transactions | | | |
| Service charges | 22 | 76 524 578 | 74 593 511 |
| Rental of facilities and equipment | | 415 297 | 323 901 |
| Interest received (trading) | | 16 416 211 | 15 529 229 |
| Discount received | | - | 7 654 |
| Recoveries | | - | 8 353 558 |
| Other income | 23 | 1 607 433 | 2 034 288 |
| Interest received - investment | 24 | 1 501 123 | 962 951 |
| Total revenue from exchange transactions | | 96 464 642 | 101 805 092 |
| Revenue from non-exchange transactions | | | |
| Property rates | 26 | 16 194 067 | 11 008 056 |
| Government grants & subsidies | 27 | 117 791 362 | 93 689 626 |
| Public contributions and donations | 28 | 2 043 939 | 10 441 162 |
| Fines | | 115 585 | 195 850 |
| Total revenue from non-exchange transactions | | 136 144 953 | 115 334 694 |
| Total revenue | 25 | 232 609 595 | 217 139 786 |
| Expenditure | | | |
| Bulk purchases | 29 | (28 834 798) | (17 391 204) |
| Contracted services | 39 | (12 622 881) | (8 925 128) |
| Debt impairment | 30 | (44 402 410) | (43 155 573) |
| Depreciation and amortisation | 31 | (65 992 159) | (63 963 155) |
| Finance costs | 32 | (2 254 743) | (1 418 917) |
| General Expenses | 33 | (43 454 968) | (24 965 893) |
| Impairment loss | 14 | (333 593) | - |
| Personnel | 34 | (57 012 665) | (47 067 072) |
| Remuneration of councillors | 35 | (4 924 503) | (4 338 252) |
| Repairs and maintenance | | (9 007 640) | (10 510 882) |
| Total expenditure | | (268 840 360) | (221 736 076) |
| Operating deficit | 36 | (36 230 765) | (4 596 290) |
| Gain (loss) on disposal of assets and liabilities | 36 | 102 341 | (29 956) |
| Fair value adjustments | 37 | 85 220 | 149 615 |
| | | 187 561 | 119 659 |
| Deficit for the year | | (36 043 204) | (4 476 631) |

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2013

Statement of Changes in Net Assets

| Figures in Rand | Accumulated surplus | Total net assets |
|--|---------------------|------------------|
| Opening balance as previously reported | 666 614 801 | 666 614 801 |
| Adjustments | | |
| Correction of errors | (8 723 598) | (8 723 598) |
| Prior year adjustments | (2 855 276) | (2 855 276) |
| Balance at 01 July 2011 as restated | 655 035 927 | 655 035 927 |
| Changes in net assets | | |
| Surplus for the year | (4 476 631) | (4 476 631) |
| Total changes | (4 476 631) | (4 476 631) |
| Opening balance as previously reported | 650 559 304 | 650 559 304 |
| Adjustments | | |
| Correction of errors | 932 528 | 932 528 |
| Prior year adjustments | (4 399 992) | (4 399 992) |
| Balance at 01 July 2012 as restated | 647 091 840 | 647 091 840 |
| Changes in net assets | | |
| Surplus for the year | (36 043 204) | (36 043 204) |
| Total changes | (36 043 204) | (36 043 204) |
| Balance at 30 June 2013 | 611 048 636 | 611 048 636 |

Refer note 43 - Prior period error & adjustments

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2013

Cash Flow Statement

| Figures in Rand | Note(s) | 2013 | 2012 |
|--|---------|----------------------------|----------------------------|
| Cash flows from operating activities | | | |
| Receipts | | | |
| Sale of goods and services | | 53 902 600 | 43 963 187 |
| Grants | | 118 052 625 | 93 689 626 |
| Interest income | | 1 501 123 | 962 951 |
| Other receipts | | 1 809 721 | 3 097 497 |
| | | <u>175 266 069</u> | <u>141 713 261</u> |
| Payments | | | |
| Employee costs | | (61 937 168) | (50 947 630) |
| Suppliers | | (98 671 161) | (58 628 376) |
| Finance costs | | (945 498) | (986 333) |
| | | <u>(161 553 827)</u> | <u>(110 562 339)</u> |
| Net cash flows from operating activities | 40 | <u>13 712 242</u> | <u>31 150 922</u> |
| Cash flows from investing activities | | | |
| Purchase of property, plant and equipment | 11 | (40 664 791) | (23 228 890) |
| Proceeds from sale of property, plant and equipment | 11 | 352 907 | - |
| Purchase of other intangible assets | 12 | (152 147) | (755 759) |
| Proceeds from sale of financial assets | | (23 545) | (27 365) |
| Proceeds from sale of biological assets that form part of an agricultural activity | 9 | - | 27 500 |
| Other cash item | | - | (1 112) |
| | | <u>(40 487 576)</u> | <u>(23 985 626)</u> |
| Net cash flows from investing activities | | <u>(40 487 576)</u> | <u>(23 985 626)</u> |
| Cash flows from financing activities | | | |
| Repayment of non-current borrowings | | (743 363) | (194 527) |
| | | <u>(743 363)</u> | <u>(194 527)</u> |
| Net cash flows from financing activities | | <u>(743 363)</u> | <u>(194 527)</u> |
| Net increase/(decrease) in cash and cash equivalents | | <u>(27 518 697)</u> | <u>6 970 769</u> |
| Cash and cash equivalents at the beginning of the year | | 17 128 369 | 10 157 600 |
| Cash and cash equivalents at the end of the year | 8 | <u>(10 390 328)</u> | <u>17 128 369</u> |

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2013

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

| | Approved budget | Adjustments | Final Budget | Actual amounts on comparable basis | Difference between final budget and actual | Reference |
|--|----------------------|---------------------|----------------------|------------------------------------|--|-----------|
| Figures in Rand | | | | | | |
| Statement of Financial Performance | | | | | | |
| Revenue | | | | | | |
| Revenue from exchange transactions | | | | | | |
| Service charges | 89 532 000 | (4 825 000) | 84 707 000 | 76 524 578 | (8 182 422) | |
| Rental of facilities and equipment | 557 000 | 145 000 | 702 000 | 415 297 | (286 703) | |
| Interest received (trading) | 13 211 000 | 3 162 000 | 16 373 000 | 16 416 211 | 43 211 | |
| Other income | 3 313 000 | 10 812 000 | 14 125 000 | 1 607 433 | (12 517 567) | |
| Interest received - investment | 1 946 000 | (595 000) | 1 351 000 | 1 501 123 | 150 123 | |
| Total revenue from exchange transactions | 108 559 000 | 8 699 000 | 117 258 000 | 96 464 642 | (20 793 358) | |
| Revenue from non-exchange transactions | | | | | | |
| Taxation revenue | | | | | | |
| Property rates | 13 636 000 | 2 540 000 | 16 176 000 | 16 194 067 | 18 067 | |
| Operating grants & subsidies | 81 223 000 | - | 81 223 000 | 117 791 362 | 36 568 362 | |
| Transfer revenue | | | | | | |
| Public contributions and donations | - | - | - | 2 043 939 | 2 043 939 | |
| Fines | 215 000 | (113 279) | 101 721 | 115 585 | 13 864 | |
| Total revenue from non-exchange transactions | 95 074 000 | 2 426 721 | 97 500 721 | 136 144 953 | 38 644 232 | |
| Total revenue | 203 633 000 | 11 125 721 | 214 758 721 | 232 609 595 | 17 850 874 | |
| Expenditure | | | | | | |
| Personnel | (52 629 000) | - | (52 629 000) | (57 012 665) | (4 383 665) | |
| Remuneration of councillors | (5 080 000) | - | (5 080 000) | (4 924 503) | 155 497 | |
| Depreciation and amortisation | (61 168 000) | (2 000 000) | (63 168 000) | (65 992 159) | (2 824 159) | |
| Impairment loss/ Reversal of impairments | - | - | - | (333 593) | (333 593) | |
| Finance costs | (1 080 000) | - | (1 080 000) | (2 254 743) | (1 174 743) | |
| Debt impairment | (10 000 000) | (30 000 000) | (40 000 000) | (44 402 410) | (4 402 410) | |
| Repairs and maintenance | (9 633 000) | - | (9 633 000) | (9 007 640) | 625 360 | |
| Bulk purchases | (23 037 000) | (10 008 000) | (33 045 000) | (28 834 798) | 4 210 202 | |
| Contracted Services | (9 227 000) | (1 400 000) | (10 627 000) | (12 622 881) | (1 995 881) | |
| General Expenses | (20 774 000) | (6 329 000) | (27 103 000) | (43 454 968) | (16 351 968) | |
| Total expenditure | (192 628 000) | (49 737 000) | (242 365 000) | (268 840 360) | (26 475 360) | |
| Operating deficit | 11 005 000 | (38 611 279) | (27 606 279) | (36 230 765) | (42 653 288) | |
| Gain on disposal of assets and liabilities | - | - | - | 102 341 | 102 341 | |
| Fair value adjustments | - | - | - | 85 220 | 85 220 | |
| Capital grants received | 34 018 000 | 8 000 000 | 42 018 000 | - | (42 018 000) | |
| | 34 018 000 | 8 000 000 | 42 018 000 | 187 561 | (41 830 439) | |
| Deficit before taxation | 45 023 000 | (30 611 279) | 14 411 721 | (36 043 204) | (50 454 925) | |
| Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement | 45 023 000 | (30 611 279) | 14 411 721 | (36 043 204) | (50 454 925) | |

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2013

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

| | Approved budget | Adjustments | Final Budget | Actual amounts on comparable basis | Difference between final budget and actual | Reference |
|--|-----------------|-------------|--------------|------------------------------------|--|-----------|
|--|-----------------|-------------|--------------|------------------------------------|--|-----------|

Figures in Rand

Statement of Financial Position

Assets

Current Assets

| | | | | | |
|--|-------------------|---|-------------------|-------------------|-------------------|
| Inventories | - | - | - | 301 342 | 301 342 |
| Receivables from non-exchange transactions | - | - | - | 10 044 888 | 10 044 888 |
| VAT receivable | - | - | - | 3 469 164 | 3 469 164 |
| Consumer debtors | 47 699 000 | - | 47 699 000 | 69 785 812 | 22 086 812 |
| Cash and cash equivalents | 4 351 000 | - | 4 351 000 | 3 698 369 | (652 631) |
| | 52 050 000 | - | 52 050 000 | 87 299 575 | 35 249 575 |

Non-Current Assets

| | | | | | |
|--|----------------------|--------------------|----------------------|--------------------|----------------------|
| Biological assets that form part of an agricultural activity | - | - | - | 11 500 | 11 500 |
| Investment property | - | - | - | 2 958 485 | 2 958 485 |
| Property, plant and equipment | 1 132 006 000 | (2 000 000) | 1 130 006 000 | 595 503 185 | (534 502 815) |
| Intangible assets | - | - | - | 156 352 | 156 352 |
| Investments | 4 351 000 | - | 4 351 000 | 4 282 973 | (68 027) |
| | 1 136 357 000 | (2 000 000) | 1 134 357 000 | 602 912 495 | (531 444 505) |

| | | | | | |
|--|---|---|---|-----------|------------------|
| Non-current assets held for sale and assets of disposal groups | - | - | - | 2 250 000 | 2 250 000 |
|--|---|---|---|-----------|------------------|

| | | | | | |
|---------------------|----------------------|--------------------|----------------------|--------------------|----------------------|
| Total Assets | 1 188 407 000 | (2 000 000) | 1 186 407 000 | 692 462 070 | (493 944 930) |
|---------------------|----------------------|--------------------|----------------------|--------------------|----------------------|

Liabilities

Current Liabilities

| | | | | | |
|---|-------------------|---|-------------------|-------------------|--------------------|
| Other financial liabilities | - | - | - | 427 786 | 427 786 |
| Payables from exchange transactions | 18 831 000 | - | 18 831 000 | 15 637 421 | (3 193 579) |
| VAT payable | 13 992 000 | - | 13 992 000 | 17 625 069 | 3 633 069 |
| Consumer deposits | - | - | - | 1 228 563 | 1 228 563 |
| Unspent conditional grants and receipts current portion of Non-Current borrowings | 1 001 000 | - | 1 001 000 | 5 489 578 | 4 488 578 |
| | 131 000 | - | 131 000 | - | (131 000) |
| Bank overdraft | - | - | - | 14 088 697 | 14 088 697 |
| | 33 955 000 | - | 33 955 000 | 54 497 114 | 20 542 114 |

Non-Current Liabilities

| | | | | | |
|------------------------------|------------------|---|------------------|-------------------|-------------------|
| Other financial liabilities | 8 634 000 | - | 8 634 000 | 12 765 548 | 4 131 548 |
| Employee benefit obligations | - | - | - | 6 972 000 | 6 972 000 |
| Provisions | - | - | - | 7 178 766 | 7 178 766 |
| | 8 634 000 | - | 8 634 000 | 26 916 314 | 18 282 314 |

| | | | | | |
|--------------------------|-------------------|---|-------------------|-------------------|-------------------|
| Total Liabilities | 42 589 000 | - | 42 589 000 | 81 413 428 | 38 824 428 |
|--------------------------|-------------------|---|-------------------|-------------------|-------------------|

| | | | | | |
|-------------------|----------------------|--------------------|----------------------|--------------------|----------------------|
| Net Assets | 1 145 818 000 | (2 000 000) | 1 143 818 000 | 611 048 642 | (532 769 358) |
|-------------------|----------------------|--------------------|----------------------|--------------------|----------------------|

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2013

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

| | Approved budget | Adjustments | Final Budget | Actual amounts on comparable basis | Difference between final budget and actual | Reference |
|---|----------------------|--------------------|----------------------|------------------------------------|--|-----------|
| Figures in Rand | | | | | | |
| Cash Flow Statement | | | | | | |
| Cash flows from operating activities | | | | | | |
| Receipts | | | | | | |
| Sale of goods and services | 103 940 000 | - | 103 940 000 | 53 902 600 | (50 037 400) | |
| Grants | 127 778 000 | (4 527 000) | 123 251 000 | 118 052 625 | (5 198 375) | |
| Interest income | 15 157 000 | - | 15 157 000 | 1 501 123 | (13 655 877) | |
| Other receipts | - | - | - | 1 809 721 | 1 809 721 | |
| | 246 875 000 | (4 527 000) | 242 348 000 | 175 266 069 | (67 081 931) | |
| Payments | | | | | | |
| Employee costs | (57 709 000) | - | (57 709 000) | (61 937 168) | (4 228 168) | |
| Suppliers | (133 839 000) | - | (133 839 000) | (98 671 161) | 35 167 839 | |
| Finance costs | (1 080 000) | - | (1 080 000) | (945 498) | 134 502 | |
| | (192 628 000) | - | (192 628 000) | (161 553 827) | 31 074 173 | |
| Net cash flows from operating activities | 54 247 000 | (4 527 000) | 49 720 000 | 13 712 242 | (36 007 758) | |
| Cash flows from investing activities | | | | | | |
| Purchase of property, plant and equipment | - | - | - | (40 664 791) | (40 664 791) | |
| Proceeds from sale of property, plant and equipment | - | - | - | 352 907 | 352 907 | |
| Purchase of other intangible assets | - | - | - | (152 147) | (152 147) | |
| Movement in debtors | 5 048 000 | - | 5 048 000 | - | (5 048 000) | |
| Movement in receivables | (178 000) | - | (178 000) | - | 178 000 | |
| Movement in investments | (152 000) | - | (152 000) | - | 152 000 | |
| Proceeds from sale of financial assets | - | - | - | (23 545) | (23 545) | |
| Net cash flows from investing activities | 4 718 000 | - | 4 718 000 | (40 487 576) | (45 205 576) | |
| Cash flows from financing activities | | | | | | |
| Repayment of other financial liabilities | (344 000) | - | - | (743 363) | (743 363) | |
| Movement in consumer deposit | (253 000) | - | - | - | - | |
| Net cash flows from financing activities | (597 000) | - | - | (743 363) | (743 363) | |
| Net increase/(decrease) in cash and cash equivalents | 58 368 000 | (4 527 000) | 54 438 000 | (27 518 697) | (81 956 697) | |
| Cash and cash equivalents at the beginning of the year | (14 163 000) | - | (14 163 000) | 17 128 369 | 31 291 369 | |
| Cash and cash equivalents at the end of the year | 44 205 000 | (4 527 000) | 40 275 000 | (10 390 328) | (50 665 328) | |

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2013

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied, are disclosed below.

These accounting policies are consistent with the previous period, except for the changes set out in note 2 Changes in accounting policy

1.1 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Trade receivables / Held to maturity investments and/or loans and receivables

The municipality assesses its trade receivables, held to maturity investments and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables, held to maturity investments and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2013

Accounting Policies

1.1 Transfer of functions between entities under common control (continued)

Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The municipality uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value assets.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 20 - Provisions.

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2013

Accounting Policies

1.1 Transfer of functions between entities under common control (continued)

Useful lives

The municipality's management determines the estimated useful lives and related depreciation charges for these assets. This estimate is based on industry norm, other impact management consider are technology, service requirement of the assets. The estimated residual values of assets is also based on management's judgement on whether the assets will be sold or used to the end of their useful lives, and what their condition will be at that time.

Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 21.

Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

VAT

The Municipality accounts for value-added tax on the payment basis.

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2013

Accounting Policies

1.1 Transfer of functions between entities under common control (continued)

Budget Information

The annual budget figures have been prepared in accordance with the GRAP standards, and are consistent with the accounting policies adopted by Council for the preparation of these financial statements. The amounts are scheduled as a separate additional financial statement, called the statement of comparison of budget and actual amounts. Explanatory comments are provided in the notes to the financial statements, firstly stating reasons for overall growth or decline in the budget, and, secondly, motivating overspending or underspending on line items.

The annual budget figures included in the financial statements are for the Municipality. These figures are those approved by Council both at beginning and during the year following a period of consultation with the public as part of the IDP.

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2013

Accounting Policies

1.2 Biological assets that form part of an agricultural activity

An entity shall recognise a biological assets that form part of an agricultural activity or agricultural produce when, and only when:

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

Biological assets that form part of an agricultural activity are measured at their fair value less point-of-sale costs.

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

A gain or loss arising on initial recognition of biological assets that form part of an agricultural activity or agricultural produce at fair value less estimated point-of-sale costs and from a change in fair value less estimated point-of-sale costs of a biological assets that form part of an agricultural activity is included in surplus or deficit 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 where applicable is used to determine fair value.

An unconditional government grant related to a biological assets that form part of an agricultural activity measured at its fair value less costs to sell 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.

Derecognition

Biological assets is derecognised on disposal or when biological assets is loss through natural course and included in profit and loss in period losses are accounted.

1.3 Investment property

Intial Recognition

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2013

Accounting Policies

1.3 Investment property (continued)

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Cost model

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value over the useful life of the property, which is as follows:

| Item | Useful life |
|-----------|-------------|
| Land | indefinite |
| Buildings | 30 years |

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2013

Accounting Policies

1.4 Property, plant and equipment

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 period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured 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 management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

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

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.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2013

Accounting Policies

1.4 Property, plant and equipment (continued)

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Depreciation and Impairment

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

The useful lives of items of property, plant and equipment have been assessed as follows:

| Item | Average useful life |
|------------------------|----------------------------|
| Land | Indefinite |
| Buildings | 30 years |
| Furniture and fixtures | 7-10 years |
| Motor vehicles | 5-7 years |
| Office equipment | 3-5 years |
| Computer equipment | 5 years |
| Computer software | 5 years |
| Infrastructure | |
| • Roads and Paving | 20 years |
| • Pedestrian malls | 20 years |
| • Electricity | 20-30 years |
| • Water | 15-20 years |
| • Sewerage | 15-20 years |

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2013

Accounting Policies

1.4 Property, plant and equipment (continued)

Community

| | |
|---------------------------|-------------|
| • Building | 30 years |
| • Recreational facilities | 30 years |
| • Security | 30 years |
| • Halls | 30 years |
| • Libraries | 30 years |
| • Parks and gardens | 30 years |
| • Other assets | 20-30 years |

Specialised property, plant and equipment 5-15 years

Other equipment

| | |
|------------------|------------|
| • Landfill sites | 30 years |
| • Quarries | 30 years |
| • Emergency | 5-15 years |

Bins and containers 5 years

Specialised vehicles 5-7 years

Water network

| | |
|--------------|----------|
| • Watercraft | 15 years |
|--------------|----------|

Heritage

| | |
|-------------------------------------|------------|
| • Buildings | nil |
| • Paintings and artifacts | nil |
| Other property, plant and equipment | 5-15 years |

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of municipality 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.

Derecognition

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2013

Accounting Policies

1.4 Property, plant and equipment (continued)

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. These assets are not accounted for as non-current assets held for sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the municipality.

Work in progress

Property, plant and equipment (fixed assets) shall be capitalised, that is, recorded in the fixed assets register, as soon as it is acquired. If the assets is constructed over a period of time, it shall be recorded as work in progress until it is available for use, where after it shall be appropriately capitalised as a fixed assets.

1.5 Intangible assets

An asset is identified as an intangible asset when it:

- is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, assets or liability; or
- arises from contractual rights or other legal rights, regardless whether those rights are transferable or separate from the municipality or from other rights and obligations.

An intangible asset is recognised 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.

Intangible assets are initially recognised at cost.

An intangible asset acquired through a non-exchange transaction, the cost shall be its fair value as at the date of acquisition.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2013

Accounting Policies

1.5 Intangible assets (continued)

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

| Item | Useful life |
|--------------------------|-------------|
| Computer software, other | 3 years |

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.

1.6 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2013

Accounting Policies

1.6 Financial instruments (continued)

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
 - receive cash or another financial asset from another entity; or
 - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2013

Accounting Policies

1.6 Financial instruments (continued)

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
 - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
 - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
 - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
 - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2013

Accounting Policies

1.6 Financial instruments (continued)

Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The entity measures a financial asset and financial liability initially at its fair value.

The entity first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the entity analyses a concessionary loan into its component parts and accounts for each component separately. The entity accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2013

Accounting Policies

1.6 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an entity calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

1.7 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2013

Accounting Policies

1.7 Leases (continued)

Finance leases - lessor

The municipality recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the municipality's net investment in the finance lease.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.8 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2013

Accounting Policies

1.8 Inventories (continued)

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.9 Construction contracts and receivables

Construction contract is a contract, or a similar binding arrangement, specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and function or their ultimate purpose or use.

Contractor is an entity that performs construction work pursuant to a construction contract.

Cost plus or cost based contract is a construction contract in which the contractor is reimbursed for allowable or otherwise defined costs and, in the case of a commercially-based contract, an additional percentage of these costs or a fixed fee, if any.

Fixed price contract is a construction contract in which the contractor agrees to a fixed contract price, or a fixed rate per unit of output, which in some cases is subject to cost escalation clauses.

A contractor is an entity that enters into a contract to build structures, construct facilities, produce goods, or render services to the specifications of another entity either itself or through the use of sub-contractors. The term "contractor" thus includes a general or prime contractor, a subcontractor to a general contractor, or a construction manager.

The entity assesses the terms and conditions of each contract concluded with customers to establish whether the contract is a construction contract or not. In assessing whether the contract is a construction contract, an entity considers whether it is a contractor

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2013

Accounting Policies

1.9 Construction contracts and receivables (continued)

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.

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 deficit is recognised as an expense immediately.

1.10 Non-current assets held for sale and disposal groups

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally 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.

Non-current assets held for sale (or disposal group) are measured at the lower of its 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.

1.11 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2013

Accounting Policies

1.11 Provisions and contingencies (continued)

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
 - the activity/operating unit or part of a activity/operating unit concerned;
 - the principal locations affected;
 - the location, function, and approximate number of employees who will be compensated for services being terminated;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented; and
- 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.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2013

Accounting Policies

1.11 Provisions and contingencies (continued)

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 42.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, a municipality recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2013

Accounting Policies

1.12 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 monthly 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.

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.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2013

Accounting Policies

1.12 Revenue from exchange transactions (continued)

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2013

Accounting Policies

1.12 Revenue from exchange transactions (continued)

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Dividends, or their equivalents are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.13 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

Revenue from non-exchange transaction 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

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

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 the past experience of amounts collected.

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2013

Accounting Policies

1.13 Revenue from non-exchange transactions (continued)

Revenue from public contributions and donations

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 contribution 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.

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Rates, including collection charges and penalties interest

Revenue from rates, including collection charges and penalty interest, is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- there has been compliance with the relevant legal requirements.

Changes to property values during a reporting period are valued by a suitably qualified valuator and adjustments are made to rates revenue, based on a time proportion basis. Adjustments to rates revenue already recognised are processed or additional rates revenue is recognised.

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2013

Accounting Policies

1.13 Revenue from non-exchange transactions (continued)

Government grants

Government grants are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

The municipality assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available.

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt or when the Act becomes effective, which-ever is earlier.

When government remit grants on a re-imbusement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

Other grants and donations

Other grants and donations are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- to the extent that there has been compliance with any restrictions associated with the grant.

If goods in-kind are received without conditions attached, revenue is recognised immediately. If conditions are attached, a liability is recognised, which is reduced and revenue recognised as the conditions are satisfied.

Grants, transfers and donation received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an assets. 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 condition attached to the grant are met. Grants without any condition attached are recognised as revenue when the assets is recognised

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2013

Accounting Policies

1.14 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.15 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use. The amount of borrowing costs eligible for capitalisation is determined as follows:

- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any investment income on the temporary investment of those borrowings.
- Weighted average of the borrowing costs applicable to the municipality on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

The capitalisation of borrowing costs commences when all the following conditions have been met:

- expenditures for the asset have been incurred;
- borrowing costs have been incurred; and
- activities that are necessary to prepare the asset for its intended use or sale are undertaken.

Capitalisation is suspended during extended periods in which active development is interrupted.

Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

When the municipality completes the construction of a qualifying asset in parts and each part is capable of being used while construction continues on other parts, the entity ceases capitalising borrowing costs when it completes substantially all the activities necessary to prepare that part for its intended use or sale.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

1.16 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

Budget information in accordance with GRAP 1 and 24, has been provided in an annexure A to these financial statements.

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2013

Accounting Policies

1.16 Comparative figures (continued)

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and the 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 the accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.17 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.18 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.19 Irregular expenditure

Irregular expenditure as defined in section 1 of the MFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

- (a) this Act; or
- (b) which has not been condoned in terms of section 170;

Accounting Policies

1.19 Irregular expenditure (continued)

- (c) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of Municipality Systems Act, and which has not been condoned in terms of the Act;
- (d) expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the Public Office-Bearers Act, 1998 (Act No.20 of 1998); or
- (e) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the supply chain management policy of the municipality or entity or any of the municipality's by-laws giving effect to such policy, and which has not been condoned in terms of such policy or by-laws but excludes expenditure by a municipality which falls within the definition of "unauthorised expenditure"

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which was condoned before year end and / or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statement.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2013

Accounting Policies

1.20 Use of estimates

The preparation of annual financial statements in conformity with Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial statements are disclosed in the relevant sections of the annual financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

1.21 Presentation of currency

These annual financial statements are presented in South African Rand.

1.22 Offsetting

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

1.23 Internal reserves

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 the accumulated surplus/(deficit) to the CRR. A corresponding amount is transferred to a designated CRR bank or investment account. The capital amount and related interest earned in the designated CRR bank account are only utilised to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus/(deficit) is credited by a corresponding amount when the amounts in the CRR are utilised.

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2013

Accounting Policies

1.23 Internal reserves (continued)

Government grant reserve

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 items 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 the future depreciation expenses that will be incurred over the useful lives of government grant funded items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus/deficit.

The purpose of this policy is to promote community equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of government grant funded items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus.

When an item of property, plant and equipment financed from government grants is disposed, the balance in the Government Grant Reserve relating to such item is transferred to the accumulated surplus/deficit.

1.24 Budget information

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

1.25 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

Key management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2013

Accounting Policies

1.26 Commitments

Commitments represents goods and services that have been ordered, but for which no delivery has taken place at the reporting date. These amounts are not recognised in the financial position as a liability or as expenditure in the statement of financial performance, but however disclose as part of note to the financial statements.

Approved and Contracted.

Where the expenditure has been approved and the contract has been awarded at the reporting date.

Approved but not yet contracted commitments.

Where the expenditure has been approved (Budgeted) and the contracted as yet to be awarded or is awaiting finalisation at the reporting date.

1.27 Level of rounding.

Due to the utilisation of the rounding level function of Case Ware programme balances were affected by rounding off to the nearest rand.

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

Figures in Rand

2013

2012

2. Changes in accounting policy

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice on a basis consistent with the prior year except for the adoption of the following;

Prepaid Electricity Sales

During the year, the municipality changed its accounting policy with respect to the treatment of revenue recognition for prepaid electricity on the consumption basis. In order to conform with the benchmark treatment in of GRAP 9. The municipality now can with more reliable and more relevant information determine the electricity not consumed at year end for account for the deferred revenue on prepaid sales.

The accounting treatment of prepaid electricity are consequently applied prospectively as there is no practical reliable information to determine the unused units in the previous years.

The effect on the current period are disclose in note 13.

3. New standards and interpretations

3.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

| Standard/ Interpretation: | Effective date: Years beginning on or after | Expected impact: |
|---|--|--|
| <ul style="list-style-type: none">GRAP 23: Revenue from Non-exchange Transactions | 01 April 2012 | Impact on annual financial statements will minimal |
| <ul style="list-style-type: none">GRAP 24: Presentation of Budget Information in the Financial Statements | 01 April 2012 | Impact on annual financial statements will reflect in the Statement of Comparison of Budget and Actual Amounts and appendix E. |
| <ul style="list-style-type: none">GRAP 103: Heritage Assets | 01 April 2012 | It is unlikely that the standard will have a material impact on the municipal entity's annual financial statements. |
| <ul style="list-style-type: none">GRAP 21: Impairment of non-cash-generating assets | 01 April 2012 | It is unlikely that the standard will have a material impact on the municipal entity's annual financial statements. |
| <ul style="list-style-type: none">GRAP 26: Impairment of cash-generating assets | 01 April 2012 | Impact on annual financial statements will minimal |
| <ul style="list-style-type: none">GRAP 104: Financial Instruments | 01 April 2012 | Impact on annual financial statements will minimal |

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

3. New standards and interpretations (continued)

3.2 Standards and Interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2013 or later periods:

| Standard/ Interpretation: | Effective date: Years beginning on or after | Expected impact: |
|--|--|--|
| <ul style="list-style-type: none">• GRAP 18: Segment Reporting | 01 April 2013 | Unlikely to have a impact. |
| <ul style="list-style-type: none">• GRAP 25: Employee benefits | 01 April 2013 | Unlikely to have a impact. |
| <ul style="list-style-type: none">• GRAP 105: Transfers of functions between entities under common control | 01 April 2014 | Unlikely to have a impact. |
| <ul style="list-style-type: none">• GRAP 106: Transfers of functions between entities not under common control | 01 April 2014 | Unlikely to have a impact. |
| <ul style="list-style-type: none">• GRAP 107: Mergers | 01 April 2014 | Unlikely to have a impact. |
| <ul style="list-style-type: none">• GRAP 20: Related parties | 01 April 2013 | It is likely that the standard will have minimal impact on the municipality entity's annual financial statements. The impact will be reflected in the related party note in the financial statement. |
| <ul style="list-style-type: none">• IGRAP 11: Consolidation – Special purpose entities | 01 April 2014 | Unlikely to have a impact. |
| <ul style="list-style-type: none">• IGRAP 12: Jointly controlled entities – Non-monetary contributions by ventures | 01 April 2014 | Unlikely to have a impact. |
| <ul style="list-style-type: none">• GRAP 6 (as revised 2010): Consolidated and Separate Financial Statements | 01 April 2014 | Unlikely to have a impact. |
| <ul style="list-style-type: none">• GRAP 7 (as revised 2010): Investments in Associates | 01 April 2014 | Unlikely to have a impact. |
| <ul style="list-style-type: none">• GRAP 8 (as revised 2010): Interests in Joint Ventures | 01 April 2014 | Unlikely to have a impact. |

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

| Figures in Rand | 2013 | 2012 |
|--|----------------------|----------------------|
| 4. Inventories | | |
| Consumable store - at cost | 117 274 | 80 691 |
| Water | 184 068 | 130 815 |
| | 301 342 | 211 506 |
| 5. Receivables from non-exchange transactions | | |
| Auction fees | 253 572 | - |
| Other debtors | 7 131 717 | 3 844 471 |
| ABSA Bank | 1 078 004 | 1 078 004 |
| Outstanding traffic fines | 7 150 | 9 750 |
| 15 days water billing | 1 013 437 | 627 858 |
| 15 days electricity billing | 424 508 | 511 192 |
| Prepaid expenses | 136 500 | 6 926 |
| | 10 044 888 | 6 078 201 |
| 6. VAT receivable | | |
| VAT | 3 469 164 | 3 502 201 |
| <p>VAT is payable on the cash basis. VAT is paid over to SARS only once payment is received from debtors and claimed from SARS once suppliers have been paid. This amount is the net effect of municipalities control accounts for debtors and creditors</p> | | |
| 7. Receivables for exchange transaction | | |
| Gross balances | | |
| Rates | 32 650 103 | 17 178 939 |
| Electricity | 6 893 713 | 6 400 288 |
| Water | 42 875 435 | 35 900 926 |
| Sewerage | 33 830 189 | 31 922 637 |
| Refuse | 39 650 722 | 37 170 868 |
| Other | 73 264 639 | 75 983 055 |
| Housing rental | 507 409 | 605 613 |
| | 229 672 210 | 205 162 326 |
| Less: Allowance for impairment | | |
| Rates | (15 504 252) | (3 587 107) |
| Electricity | (1 735 163) | (996 998) |
| Water | (32 690 973) | (27 621 832) |
| Sewerage | (26 350 652) | (25 309 525) |
| Refuse | (32 236 748) | (29 984 337) |
| Other | (50 911 306) | (57 037 178) |
| Housing rental | (457 304) | (555 504) |
| | (159 886 398) | (145 092 481) |

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

| Figures in Rand | 2013 | 2012 |
|--|-------------------|-------------------|
| 7. Receivables for exchange transaction (continued) | | |
| Net balance | | |
| Rates | 17 145 851 | 13 591 832 |
| Electricity | 5 158 550 | 5 403 290 |
| Water | 10 184 462 | 8 279 094 |
| Sewerage | 7 479 537 | 6 613 112 |
| Refuse | 7 413 974 | 7 186 531 |
| Other | 22 353 333 | 18 945 877 |
| Housing rental | 50 105 | 50 109 |
| | 69 785 812 | 60 069 845 |
| Rates | | |
| Current (0 -30 days) | 657 924 | 915 953 |
| 31 - 60 days | 341 382 | 345 487 |
| 61 - 90 days | 266 940 | 277 226 |
| 91 - 120 days | 251 410 | 324 007 |
| 121 - 365 days | 15 628 195 | 11 729 159 |
| | 17 145 851 | 13 591 832 |
| Electricity | | |
| Current (0 -30 days) | 1 660 967 | 1 976 038 |
| 31 - 60 days | 501 550 | 242 852 |
| 61 - 90 days | 140 964 | 198 536 |
| 91 - 120 days | 129 507 | 169 883 |
| 121 - 365 days | 2 725 562 | 2 815 981 |
| | 5 158 550 | 5 403 290 |
| Water | | |
| Current (0 -30 days) | 915 996 | 1 336 107 |
| 31 - 60 days | 391 492 | 393 318 |
| 61 - 90 days | 327 388 | 329 998 |
| 91 - 120 days | 357 171 | 367 810 |
| 121 - 365 days | 8 192 415 | 5 851 861 |
| | 10 184 462 | 8 279 094 |
| Sewerage | | |
| Current (0 -30 days) | 424 772 | 549 410 |
| 31 - 60 days | 201 218 | 170 472 |
| 61 - 90 days | 177 274 | 162 569 |
| 91 - 120 days | 171 824 | 157 671 |
| 121 - 365 days | 6 504 449 | 5 572 990 |
| | 7 479 537 | 6 613 112 |

Nketoana Local Municipality

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| Figures in Rand | 2013 | 2012 |
|--|-------------------|-------------------|
| 7. Receivables for exchange transaction (continued) | | |
| Refuse | | |
| Current (0 -30 days) | 397 097 | 549 410 |
| 31 - 60 days | 219 253 | 170 471 |
| 61 - 90 days | 193 750 | 162 569 |
| 91 - 120 days | 189 515 | 157 671 |
| 121 - 365 days | 6 414 359 | 6 146 410 |
| | 7 413 974 | 7 186 531 |
| Sundry debtors - VAT, interest & Other | | |
| Current (0 -30 days) | 3 473 882 | 1 469 620 |
| 31 - 60 days | 596 898 | 506 372 |
| 61 - 90 days | 379 127 | 503 733 |
| 91 - 120 days | 572 937 | 469 730 |
| 121 - 365 days | 17 330 489 | 15 996 422 |
| | 22 353 333 | 18 945 877 |
| Housing | | |
| 121 - 365 days | 50 105 | 50 109 |

Nketoana Local Municipality

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|--|--------------------|--------------------|
| 7. Receivables for exchange transaction (continued) | | |
| Summary of debtors by customer classification | | |
| Consumers | | |
| Current (0 -30 days) | 5 119 542 | 10 782 070 |
| 31 - 60 days | 4 128 538 | 4 492 938 |
| 61 - 90 days | 2 834 702 | 4 322 940 |
| 91 - 120 days | 4 436 974 | 4 141 237 |
| 121 - 365 days | 183 786 306 | 157 541 299 |
| | 200 306 062 | 181 280 484 |
| Less: Allowance for impairment | (157 568 436) | (142 397 678) |
| | 42 737 626 | 38 882 806 |
| Industrial/ commercial | | |
| Current (0 -30 days) | 3 130 164 | 2 566 130 |
| 31 - 60 days | 225 489 | 439 093 |
| 61 - 90 days | 379 005 | 411 076 |
| 91 - 120 days | 372 742 | 416 510 |
| 121 - 365 days | 14 486 372 | 11 771 437 |
| | 18 593 772 | 15 604 246 |
| Less: Allowance for impairment | (1 991 887) | (2 067 337) |
| | 16 601 885 | 13 536 909 |
| National and provincial government | | |
| Current (0 -30 days) | 759 848 | 330 560 |
| 31 - 60 days | 135 795 | 159 628 |
| 61 - 90 days | 14 251 | 40 156 |
| 91 - 120 days | 120 547 | 29 550 |
| 121 - 365 days | 4 309 731 | 5 956 496 |
| | 5 340 172 | 6 516 390 |
| Less: Allowance for impairment | (326 073) | (627 466) |
| | 5 014 099 | 5 888 924 |
| Total | | |
| Current (0 -30 days) | 9 501 829 | 13 678 761 |
| 31 - 60 days | 4 060 172 | 5 091 659 |
| 61 - 90 days | 2 473 722 | 4 774 169 |
| 91 - 120 days | 4 706 172 | 4 587 298 |
| 121 - 365 days | 208 930 315 | 177 030 439 |
| | 229 672 210 | 205 162 326 |
| Less: Allowance for impairment | (159 886 398) | (145 092 481) |
| | 69 785 812 | 60 069 845 |
| Less: Provision for debt impairment | | |
| Current (0 -30 days) | (159 886 398) | (145 092 481) |

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7. Receivables for exchange transaction (continued)

Reconciliation of allowance for impairment

| | | |
|----------------------------------|----------------------|----------------------|
| Balance at beginning of the year | (145 092 481) | (153 446 038) |
| Contributions to allowance | (14 793 917) | - |
| Reversal of allowance | - | 8 353 557 |
| | (159 886 398) | (145 092 481) |

Fair value of Receivables for exchange transaction

| | | |
|--------------------------------------|------------|------------|
| Receivables for exchange transaction | 68 842 075 | 60 045 584 |
|--------------------------------------|------------|------------|

8. Cash and cash equivalents

Cash and cash equivalents consist of:

| | | |
|---------------------------------|---------------------|-------------------|
| Cash on hand | 1 389 | 17 035 |
| Bank balances | - | 1 363 716 |
| Short-term deposits | 3 696 369 | 15 747 618 |
| Other cash and cash equivalents | 611 | - |
| Bank overdraft | (14 088 697) | - |
| | (10 390 328) | 17 128 369 |

| | | |
|---------------------|---------------------|-------------------|
| Current assets | 3 698 369 | 17 128 369 |
| Current liabilities | (14 088 697) | - |
| | (10 390 328) | 17 128 369 |

| | | |
|--|-----------|------------|
| Short term investments included in cash and cash equivalents | 3 696 563 | 15 747 618 |
|--|-----------|------------|

The municipality had the following bank accounts

| Account number / description | Bank statement balances | | | Cash book balances | | |
|--|-------------------------|-------------------|------------------|--------------------|-------------------|------------------|
| | 30 June 2013 | 30 June 2012 | 30 June 2011 | 30 June 2013 | 30 June 2012 | 30 June 2011 |
| ABSA BANK - Operating - 217-056-0119 | 217 280 | 1 307 739 | 332 413 | (15 530 020) | 1 307 739 | 332 413 |
| FNB BANK - Current -620-640-82799 | - | 3 650 472 | 3 647 830 | - | 3 650 472 | 3 647 830 |
| ABSA BANK - Banktel -217-014-2538 | 1 455 032 | 55 977 | 67 534 | 1 441 323 | 55 977 | 67 534 |
| ABSA BANK - Call account - 907-415-55973 | 2 893 883 | 1 000 | 439 260 | 2 893 883 | 1 000 | 439 260 |
| FNB BANK - Fixed Deposit 74 348 905 983 | - | 5 094 929 | - | 5 094 929 | 5 094 929 | - |
| STD BANK - Fixed Deposit: 24 8467 816 | - | 10 000 000 | - | - | 10 000 000 | - |
| Total | 4 566 195 | 20 110 117 | 4 487 037 | (6 099 885) | 20 110 117 | 4 487 037 |

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Annual Financial Statements for the year ended 30 June 2013

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9. Biological assets that form part of an agricultural activity

| | 2013 | | | 2012 | | |
|-----------|------------------|---|----------------|------------------|---|----------------|
| | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value |
| Livestock | 11 500 | - | 11 500 | 11 200 | - | 11 200 |

Reconciliation of biological assets that form part of an agricultural activity - 2013

| | Opening balance | Gains or losses arising from changes in fair value | Closing balance |
|-----------|-----------------|--|-----------------|
| Livestock | 11 200 | 300 | 11 500 |

Reconciliation of biological assets that form part of an agricultural activity - 2012

| | Opening balance | Disposals | Gains or losses arising from changes in fair value | Closing balance |
|-----------|-----------------|-----------|--|-----------------|
| Livestock | 67 544 | (57 456) | 1 112 | 11 200 |

Non - Financial information

Quantities of each biological asset

| | | |
|-------------|-----------|-----------|
| Wilde Beest | 1 | 1 |
| Bles Bucks | 9 | 9 |
| | 10 | 10 |

Proceeds from disposal of biological assets

| | | |
|--|---|-----------------|
| Carrying value of biological assets sold | - | (57 456) |
| loss on disposal of assets | - | 29 956 |
| | - | (27 500) |

Methods and assumptions used in determining fair value

Fair value less estimated point-of-sale costs, which is determined by the selling price for livestock less value added tax.

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

Figures in Rand 2013 2012

10. Investment property

| | 2013 | | | 2012 | | |
|-----------|------------------|---|----------------|------------------|---|----------------|
| | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value |
| Buildings | 3 550 000 | (591 515) | 2 958 485 | 3 550 000 | (473 258) | 3 076 742 |

Reconciliation of investment property - 2013

| | Opening balance | Depreciation | Total |
|-----------|-----------------|--------------|-----------|
| Buildings | 3 076 742 | (118 257) | 2 958 485 |

Reconciliation of investment property - 2012

| | Opening balance | Depreciation | Total |
|-----------|-----------------|--------------|-----------|
| Buildings | 3 195 000 | (118 258) | 3 076 742 |

Pledged as security

No carrying value of investment property was pledged as security for loans at year end.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

11. Property, plant and equipment

| | 2013 | | | 2012 | | |
|-------------------------------------|----------------------|---|--------------------|----------------------|---|--------------------|
| | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value |
| Land | 147 930 848 | - | 147 930 848 | 147 930 848 | - | 147 930 848 |
| Buildings | 53 126 442 | (16 852 615) | 36 273 827 | 91 234 682 | (12 157 305) | 79 077 377 |
| Infrastructure | 883 098 426 | (525 452 981) | 357 645 445 | 854 495 504 | (491 490 913) | 363 004 591 |
| Community | 4 855 716 | (1 146 701) | 3 709 015 | 2 235 703 | (959 440) | 1 276 263 |
| Other property, plant and equipment | 19 524 215 | (11 697 804) | 7 826 411 | 18 529 750 | (9 615 516) | 8 914 234 |
| WIP-land rehabilitation sites | 6 523 273 | - | 6 523 273 | 6 389 365 | - | 6 389 365 |
| Work in progress | 35 594 366 | - | 35 594 366 | 11 720 350 | - | 11 720 350 |
| Total | 1 150 653 286 | (555 150 101) | 595 503 185 | 1 132 536 202 | (514 223 174) | 618 313 028 |

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

| Figures in Rand | | | 2013 | | | 2012 | |
|---|--------------------|-------------------|------------------|--------------|--------------------------|---------------------|--------------------|
| 11. Property, plant and equipment (continued) | | | | | | | |
| Reconciliation of property, plant and equipment - 2013 | | | | | | | |
| | Opening balance | Additions | Disposals | Transfers | Other changes, movements | Depreciation | Closing balance |
| Land | 147 930 848 | - | - | - | - | - | 147 930 848 |
| Buildings | 79 077 377 | 171 570 | - | (38 277 250) | - | (4 697 870) | 36 273 827 |
| Infrastructure | 363 004 591 | 15 224 590 | (233 436) | 38 277 250 | (177 181) | (58 450 369) | 357 645 445 |
| Community | 1 276 263 | - | - | - | 2 678 062 | (245 310) | 3 709 015 |
| Other property, plant and equipment | 8 914 234 | 1 260 708 | (17 130) | - | - | (2 331 401) | 7 826 411 |
| WIP-land rehabilitation sites | 6 389 365 | 1 387 365 | - | (1 253 457) | - | - | 6 523 273 |
| WIP progress | 11 720 351 | 22 620 558 | - | 1 253 457 | - | - | 35 594 366 |
| | 618 313 029 | 40 664 791 | (250 566) | - | 2 500 881 | (65 724 950) | 595 503 185 |

Reconciliation of property, plant and equipment - 2012

| | | | | | | | |
|-------------------------------------|--------------------|-------------------|-----------------------------|--------------|--------------------------|---------------------|--------------------|
| | Opening balance | Additions | Classified as held for sale | Transfers | Other changes, movements | Depreciation | Closing balance |
| Land | 150 514 441 | - | (2 583 593) | - | - | - | 147 930 848 |
| Buildings | 81 965 287 | 167 232 | - | - | - | (3 055 142) | 79 077 377 |
| Infrastructure | 384 132 777 | 6 151 732 | - | 19 996 388 | 10 441 162 | (57 717 468) | 363 004 591 |
| Community | 1 472 506 | - | - | - | - | (196 243) | 1 276 263 |
| Other property, plant and equipment | 8 608 871 | 2 622 188 | - | - | - | (2 316 825) | 8 914 234 |
| WIP-land rehabilitation sites | - | 6 389 365 | - | - | - | - | 6 389 365 |
| Work in progress | 22 187 989 | 9 528 749 | - | (19 996 388) | - | - | 11 720 350 |
| | 648 881 871 | 24 859 266 | (2 583 593) | - | 10 441 162 | (63 285 678) | 618 313 028 |

Pledged as security

No carrying value of assets pledged as security.

Other information

Proceeds of Non-current assets held for sale

| | | |
|--------------------------------|---------|---------|
| Selling of stands to community | 764 473 | 368 421 |
|--------------------------------|---------|---------|

Included in property, plant and equipment is erwe that was sold during the financial year to community at R5,000 for 400square meter. The rights of ownership has not yet been transfer and are still included in the land and asset register of the municipality.

See note 15 under Trade payables.

Nketoana Local Municipality

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11. Property, plant and equipment (continued)

Details of properties

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

12. Intangible assets

| | 2013 | | | 2012 | | |
|--------------------------|---------------------|---|-------------------|---------------------|---|-------------------|
| | Cost / Valuation | Accumulated amortisation and accumulated impairment | Carrying value | Cost / Valuation | Accumulated amortisation and accumulated impairment | Carrying value |
| Computer software, other | 1 230 580 | (1 074 228) | 156 352 | 1 078 433 | (360 509) | 717 924 |

Reconciliation of intangible assets - 2013

| | Opening balance | Additions | Other changes, movements | Amortisation | Closing balance |
|--------------------------|--------------------|-----------|--------------------------------|--------------|--------------------|
| Computer software, other | 717 924 | 152 147 | (564 765) | (148 954) | 156 352 |

Reconciliation of intangible assets - 2012

| | Opening balance | Additions | Amortisation | Closing balance |
|--------------------------|--------------------|-----------|--------------|--------------------|
| Computer software, other | 119 162 | 755 759 | (156 997) | 717 924 |

Pledged as security

No carrying value of intangible assets pledged as security:

Nketoana Local Municipality

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|--|------------------|------------------|
| 13. Investments | | |
| Designated at fair value | | |
| Money Market | 3 639 960 | 3 495 199 |
| Standard Bank | | |
| At amortised cost | | |
| Unlisted shares | 5 000 | 5 000 |
| Vrystaat Korporasie Beperk | | |
| Other long term investments | 404 105 | 345 933 |
| Old Mutual | | |
| Preference shares | 233 908 | 328 076 |
| Vrystaat Korporasie Beperk | | |
| | 643 013 | 679 009 |
| Total other financial assets | 4 282 973 | 4 174 208 |
| Non-current assets | | |
| Designated at fair value | 3 639 960 | 3 495 199 |
| At amortised cost | 643 013 | 679 009 |
| | 4 282 973 | 4 174 208 |
| Financial assets at fair value | | |
| Fair value hierarchy of financial assets at fair value | | |
| For financial assets recognised at fair value, disclosure is required of a fair value hierarchy which reflects the significance of the inputs used to make the measurements. The fair value hierarchy have the following levels: | | |
| Level 1 represents those assets which are measured using unadjusted quoted prices in active markets for identical assets. | | |
| Level 1 | | |
| Money Market | 3 639 960 | 3 495 199 |

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2013

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| Figures in Rand | 2013 | 2012 |
|-----------------|------|------|
|-----------------|------|------|

Financial assets at amortised cost

Fair values of financial assets measured or disclosed at fair value

| | | |
|---|-----------|-----------|
| Money Market | 3 639 960 | 3 495 199 |
| Methods used to determine fair value are as follow. Quoted market price. | | |

Nominal value of financial assets at cost

| | | |
|--|----------------|----------------|
| Unlisted | 238 908 | 333 076 |
| Investment in a private company initially recognised at cost. Council are unable to the determine the reasonability of the fair value. | | |
| Life Insurance | 404 105 | 345 933 |
| Old Mutual with fixed maturity date and not held for trading by council. | | |
| | 643 013 | 679 009 |

Financial assets pledged as collateral

Collateral

| | | |
|---|-----------|-----------|
| Carrying value of financial assets pledged as collateral for liabilities. | 3 639 960 | 3 495 199 |
|---|-----------|-----------|

14. Discontinued operations or disposal groups or non-current assets held for sale

The municipality has decided to dispose off residential sites in accordance with section 14 of the local government, Municipal Finance Management Act of 56 of 2003, subsection 2(b).

The non-current assets are to be sold piecemeal at a market price of R 5,000 per site.

The disposal are expected to be completed once all requirements are met for full occupation and title of ownership has transferred at the title deed offices. .

Surplus / Deficit

| | | |
|--|-----------|---|
| Expenses | 333 593 | - |
| Net surplus before tax | 333 593 | - |
| Net surplus after tax | 333 593 | - |
| Gain (loss) on measurement to fair value less cost to sell | (333 593) | - |
| | - | - |

Assets and liabilities

Non-current assets held for sale

| | | |
|-------------------------------|-----------|-----------|
| Property, plant and equipment | 2 250 000 | 2 583 593 |
|-------------------------------|-----------|-----------|

A decision was taken to reduce the allocated portion of sites to fast track the occupation process, this resulted in a remeasurement of the Non-current assets held for sale. This resulted in a impairment loss as presented above under surplus/deficit.

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2013

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| Figures in Rand | 2013 | 2012 |
|--|-------------------|-------------------|
| 15. Payables from exchange transactions | | |
| Trade payables | 8 576 793 | 15 514 396 |
| Deferred Revenue on Pre Paid Electricity | 501 374 | - |
| Accrued leave pay | 4 544 657 | 3 302 998 |
| Accrued bonus | 1 178 137 | 1 128 431 |
| Deposits received | 34 244 | 25 730 |
| Finance portion of trade payables | 14 101 | 1 230 |
| Selling of land sites | 764 473 | 368 421 |
| UIF refundable | 23 648 | 23 648 |
| | 15 637 427 | 20 364 854 |

16. VAT payable

| | | |
|----------------------|------------|------------|
| Tax refunds payables | 17 625 069 | 11 516 511 |
|----------------------|------------|------------|

VAT is payable on the cash basis. VAT is paid over to SARS only once payment is received from debtors and claimed from SARS once suppliers have been paid.

VAT accounted on cash basis

| | | |
|-----------------------------------|-------------------|-------------------|
| Receivable from SARS - cash basis | (3 469 164) | (3 520 201) |
| VAT payable on invoice basis | 21 094 233 | 15 036 712 |
| | 17 625 069 | 11 516 511 |

17. Consumer deposits

| | | |
|----------------|------------------|------------------|
| Electricity | 1 205 321 | 1 169 343 |
| Other deposits | 23 242 | 21 942 |
| | 1 228 563 | 1 191 285 |

No interest accrued or paid on consumer deposits

18. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

| | | |
|------------|------------------|------------------|
| MSIG | - | 15 938 |
| MFMG | 45 589 | 341 342 |
| MIG | 5 300 677 | 5 300 677 |
| EPWP Grant | 143 312 | - |
| | 5 489 578 | 5 657 957 |

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| Figures in Rand | 2013 | 2012 |
|--|------------------|------------------|
| 18. Unspent conditional grants and receipts (continued) | | |
| Movement during the year | | |
| Balance at the beginning of the year | 5 657 957 | 944 802 |
| Additions during the year | 117 622 983 | 98 402 782 |
| Income recognition during the year | (117 791 362) | (93 689 627) |
| | 5 489 578 | 5 657 957 |

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note 27 of reconciliation of grants from National/Provincial Government.

19. Other financial liabilities

At amortised cost

| | | |
|---|-------------------|-------------------|
| DBSA loans Fixed interest rates of 10.35% with fixed instalments of R 96,732.62 p/m. The maturity date of this loan is 2024. | 7 944 695 | 8 278 680 |
| DBSA loans Fixed interest rates of 9,09% with fixed instalments of R 15,156.21 p/m. The maturity date of this loan is 2024. | 1 243 045 | 1 306 085 |
| Grainfield Chickens (Pty) Ltd Interest are charge to the loan at prime rate. The capital repayment of this loan are linked to the electricity charge to Grainfield Chickens plus a 10% margin. | 4 005 594 | 4 116 392 |
| | 13 193 334 | 13 701 157 |
| Total other financial liabilities | 13 193 334 | 13 701 157 |

The Municipality shall execute a cession to the benefit of the DBSA on its Standard Bank fixed deposit investment of R 3,639,959.58 of which is disclose under investments note 13.

Non-current liabilities

| | | |
|----------------------------|------------|------------|
| At amortised cost | 12 765 548 | 13 270 832 |
| Current liabilities | | |
| At amortised cost | 427 786 | 430 325 |

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2013

2012

20. Provisions

Reconciliation of provisions - 2013

| | Opening Balance | Benefits paid | Actuarial loss/gain | Interest cost | Current Service Cost | Total |
|------------------------------|------------------|------------------|---------------------|----------------|----------------------|------------------|
| Environmental rehabilitation | 3 869 757 | - | - | 221 009 | - | 4 090 766 |
| Employee long service awards | 2 420 000 | (199 000) | 254 000 | 201 000 | 412 000 | 3 088 000 |
| | 6 289 757 | (199 000) | 254 000 | 422 009 | 412 000 | 7 178 766 |

Reconciliation of provisions - 2012

| | Opening Balance | Additions | Total |
|------------------------------|------------------|------------------|------------------|
| Environmental rehabilitation | 3 542 327 | 327 430 | 3 869 757 |
| Employee long service awards | - | 2 420 000 | 2 420 000 |
| | 3 542 327 | 2 747 430 | 6 289 757 |

Environmental rehabilitation provision

The provision for rehabilitation of landfill site related to the constructive obligation to rehabilitate landfill sites used for waste disposal. The provision is discounted to the present value of the future cost to rehabilitate the landfill site, using the average cost of the municipality borrowing interest rate of 9.72%.

The landfill site are located at Mamafubedu and Ntha.

Employee long service awards

An actuarial valuation has been performed on the municipalities liability for long service awards relating to vested benefit to which employees may become entitled upon completion of years according to the Collective Agreement on Conditions of Service, SALGBC. The provision is utilised when eligible employees receive the value of the vested benefits.

Key financial assumptions

| | | |
|-----------------------------|-------|-------|
| Discount rate | 7.40% | 7.92% |
| Consumer price inflation | 5.66% | 5.74% |
| Normal Salary increase rate | 6.66% | 6.74% |
| Net effective discount rate | 0.69% | 1.11% |

Nketoana Local Municipality

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| Figures in Rand | 2013 | 2012 |
|---|------------------|------------------|
| 21. Employee benefit obligations | | |
| The amounts recognised in the statement of financial position are as follows: | | |
| Post employment medical aid benefit | | |
| Present value of the defined contribution obligation-wholly unfunded | (6 972 000) | (6 586 000) |
| Changes in the present value of the defined benefit obligation are as follows: | | |
| Opening balance | 6 586 000 | 6 491 000 |
| Net expense recognised in the statement of financial performance | 386 000 | 95 000 |
| Closing balance | 6 972 000 | 6 586 000 |
| Net expense recognised in the statement of financial performance | | |
| Interest cost | 532 000 | 95 000 |
| Actuarial (gains) losses | 331 000 | - |
| benefits paid | (477 000) | - |
| Total included in employee related costs | 386 000 | 95 000 |
| Calculation of actuarial gains and losses | | |
| Actuarial (gains) losses – Obligation | 331 000 | - |
| Key assumptions used | | |
| Assumptions used at the reporting date: | | |
| Discount rates used | 7,89 % | 8,35 % |
| Consumer Price Inflation | 6,14 % | 6,40 % |
| Expected increase in healthcare costs | 7,14 % | 6,85 % |
| Net effective discount rate | 0,70 % | 1,40 % |
| Defined contribution plan | | |
| It is the policy of the municipality to provide retirement benefits to 16 retired employees. A number of defined contribution provident funds, all of which are subject to the Pensions Fund Act exist for this purpose. There is no current policy in place governing the contributions made to these employees. | | |
| The municipality is under no obligation to cover any unfunded benefits. | | |
| The total economic entity contribution to such schemes | 863 000 | 532 000 |
| The amount recognised as an expense for defined contribution plans is | (477 000) | (437 000) |

Nketoana Local Municipality

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|---|--------------------|--------------------|
| 22. Service charges | | |
| Sale of electricity | 29 513 657 | 25 656 300 |
| Sale of water | 24 247 485 | 26 188 237 |
| Sewerage and sanitation charges | 11 279 735 | 11 143 881 |
| Refuse removal | 11 483 701 | 11 605 093 |
| | 76 524 578 | 74 593 511 |
| 23. Other income | | |
| Cemetery fees | 407 804 | 343 561 |
| Insurance claims | 248 357 | 134 794 |
| Connection fees | 603 651 | 210 151 |
| Garden refuse | 2 682 | 509 |
| Building plans & Clearance certificates | 47 908 | 19 177 |
| Sundries | 297 031 | 1 326 096 |
| | 1 607 433 | 2 034 288 |
| Sundries include commission, tender documents and bringing of meters (fines). | | |
| 24. Investment revenue | | |
| Interest revenue | | |
| Bank | 1 501 123 | 962 951 |
| 25. Revenue | | |
| Service charges | 76 524 578 | 74 593 511 |
| Rental of facilities and equipment | 415 297 | 323 901 |
| Interest received (trading) | 16 416 211 | 15 529 229 |
| Discount received | - | 7 654 |
| Recoveries | - | 8 353 558 |
| Other income | 1 607 433 | 2 034 288 |
| Interest received - investment | 1 501 123 | 962 951 |
| Property rates | 16 194 067 | 11 008 056 |
| Government grants & subsidies | 117 791 362 | 93 689 626 |
| Public contributions and donations | 2 043 939 | 10 441 162 |
| Fines | 115 585 | 195 850 |
| | 232 609 595 | 217 139 786 |

Nketoana Local Municipality

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| Figures in Rand | 2013 | 2012 |
|-----------------|------|------|
|-----------------|------|------|

25. Revenue (continued)

The amount included in revenue arising from exchanges of goods or services are as follows:

| | | |
|------------------------------------|-------------------|--------------------|
| Service charges | 76 524 578 | 74 593 511 |
| Rental of facilities and equipment | 415 297 | 323 901 |
| Interest received (trading) | 16 416 211 | 15 529 229 |
| Discount received | - | 7 654 |
| Recoveries | - | 8 353 558 |
| Other income | 1 607 433 | 2 034 288 |
| Interest received - investment | 1 501 123 | 962 951 |
| | 96 464 642 | 101 805 092 |

The amount included in revenue arising from non-exchange transactions is as follows:

Taxation revenue

| | | |
|----------------|------------|------------|
| Property rates | 16 194 067 | 11 008 056 |
|----------------|------------|------------|

Transfer revenue

| | | |
|------------------------------------|--------------------|--------------------|
| Government grants & subsidies | 117 791 362 | 93 689 626 |
| Public contributions and donations | 2 043 939 | 10 441 162 |
| Fines | 115 585 | 195 850 |
| | 136 144 953 | 115 334 694 |

26. Property rates

Rates received

| | | |
|-------------|------------|------------|
| Residential | 16 194 067 | 11 008 056 |
|-------------|------------|------------|

Valuations

| | | |
|-------------|--------------------|--------------------|
| Residential | 248 176 900 | 248 176 900 |
| Commercial | 60 201 890 | 61 208 780 |
| State | 97 856 000 | 97 777 650 |
| Municipal | 1 595 900 | 1 595 900 |
| Agriculture | 483 950 300 | 483 950 300 |
| | 891 780 990 | 892 709 530 |

Valuation on property rates are performed every 4 years. The last general valuation came into effect on 1 July 2009.

Rebates of R 20,000 (2010: R 20,000) are granted to residential property owners.

Rates are levied on an monthly basis. Interest at prime plus 1% per annum is levied on outstanding rates older then 30 days.

The new general valuation will be implemented on 01 July 2013.

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|--|--------------------|-------------------|
| 27. Government grants and subsidies | | |
| Operating grants | | |
| Equitable share | 77 373 000 | 67 786 000 |
| MSIG | 815 996 | 1 207 372 |
| MFMG | 1 795 753 | 1 620 149 |
| LG SETA | 185 742 | 332 782 |
| EPWP | 856 688 | - |
| | 81 027 179 | 70 946 303 |
| Capital grants | | |
| MIG | 34 018 000 | 22 743 323 |
| Regional Bulk Water Infrastructure Grant | 2 746 183 | - |
| | 36 764 183 | 22 743 323 |
| | 117 791 362 | 93 689 626 |
| 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 to undertake service delivery. | | |
| MSIG | | |
| Balance unspent at beginning of year | 15 938 | 433 311 |
| Current-year receipts | 800 000 | 790 000 |
| Conditions met - transferred to revenue | (815 938) | (1 207 373) |
| | - | 15 938 |
| Conditions still to be met - remain liabilities (see note 18). | | |
| MFMG | | |
| Balance unspent at beginning of year | 341 342 | 511 491 |
| Current-year receipts | 1 500 000 | 1 450 000 |
| Conditions met - transferred to revenue | (1 795 753) | (1 620 149) |
| | 45 589 | 341 342 |
| Conditions still to be met - remain liabilities (see note 18). | | |
| LG SETA | | |
| Current-year receipts | 131 442 | 332 782 |
| Conditions met - transferred to revenue | (131 442) | (332 782) |
| | - | - |
| Regional Bulk Water Infrastructure Grant | | |
| Current-year receipts | 2 746 183 | - |

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|-----------------|------|------|
|-----------------|------|------|

27. Government grants and subsidies (continued)

| | | |
|---|-------------|---|
| Conditions met - transferred to revenue | (2 746 183) | - |
| | - | - |

Conditions still to be met - remain liabilities (see note 18).

Provide explanations of conditions still to be met and other relevant information.

MIG

| | | |
|---|------------------|------------------|
| Balance unspent at beginning of year | 5 300 677 | - |
| Current-year receipts | 34 018 000 | 28 044 000 |
| Conditions met - transferred to revenue | (34 018 000) | (22 743 323) |
| | 5 300 677 | 5 300 677 |

Conditions still to be met - remain liabilities (see note 18).

EPWP Grant

| | | |
|---|----------------|---|
| Current-year receipts | 1 000 000 | - |
| Conditions met - transferred to revenue | (856 688) | - |
| | 143 312 | - |

Conditions still to be met - remain liabilities (see note 18).

Provide explanations of conditions still to be met and other relevant information.

28. Public contributions and donations

| | | |
|------------------------------------|-----------|------------|
| Public contributions and donations | 2 043 939 | 10 441 162 |
|------------------------------------|-----------|------------|

Public Contributions received - 2013

The Department of Sports, Arts, Culture and Recreation has funded the erection of a Multipurpose Centre in Petrus Steyn. This project was implemented by the Department of Public Works.

The assets are capitalised and included under Community assets under note 11.

Public Contributions received - 2012

During the financial year the municipality received donations in the form of infrastructure. Thabo Mofutsanyana transferred the newly contracted Paved road in Leratswana to the value of R 2,963,088.00.

The Department of Rural Settlement donated a newly constructed Water and Sewer Reticulation for 330 Erven in Petsana Ext.7 to the value of R 7,478,074.39.

The assets are capitalised and included under Infrastructure assets under note 11.

Nketoana Local Municipality

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|--|-------------------|-------------------|
| 29. Bulk purchases | | |
| Electricity | 27 709 604 | 17 303 583 |
| Water | 1 125 194 | 87 621 |
| | 28 834 798 | 17 391 204 |
| 30. Debt impairment | | |
| Debt impairment written off | 29 608 495 | 43 155 573 |
| Contributions to debt impairment provision | 14 793 915 | - |
| | 44 402 410 | 43 155 573 |
| 31. Depreciation and amortisation | | |
| Property, plant and equipment | 65 724 948 | 63 687 900 |
| Investment property | 118 257 | 118 258 |
| Intangible assets | 148 954 | 156 997 |
| | 65 992 159 | 63 963 155 |
| 32. Finance costs | | |
| Non-current borrowings | 1 521 743 | 986 334 |
| Late payment of tax | - | 10 153 |
| Long term provision finance charges | 733 000 | 422 430 |
| | 2 254 743 | 1 418 917 |

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|-----------------------------------|-------------------|-------------------|
| 33. General expenses | | |
| Advertising | 398 842 | 339 451 |
| Auditors remuneration | 3 258 557 | 3 386 094 |
| Bank charges | 510 283 | 361 513 |
| Cleaning | 133 740 | 111 029 |
| Commission paid | 378 564 | 14 874 |
| Consumables | 425 106 | 373 463 |
| Debt collection | 71 | 16 091 |
| Donations | 796 746 | 562 085 |
| Entertainment | 2 431 363 | 589 352 |
| Fines and penalties | 22 497 | 17 917 |
| Hire | 9 530 | - |
| Insurance | 688 144 | 455 584 |
| Lease rentals on operating lease | 2 787 862 | 1 195 439 |
| Magazines, books and periodicals | 61 000 | 121 952 |
| Fuel and oil | 5 184 308 | 3 362 742 |
| Postage and courier | 137 174 | 454 519 |
| Printing and stationery | 2 042 558 | 1 184 034 |
| Promotions | 707 829 | 625 543 |
| Subscriptions and membership fees | 1 112 303 | 75 468 |
| Telephone and fax | 778 615 | 796 909 |
| Training | 3 476 547 | 1 002 167 |
| Travel - local | 2 475 729 | 2 038 602 |
| Refuse | 1 997 636 | 1 887 067 |
| Assets expensed | 26 293 | - |
| Electricity | 9 413 849 | 4 169 336 |
| Uniforms | 228 097 | 390 032 |
| License fees | 106 119 | 106 125 |
| Chemicals | 1 861 862 | 836 785 |
| Other expenses | 2 003 744 | 491 720 |
| | 43 454 968 | 24 965 893 |

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|--|-------------------|-------------------|
| 34. Personnel | | |
| Basic | 36 016 911 | 29 231 005 |
| Bonus | 2 600 189 | 2 216 239 |
| Medical aid | 2 312 985 | 1 863 014 |
| UIF | 359 794 | 312 088 |
| WCA | 176 004 | 219 089 |
| SDL | 478 603 | 542 371 |
| Leave pay provision charge | 1 291 365 | 537 304 |
| Salga | 28 474 | 4 777 |
| Travel, motor car, accommodation, subsistence and other allowances | 1 735 502 | 1 529 283 |
| Overtime payments | 2 291 585 | 2 134 706 |
| Acting allowances | 261 459 | 140 793 |
| Housing benefits and allowances | 158 297 | 152 515 |
| Pension fund contribution | 6 412 577 | 5 376 600 |
| Standby allowance | 665 048 | 641 698 |
| Other & Telephone | 551 970 | 457 694 |
| | 55 340 763 | 45 359 176 |

Remuneration of municipal manager

| | | |
|---------------------------|------------------|----------------|
| Annual Remuneration | 785 047 | 801 506 |
| Acting Allowance | 34 326 | - |
| Car Allowance | 140 000 | 180 000 |
| Contributions to UIF | 1 373 | 1 497 |
| Medical and Pension Funds | 39 785 | - |
| | 1 000 531 | 983 003 |

Remuneration of chief finance officer

| | | |
|----------------------|----------------|----------------|
| Annual Remuneration | 565 169 | 639 396 |
| Acting allowance | 27 829 | - |
| Car Allowance | 77 000 | 84 000 |
| Contributions to UIF | 1 373 | 1 497 |
| | 671 371 | 724 893 |

The remuneration of staff is within the upper limits of the SALGA Bargaining Council determinations.

Total personnel cost

| | | |
|--------------------------------|-------------------|-------------------|
| Personnel - Managers and Other | 55 340 763 | 45 359 176 |
| Municipal Manager | 1 000 531 | 983 003 |
| Chief Financial Offer | 671 371 | 724 893 |
| | 57 012 665 | 47 067 072 |

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|--|------------------|------------------|
| 35. Remuneration of councillors | | |
| Mayor | 673 035 | 594 773 |
| Executive Committee | 1 165 694 | 1 022 017 |
| Councillors | 2 523 877 | 2 214 567 |
| Speaker | 561 897 | 506 895 |
| | 4 924 503 | 4 338 252 |

In-kind benefits

The Mayor and Speaker are full-time. Each is provided with an office and secretarial support at the cost of the Council.

The Mayor has use of a Council owned vehicle for official duties.

The Mayor and the Speaker has use of Council owned laptop and i-pad

The Executive Committee members also has use of Council owned laptops

Councillor remuneration is in line with the upper limits that is Gazetted by the Department of Cooperative governance and the framework envisaged in section 219 of the Constitution.

36. Operating deficit

Operating deficit for the year is stated after accounting for the following:

Operating lease charges

| | | |
|---|------------------|------------------|
| Motor vehicles | | |
| • Contractual amounts | 1 214 261 | - |
| Equipment | | |
| • Contractual amounts | 1 573 601 | 1 195 439 |
| | 2 787 862 | 1 195 439 |
| Gain on sale of property, plant and equipment | 102 341 | - |
| Loss on sale of biological assets | - | (29 956) |
| Impairment on property, plant and equipment | 333 593 | - |
| Amortisation on intangible assets | 148 954 | 156 997 |
| Depreciation on property, plant and equipment | 65 724 948 | 63 687 900 |
| Depreciation on investment property | 118 257 | 118 258 |
| Employee costs | 61 937 168 | 51 405 324 |

37. Fair value adjustments

| | | |
|--------------------------|--------|---------|
| Other financial assets | | |
| • Other financial assets | 85 220 | 149 615 |

38. Auditors' remuneration

| | | |
|------|-----------|-----------|
| Fees | 3 258 557 | 3 386 094 |
|------|-----------|-----------|

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|--|-------------------|-------------------|
| 39. Contracted services | | |
| Specialist Services | 12 082 373 | 7 728 746 |
| Legal Services | 540 508 | 1 196 382 |
| | 12 622 881 | 8 925 128 |
| 40. Cash generated from operations | | |
| Deficit | (36 043 204) | (4 476 631) |
| Adjustments for: | | |
| Depreciation and amortisation | 65 992 159 | 63 963 155 |
| Loss/(gain) on sale of assets and liabilities | (102 341) | 29 956 |
| Fair value adjustments | (85 220) | (149 615) |
| Impairment deficit | 333 593 | - |
| Debt impairment | 44 402 410 | 43 155 573 |
| Movements in retirement benefit assets and liabilities | 386 000 | 95 000 |
| Movements in provisions | 889 009 | 327 430 |
| Other non-cash items | (3 124 398) | 5 046 184 |
| Allowance for debt impairment | - | (8 353 558) |
| Other non-cash items | (2 043 939) | (10 441 162) |
| Changes in working capital: | | |
| Inventories | (89 836) | 58 866 |
| Receivables from non-exchange transactions | (3 966 687) | 339 303 |
| Consumer debtors | (54 118 377) | (61 337 911) |
| Payables from exchange transactions | (4 727 421) | 3 432 072 |
| VAT | 6 141 595 | (5 270 112) |
| Unspent conditional grants and receipts | (168 379) | 4 713 155 |
| Consumer deposits | 37 278 | 19 217 |
| | 13 712 242 | 31 150 922 |

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2013

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|-----------------|------|------|

41. Commitments

Authorised capital expenditure

Already contracted for but not provided for

| | | |
|------------------|------------|------------|
| • Infrastructure | 30 299 859 | 22 684 176 |
|------------------|------------|------------|

Not yet contracted for and authorised by accounting officer

| | | |
|------------------|------------|------------|
| • Infrastructure | 30 582 340 | 17 373 731 |
|------------------|------------|------------|

This committed expenditure relates to infrastructure and will be financed as followed:

| | | |
|---|-------------------|-------------------|
| Government Grants | 32 297 000 | 28 044 000 |
| Own resources | 17 399 650 | 16 040 614 |
| Regional Bulk Infrastructure Grant | 5 000 000 | - |
| Intergrated Electricity Infastructure Grant | 14 000 000 | - |
| | 68 696 650 | 44 084 614 |

Retention monies on capital projects

| | | |
|--|----------------|------------------|
| Ntha: Paving of 6km roads (MIS:163665) - Phase 1 & 2 | 379 076 | 275 950 |
| Sewer Network Mamafubedu, Petrus Steyn | - | 1 206 778 |
| Packing Plant Providing suitable effluent at Mamafubedu | - | 300 000 |
| Arlington: Construction of Solid waste transfer station (MIG430) | - | 336 000 |
| Lindley Water purification works (K265B) | - | 1 552 677 |
| Reitz: Construction of Solid waste disposal site (MIG420) | - | 820 800 |
| | 379 076 | 4 492 205 |

Operating leases - as lessee (expense)

Minimum lease payments due

| | | |
|-------------------------------------|------------------|------------------|
| - within one year | 590 524 | 292 962 |
| - in second to fifth year inclusive | 4 188 891 | 1 464 812 |
| | 4 779 415 | 1 757 774 |

Operating leases - as lessor (income)

Minimum lease payments due

| | | |
|-------------------------------------|------------------|------------------|
| - within one year | (166 500) | (267 106) |
| - in second to fifth year inclusive | (242 539) | (409 039) |
| | (409 039) | (676 145) |

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42. Contingencies

| PARTY AND PARTICULARS | ACTUAL AMOUNT INVOLVED | CONTINGENCY AMOUNT INVOLVED | CONTINGENCY NLM LEGAL FEES | SUING PARTY CONTINGENCY | TOTAL CONTINGENCY PLUS COST |
|--|-------------------------------|------------------------------------|-----------------------------------|--------------------------------|------------------------------------|
| Mothei Construction, Company appointed for MIG project suing for professional fees, services and disbursement. | 2 104 255 | - | 526 064 | 526 064 | 3 156 383 |
| PAVEMENTS | | | | | |
| Telkom, Damage Telkom cables at 36 1st Street, Reitz | 133 394 | - | 33 350 | 33 350 | 200 094 |
| Khovongo Construction | 49 324 | - | 190 000 | 190 000 | 429 324 |
| Nketoana Development, Services rendered: Tennis Court | 50 740 | - | 12 685 | 12 685 | 76 110 |
| Telkom, Damage Telkom Cables at Steyn Street | 66 982 | - | 16 745 | 16 745 | 100 472 |
| Telkom: Damages caused by employees on Voortrekker Street | 69 314 | - | - | 5 260 | 74 574 |
| Telkom, Damage Telkom Cables at Cnr Swart/Walker Street | 17 473 | - | 4 368 | 4 368 | 26 209 |
| Mering CJ, Legal fees on Postponement | 5 420 | - | - | - | 5 420 |
| T.L.W.G. Lekota: Personal Injury, speed hump with no signs Portgieter Street, PS. | 810 000 | - | 202 500 | 202 500 | 1 215 000 |
| Telkom: Damage Telkom Cables at 19 Eeufees Street, Petrusteyn | - | 50 000 | 12 500 | 12 500 | 75 000 |
| Radebe DD: Unfair dismissal | 950 000 | - | 237 500 | - | 1 187 500 |
| JS Onderdele: Service rendered - motor vehicle | 6 919 | - | 1 730 | - | 8 649 |
| Rudnat Projects CC: Services rendered for business plan and designs professional fees | 5 287 036 | - | 1 321 759 | 1 321 759 | 7 930 554 |
| Blue Kite Properties: Sale of Old Auction Kraalslindley. Company paid for buying land and wants to cancel | 45 600 | - | 11 400 | 11 400 | 68 400 |

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|--|-------------------|------------------|------------------|------------------|-------------------|
| 42. Contingencies (continued) | | | | | |
| Reitz Billie Millie: | - | 900 000 | 225 000 | 225 000 | 1 350 000 |
| Contract of sale of Reitz show land. Dispute pending in the High Court | | | | | |
| Mozemanga Trading: | 766 238 | - | 191 560 | 191 560 | 1 149 358 |
| Services Rendered | | | | | |
| Bara Ba Bataung: | - | 900 000 | - | - | 900 000 |
| Services rendered: | | | | | |
| Running of Arbatoir and compliance fees | | | | | |
| Adv. Mofokeng Mosebetsi | 10 492 193 | - | 2 623 049 | - | 13 115 242 |
| | 20 854 888 | 1 850 000 | 5 610 210 | 2 753 191 | 31 068 289 |

NOTES: SOURCE OF CONTINGENCY CALCULATIONS: SUBORDINATE LEGISLATION IN TERMS OF THE CONTINGENCY FEES ACT, 1997(ACT 66 OF 1997)

(a) Section 1(vi)(b) and 5: Determination of Professional Controlling Body and designation of a body published in Government Notice No. R. 546 of 23 April 1999(Government GazetteNo. 20009) and amended by Government

Notice No.R. 1110 of 3November 2000 (Government Gazette no 21719). LIMIT AT 25% OF CLAIM AMOUNT. Actual amount represent the actual amount as it appears on the letter of demand, summons or claim in other tribunals such as bargain council as calculated amount on contract or legislation .

Contingency of amount involved refers to amount where the demand does not specify the amount claim pending quotations or actual repairs costs, or other costs,

Suing Party Contingency on Legal on Legal Fees refers to costs of party suing municipality legal costs as calculated based on Contingency Fees Act 66 of 1997.

Contingency on NLM legal fees refers to legal fees contingency that municipality pays its legal representation.

Contingency - VAT payable

The municipality had claimed VAT on invoice from VAT vendors whose invoice did not meet the requirements of a valid tax invoice as required by Section 20 of Value Added Tax 89 of 1991.

The municipalities possible liability as a result of the above is estimated at R 208,642.30.

Contingencies arising from pending litigation on the wage curve agreement.

As a result of the uncertainties arising from the dispute declared by the unions and the pending litigation regarding the wage curve agreement, the municipality may have an additional receivable/payable for the employee wages, depending on the outcome of the pending litigation. It is not practicable to reliably estimate the amount of this receivable/payable prior to the outcome of the litigation. Furthermore the municipality did not have proper job evaluations in place to be used as a basis of determining the amount of contingency.

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43. Related parties

Relationships

Accounting Officer

Chief Financial Officer (Acting)

Councillors

Refer to accounting officer's report note

F Mzizi (Piletso Kgamathai Construction)

Radebe Teboho Patrick (Vis a Vis Trading)

Tshabalala Ncani Selina (Dexpro Construction and)

Mosia Mokete Jeremiah (Mahatammoho Reteng)

Mokoena Kgaketla Abram (Re Bonahatse construction

Blignaut Marthinus -

NG Welsyn Reitz-Tehuis

Monaufic Belegging

NG Welsyn Reitz Wooneenhede

Agristan SA

Tipakri Eiendoms Beleggings

Mofokeng Phoka Petrus(P M M M Builders

Purple Moss 1057)

Moshwadiba Paseka Zacharia(Shwak's Construction And Distribution)

Managers

Mokgatlhe Lekgetho(Entle Trading 507)

Lekgau Tebogo(Seopex trading And Projects)

Maseko Sebina Mable(Maseko And Moji Trading And Projects)

Sithole Bongumusa Benedict(Bongment Consulting Skwaya Construction And Services

Zakios Trading Enterprise)

Letsela Samson Moeketsi(Thabo Mofutsanyane

Goodman Football Academy

Small Green Garden Centre

Lapoloha Restaurant)

Directors

Nhlapo Solomon Mokete(Kido Consultancy)

Manzi Mwandile Penwel(Nthape I T

Mamampu Trading Enterprise

Mzwajo Project Management Services

Pemzwa Consultancy Agency)

Moletsane Morakane Mariam(Keewave Trading 97) (Femininity In Development)

(MoletsaneMM Project Management And Construction)

(Superior Quality Engineering And Technologies 7)

(Thembalentswe Construction And projects)

(Moletsane And Diale sservice Providers)

The above members of council has active business during the financial year under review, however did not trade with the municipality either directly or indirectly.

44. Prior period errors

The correction of the error(s) results in adjustments as follows:

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|--|------|-------------|
| 44. Prior period errors (continued) | | |
| Statement of financial position - 2012 | | |
| Other creditors | - | 402 864 |
| Petty cash | - | (17 035) |
| Intangible assets | - | (564 646) |
| Payables from exchange transactions | - | 27 500 |
| Consumer and Other Debtors | - | (4 686 268) |
| Property, plant and equipment | - | 737 912 |
| Investment | - | 345 933 |
| Statement of financial position - 2011 | | |
| Payables from exchange transactions | - | (205 734) |
| Employee benefit cost | - | (2 420 000) |
| Property, plant and equipment | - | (6 000 543) |
| Statement of financial performance - 2011 | | |
| General expense | - | (255 360) |
| Finance cost | - | (212 155) |

Other Creditors.

Cash and cash equivalents unreconciliation items included in Other creditors were investigated during the year and were found to have included transaction that were not actual transaction on the bank account.

Petty cash.

Petty cash expenses were directly paid to the petty cash vote and not expense to the relevant expense account, leaving a balance at year end.

Intangible Assets.

Amortisation were omitted from intangible assets after a reperformance of a depreciation were performed on the asset module which related to the assets register of the previous year.

Payables from exchange transactions.

Proceeds from sale of biological assets were allocated to unknow deposits and through the income statement therefore the loss were not offsetted against the proceeds.

Accounts payable included the instalment that were paid on the DBSA loan which belong to 2013 financial period and were corrected in the current financial year

Omission of creditor during the 2012 financial year. Legal services were rendered and the invoice were under dispute and not proceeds as a creditor.

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44. Prior period errors (continued)

Consumer and Other Debtors.

Prior year adjustment consists of the interest on government debtors that were written off as recommended by treasury the interest that were charge since 2001 to 2008. All adjustment related to consumer debtors and other receivables.

Reversal of July 2013 biling amounts of R 14,126.69 were include and therefore reverse against accumulating surplus.

Irregularities in the write off of Consumer Debtors had occur and was only discovered by management after the financial year. The reversal was made prior year of R 24,261.50.

Employee cost benefits

Long service benefit awards are being given to employees of the municipality. In the past there were no provision made under GRAP 25, hence this ommision result in the retrospective restatement of the provision of employee benefit cost. The municipality appointed acturial to calculate the municipalities liability as at 2012 and 2013.

Property, plant and equipment

Newly found items that were discovered after a asset verification was performed and are therefore accounted for in accumulating surplus.

Land to the value of R6,162,381 were included in the land register on the bases of the valuation roll that were last updated in 2008. This land is not longer owned by the municipality.

In addition to the above property with a value of R161,838.30 was incorrectly written off in the previous year to account for ownership of land with the deeds register.

Investment

Investment held at Old Mutual were incorrectly written off in the previous financial year.

General expense

Once of connection charges in relation to the Grainfield Chicken (Pty) Ltd loan incurred.

Finance cost

Incurred finance cost as a result of the loan from Grainfield Chicken (Pty) Ltd.

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|-----------------|------|------|
|-----------------|------|------|

45. Comparative figures

Certain comparative figures have been reclassified.

As a result of the prior year restatement and correction of prior year errors the following transaction and balance has been restated and reclassified as it differ to what was present as comparatives.

The effects of the reclassification are as follows:

Statement of Financial Position

| | | |
|--|-------------|-------------|
| Receivables from non-exchange transactions | 6 078 201 | 4 059 701 |
| Property, plant and equipment | 618 313 028 | 625 266 787 |
| Payables from exchange transactions | 20 364 854 | 20 159 120 |
| Other financial liabilities | 13 270 832 | 9 154 440 |
| Provision | 6 289 757 | 3 869 757 |
| Investments | 4 174 208 | 3 828 275 |
| Receivables for exchange transaction | 60 069 845 | 60 045 584 |

Statement of Financial Performance

| | | |
|-----------------------------|------------|------------|
| Personnel cost | 47 067 072 | 46 120 645 |
| Remuneration of councillors | 4 338 252 | 4 826 985 |
| General expense | 24 965 893 | 34 348 715 |

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|-----------------|------|------|
|-----------------|------|------|

45. Comparative figures (continued)

Receivables from non-exchange transactions.

As part of the loan from Grainfield Chicken there was a deposit paid to Eskom of R 2,018,500.

Property, plant and equipment.

Previously the land register include land which are being sold to the community and therefore qualified as Non-current assets held for sale (Refer to note 14). The difference in the Land of R 2,583,593 is therefore disclose in the current financial year under Non-current assets held for sale.

Infrastructure under Property, plant and Equipment include additions as a result of the loan agreement between Grainfield Chicken (Pty) Ltd as the current electricity network were expanded on behalf of the municipality. The addition of R 1,630,376.

Land to the value of R6,162,381 were included in the land register on the bases of the valuation roll that were last updated in 2008. This land is not longer owned by the municipality.

In addition to the above property with a value of R161,838.30 was incorrectly written off in the previous year to account for ownership of land with the deeds register.

Payables from exchange transactions.

Refer to note 44.

Other financial liabilities.

In the previous year there were a loan agreement between Grainfield Chicken and the municipality which only come effective upon their usage of electricity supply to there operation from July 2012.

Provision.

Refer to note 44.

Employee related cost.

Previous year Other and Telephone cost were incorrectly allocated to general expenses. The difference of R 457,694 are now included under Employee related cost in the current year.

Remuneration for councillors.

In the previous year this figure were presented with the departamental cost structure and include salaries paid to the mayors personal assistant and secretary. In the current year the amount decrease because these salary cost are allocated under Personnel Cost.

General expenses.

Refer to above Employee related cost.

Contracted services are now presented as a seperate line item on the face of the statement of financial performance which was previously under general expenses.

Investments.

Investment held at Old Mutual were incorrectly written off in the previous financial year.

Receivables for exchange transaction.

The adjustment against receivables in the prior year of R 24,267 for the irregularities dicovered after financial position adjustable events.

Nketoana Local Municipality

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46. Risk management

Capital risk management

The municipality's objectives when managing capital are to safeguard the municipality's ability to continue as a going concern in order to provide returns for member and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the municipality consists of debt, which includes the borrowings disclosed in notes 19, cash and cash equivalents disclosed in note 8, and equity as disclosed in the statement of financial position.

Consistent with others in the industry, the municipality monitors capital on the basis of the gearing ratio.

There have been no changes to what the municipality manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

Risk management plans are developed and monitored to ensure councils the policies and systems are reviewed regularly to reflect changes in the municipalities operations.

The accounting officer provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

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.

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46. Risk management (continued)

Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates. The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk.

The municipality is not funded with excessive loans, but have a variety of short term investment and is always in search of optimal return of investments.

Interest rate risk sensitivity analysis

The susceptibility of the entity's financial performance to changes in interest rates can be illustrated as follows:

Fixed rates agreements were not included in the analysis. Investment and loan balances at year was used to calculate the expected return for future periods and analysed against current returns.

Interest income

| | | |
|---|----------|----------|
| Interest rate increase of 75 basis points | 21 703 | 113 220 |
| Interest rate decrease 50 basis points | (14 468) | (75 480) |

Interest expense

| | | |
|---|----------|----------|
| Interest rate increase of 75 basis points | 34 631 | 19 193 |
| Interest rate decrease 50 basis points | (22 778) | (12 752) |

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46. Risk management (continued)

Credit risk

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

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

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

| Financial instrument | 2013 | 2012 |
|-------------------------------|------------|------------|
| Investments | 4 282 973 | 4 174 208 |
| Receivables from exchanges | 69 785 812 | 60 069 845 |
| Receivables from non-exchange | 10 044 888 | 6 078 201 |
| Cash and cash equivalents | 3 698 369 | 17 128 369 |

Investments

The Municipality shall execute a cession to the benefit of the DBSA on its Standard Bank fixed deposit investment of R 3,639,959

Receivables from exchanges

Fair value after adjustment for impairment losses.

Financial liabilities exposed to credit risk at year end were as follows

Financial instrument

| | | |
|------------------------------------|------------|------------|
| Payables from exchange transaction | 15 153 427 | 20 364 854 |
| Other financial liabilities | 12 765 548 | 13 270 832 |

47. Events after the reporting date

Irregularities in the write off of Consumer Debtors had occur and was only discovered by management after the financial year. The reversal was made as this were considered as adjustable events after financial position as this occurred during the year and also in the prior year.

The adjustment in the current year amounted to R943,734.75 (2012: 24,261.50).

Legal matters reported as contingencies at year end have been recently settled. Khovongo Construction have been paid a settlement amount of R 78,347.80. Mr MM Tshabalala on behalf of Nketoana Development was paid an amount of R 29,000.

Unspent Conditional Grants has been claimed to be reverted back to the National Revenue Fund as the amount was rolled over for more than one financial year. This is a adjustable event after financial position and a creditor of R 484,000 for the benefit of National Treasury has been raised.

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48. Unauthorised expenditure

| | | |
|--|--------------------|--------------------|
| Opening Balance | 113 406 283 | 91 976 261 |
| Unauthorised expenditure | 31 166 223 | 21 430 022 |
| Approved or condoned by council - previous years | (44 135 955) | - |
| | 100 436 551 | 113 406 283 |

Approved or condoned by council of unauthorised expenditure of the previous years related to expenses that were not included in the budget 2010/11. The implementation of GRAP 17, application of IAS 39 for Debt Impairment and the rehabilitation provision for Waste removal sites.

49. Fruitless and wasteful expenditure

| | | |
|---|----------------|----------------|
| Opening balance | 198 153 | 137 898 |
| Interest and penalties: charges on late payment of VAT return | - | 28 070 |
| Interest charges on outstanding invoices | 129 748 | 32 185 |
| Termination of contracts - Compensations paid | 152 742 | - |
| legal cost paid - bargaining cost | 6 230 | - |
| Penalty fees: Investment call before their maturity | 22 497 | - |
| Termination of contract of Municipal Manager - Settlement for early termination | 224 973 | - |
| | 734 343 | 198 153 |

Termination of employment contracts of Mr Underman and Mr Ramulwel by Council.

Current year interest were paid to 3 suppliers and therefore regarded as fruitless and wasteful expenditure. This is also disclose as non- compliance under note 52.

50. Irregular expenditure

| | | |
|---|-------------------|-------------------|
| Opening balance | 17 550 525 | 8 922 579 |
| Add: Irregular Expenditure - current year | 15 757 579 | 8 627 946 |
| Add:Irregular Expenditure-prior year | 2 111 683 | - |
| | 35 419 787 | 17 550 525 |

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|---|-------------------|------------------|
| 50. Irregular expenditure (continued) | | |
| Analysis of expenditure awaiting condonation classification | | |
| Not submitting the minimum quotations for acquiring goods and services. | 2 764 951 | 388 713 |
| Goods and service not provided in terms of the amount quoted. | 90 987 | 182 020 |
| Competitive bidding process not followed. | 686 612 | 277 560 |
| Goods and services were procured without supply chain management regulation of three quotation between R2,000 - R 10,000. | - | 24 791 |
| Supply chain management policy on declarations of interest for quotation under R 30,000 not fully adhered to. | 702 467 | 440 481 |
| Supply chain management policy on declaration of interest for quotation under R 200,000 and no Tax clearance certificates submitted. | - | 1 603 786 |
| Deviations not in line with the deviation criteria in term of supply chain management regulations. | - | 148 000 |
| One instance of a supplier prohibition that is a legitimate company with a prohibited shareholder not detected. | 1 559 154 | 377 775 |
| Competitive bidding process not followed previous years. | - | 5 184 820 |
| Goods and services were procured without supply chain management regulation of three quotation between R10,000 - R 30,000. | 3 165 027 | - |
| Procurement of goods and service were news papers advertisements was not within the relevant time frames. | 577 843 | - |
| Bids awarded not in line with the Supply Chain Policy. | 3 344 521 | - |
| Procurement of goods and services were the suppliers municipal accounts were not provided or in arrears. | 1 166 447 | - |
| Tenders not re-advertised | 1 521 656 | - |
| Procurement of goods and service were no contract is in place with the service provider. | 256 285 | - |
| Bids awarded to suppliers who are in the service of the State or principal shareholders or family of employers in the service of the state. | 2 033 312 | - |
| | 17 869 262 | 8 627 946 |

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| 50. Irregular expenditure (continued) | | |
| Details of irregular expenditure – previous years | | |
| | Disciplinary steps taken/criminal proceedings | |
| Not submitting the minimum quotations for acquiring goods and services. | under investigation | 388 713 |
| Goods and service not provided in terms of the amount quoted. | under investigation | 182 020 |
| Competitive bidding process not followed. | under investigation | 277 560 |
| Goods and services were procured without supply chain management regulation of three quotation between R2,000 - R 10,000. | under investigation | 24 791 |
| Supply chain management policy on declarations of interest for quotation under R 30,000 no fully adhered to. | under investigation | 440 481 |
| Supply chain management policy on declaration of interest for quotation under R 200,000 and no Tax clearance certificates submitted. | under investigation | 1 603 786 |
| Deviations not in line with the deviation criteria in term of supply chain management regulations. | under investigation | 148 000 |
| One instance of a supplier prohibition that is a legitimate company with a prohibited shareholder not detected. | under investigation | 377 775 |
| Competitive bidding process not followed previous years. | under investigation | 5 184 820 |
| | | 8 627 946 |

The full extent of irregularities as disclosed in the above note is still in the process of being investigated by the municipality.

51. Reconciliation between budget and statement of financial performance

Reconciliation of budget surplus/deficit with the surplus/deficit in the statement of financial performance:

| | | |
|--|------------------|-------------------|
| Net deficit per the statement of financial performance | (36 043 204) | (4 476 631) |
| Adjusted for: | | |
| Fair value adjustments | (148 503) | (31 315) |
| Impairments recognised / reversed | 43 155 573 | 50 593 628 |
| Gain/(loss) on the sale of assets | (28 844) | 198 500 |
| Increases / decreases in provisions landfill sites | 201 430 | 3 542 327 |
| Increases / decreases in leave and bonus provisions | 460 979 | 618 070 |
| Increases / decreases in post employment benefit | 95 000 | - |
| Net surplus per approved budget | 7 692 431 | 50 444 579 |

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|-----------------|------|------|

52. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

| | | |
|---------------------------------|----------|---------|
| Current year subscription / fee | 28 474 | 4 777 |
| Amount paid - current year | (28 474) | (4 777) |
| | - | - |

Material losses

| | | |
|--------------------------|------------------|-------------------|
| Electricity losses | 5 084 776 | 2 733 207 |
| Non-revenue water losses | 479 463 | 9 874 227 |
| | 5 564 239 | 12 607 434 |

Electricity losses

Electricity losses were 11.44% (2012: 16.16%) consisting out of technical and non-technical losses. Technical losses of electricity are inherent to the supply of electricity via lines, conditions/status and age of electricity networks, weather conditions and loads on the system. Non-technical losses is mainly theft, vandalism and cable bringing which can largely contribute to losses.

Non-revenue water losses

In the current year, the water losses consisted of bulk water reticulation lost of 13,36% (2012: 17.31%). The percentage unaccounted for water between the treatment plant and points of connection from reservoirs of meter bulk system is mainly due to metering inefficiencies. Technical losses are constraints and infrastructure that bursts and leaks in the reticulation systems.

Audit fees

| | | |
|---------------------------------|----------------|-------------|
| Current year subscription / fee | 3 257 364 | 3 386 094 |
| Amount paid - current year | (3 102 123) | (3 386 094) |
| | 155 241 | - |

PAYE and UIF

| | | |
|---------------------------------|-------------|-------------|
| Opening balance | - | 320 642 |
| Current year subscription / fee | 5 108 416 | 4 170 252 |
| Amount paid - current year | (5 108 416) | (4 170 252) |
| Amount paid - previous years | - | (320 642) |
| | - | - |

Pension and Medical Aid Deductions

| | | |
|---------------------------------|-------------|-------------|
| Current year subscription / fee | 8 687 833 | 6 842 428 |
| Amount paid - current year | (8 687 833) | (6 842 428) |
| | - | - |

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|-----------------|------|------|

52. Additional disclosure in terms of Municipal Finance Management Act (continued)

VAT

| | | |
|----------------|-------------------|-------------------|
| VAT receivable | (3 469 164) | (3 502 201) |
| VAT payable | 21 094 233 | 15 036 712 |
| | 17 625 069 | 11 534 511 |

VAT output payables and VAT input receivables are shown in note 16.

All VAT returns have been submitted by the due date throughout the year.

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52. Additional disclosure in terms of Municipal Finance Management Act (continued)

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2013:

| 30 June 2013 | Outstanding less than 90 days | Outstanding more than 90 days | Total |
|---------------|-------------------------------------|-------------------------------------|---------------|
| Du Preez SJS | 415 | - | 415 |
| Henning SG | 560 | - | 560 |
| Malindi S | 314 | - | 314 |
| Mofokeng PP | 467 | - | 467 |
| Mokoena KA | 391 | - | 391 |
| Moloedi PM | 314 | - | 314 |
| Mosia M | 8 599 | 10 343 | 18 942 |
| Mphaka MR | 314 | - | 314 |
| Nakedi MT | 314 | - | 314 |
| Nhlapo LG | 9 424 | 13 461 | 22 885 |
| Nkomo P | 477 | - | 477 |
| Radebe TP | 5 596 | 7 010 | 12 606 |
| Semela MS | 8 108 | 9 885 | 17 993 |
| Tshabalala NS | 624 | - | 624 |
| Moshoadiba P | 390 | - | 390 |
| | 36 307 | 40 699 | 77 006 |

| 30 June 2012 | Outstanding less than 90 days | Outstanding more than 90 days | Total |
|--------------|-------------------------------------|-------------------------------------|----------------|
| Henning SG | 488 | - | 488 |
| Nkomo P | 450 | - | 450 |
| Mphaka M | 336 | - | 336 |
| Nhlapo G | 1 073 | 17 087 | 18 160 |
| Moloedi M | 915 | 2 328 | 3 243 |
| Radebe T | 1 113 | 7 000 | 8 113 |
| Mofokeng P | 371 | - | 371 |
| Nakedi M | 305 | - | 305 |
| Mokoena K | 1 136 | 6 333 | 7 469 |
| Mosia M | 914 | 10 378 | 11 292 |
| Tshabalala N | 2 151 | 43 794 | 45 945 |
| Blignaut M | 3 621 | - | 3 621 |
| Moshoadiba P | 1 290 | 8 772 | 10 062 |
| Semela M | 1 039 | 10 461 | 11 500 |
| Malindi MS | 914 | 572 | 1 486 |
| | 16 116 | 106 725 | 122 841 |

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52. Additional disclosure in terms of Municipal Finance Management Act (continued)

Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the Municipal Manager.

Incidents (Reason for deviation)

| | | |
|--|------------------|----------|
| Salcorp 101 CC (Only one suppliers responded and no time to re-advertised) | 60 600 | - |
| Sinqoba Simunye Managemen (Urgent) | 77 000 | - |
| Tshiwi Construction (Only one supplier responded and no time to re-advertised) | 459 792 | - |
| Vrystaat Kooperasie Beperk (Urgent) | 57 400 | - |
| Tlaletso Consultants CC (Only two suppliers responded and no time to re-advertised) | 185 000 | - |
| Batjcor (Urgent) | 50 500 | - |
| Inyameko Trading 1405 CC (Only two suppliers responded and no time to re-advertised) | 98 989 | - |
| Molaudi Trading Enterprise (Only one suppliers responded and no time to re-advertised) | 72 598 | - |
| | 1 061 879 | - |

Bids awarded to suppliers who are in the service of the State or principal shareholders or family of employers in the service of the state.

| Name of person | Institution of State | Amount | Suppliers name |
|----------------|--|-----------|---|
| LL Motholo | SAPS | 6 000 | Aslin Construction and Projects |
| S Mbele | Transnet limited | 39 000 | ESOH Consulting |
| M Ngwenya | Free State: Education | 27 900 | L M T Catering |
| Mr Leutsoa | Gauteng: Education | 1 023 306 | Mamatse Trading |
| NJ Lehasa | SAPS | 4 200 | N & T Mokoena Civil Construction |
| ME Mofokeng | Free State: Education | 147 000 | Super Africa Media Projects |
| MR Thebele | Small Enterprise Development Agency | 537 296 | Thibella Trading |

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| 52. Additional disclosure in terms of Municipal Finance Management Act (continued) | | |
| SP Matobako | DBSA 185 000 | Tlaletso |
| EM Nkitseng | Free State: Education | Consultants |
| J Hlahane | Free State Education | |
| DF Molemohi | South African Bureau of Standards 63 565 | Ucango Business Enterprise |
| Total | 2 033 267 | |

53. Utilisation of Long-term liabilities reconciliation

| | | |
|---|------------------|-------------------|
| Long-term liabilities raised | 13 193 334 | 13 701 157 |
| Cash set aside for the repayment of long-term liabilities | (3 639 960) | (3 495 199) |
| | 9 553 374 | 10 205 958 |

Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act. Sufficient cash has been set aside to ensure that long-term liabilities can be repaid on redemption date.

54. Actual operating expenditure versus budgeted operating expenditure

Refer to Appendix E for the comparison of actual operating expenditure versus budgeted expenditure.

55. Non-Compliance in term of MFMA

Payments not made within 30 days

Payments were identified as not being made within 30 days of receiving the relevant invoice or statement.

The above results in non-compliance with section 65(2)(e) of the MFMA (No.56 of 2003).

Investment disclosure

The municipality did not disclose a summary of all investments held at the end of the financial year.

The above results in non-compliance with section 125 (2)(b) of the MFMA (No.56 of 2003).

Other Non-Compliance matters identified during the Audit

Unauthorised, Irregular and Fruitless and wasteful expenditure- No Section 32(4) reports sent to required parties.

No Risk committee in place.

Funds and Reserves: Unspent conditional grants not held in separate bank or investment accounts.

Position of SCM manager was vacant during the year.

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55. Non-Compliance in term of MFMA (continued)

Register of bids not on website.

Compliance Oversight report was not made public once tabled in council.

Bid register and bid results not published.

Newspaper adverts are not within the time frame.

Bid adjudication committee award not in line with SCM policy.

Incorrect information submitted to National and Provincial Treasury regarding competency levels.

Background checks not conducted on appointments made during the year.

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56. Statement of comparative and actual information

2013

| | Original budget | Budget adjustments (i.t.o. s28 and s31 of the MFMA) | Final adjustments budget | Shifting of funds (i.t.o. s31 of the MFMA) | Virement (i.t.o. council approved policy) | Final budget | Actual outcome | Unauthorised expenditure | Variance | Actual outcome as % of final budget | Actual outcome as % of original budget |
|--|--------------------|---|--------------------------|--|---|--------------------|--------------------|--------------------------|---------------------|-------------------------------------|--|
| Financial Performance | | | | | | | | | | | |
| Property rates | 13 636 000 | 2 540 000 | 16 176 000 | - | - | 16 176 000 | 16 194 067 | - | 18 067 | 100 % | 119 % |
| Service charges | 89 532 000 | (4 825 000) | 84 707 000 | - | - | 84 707 000 | 76 524 578 | - | (8 182 422) | 90 % | 85 % |
| Investment revenue | 1 946 000 | (595 000) | 1 351 000 | - | - | 1 351 000 | 1 501 123 | - | 150 123 | 111 % | 77 % |
| Transfers recognised - operational | 81 223 000 | - | 81 223 000 | - | - | 81 223 000 | 81 472 817 | - | 249 817 | 100 % | 100 % |
| Other own revenue | 17 296 000 | 14 005 000 | 31 301 000 | - | - | 31 301 000 | 20 152 827 | - | (11 148 173) | 64 % | 117 % |
| Total revenue (excluding capital transfers and contributions) | 203 633 000 | 11 125 000 | 214 758 000 | - | - | 214 758 000 | 195 845 412 | - | (18 912 588) | 91 % | 96 % |
| Employee costs | (52 629 000) | - | (52 629 000) | - | - | (52 629 000) | (57 012 665) | - | (4 383 665) | 108 % | 108 % |
| Remuneration of councillors | (5 080 000) | - | (5 080 000) | - | - | (5 080 000) | (4 924 503) | - | 155 497 | 97 % | 97 % |
| Debt impairment | (10 000 000) | (30 000 000) | (40 000 000) | - | - | (40 000 000) | (44 402 410) | - | (4 402 410) | 111 % | 444 % |
| Depreciation and asset impairment | (61 168 000) | (2 000 000) | (63 168 000) | - | - | (63 168 000) | (66 325 752) | - | (3 157 752) | 105 % | 108 % |
| Finance charges | (1 080 000) | - | (1 080 000) | - | - | (1 080 000) | (2 254 743) | - | (1 174 743) | 209 % | 209 % |
| Bulk purchases | (23 037 000) | (10 008 000) | (33 045 000) | - | - | (33 045 000) | (28 834 798) | - | 4 210 202 | 87 % | 125 % |
| Other expenditure | (39 634 000) | (7 729 000) | (47 363 000) | - | - | (47 363 000) | (65 085 489) | - | (17 722 489) | 137 % | 164 % |

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56. Statement of comparative and actual information (continued)

| | | | | | | | | | | | |
|-------------------|---------------|--------------|---------------|---|---|---------------|---------------|---|--------------|-------|--------|
| Total expenditure | (192 628 000) | (49 737 000) | (242 365 000) | - | - | (242 365 000) | (268 840 360) | - | (26 475 360) | 111 % | 140 % |
| Surplus/(Deficit) | 11 005 000 | (38 612 000) | (27 607 000) | - | | (27 607 000) | (72 994 948) | | (45 387 948) | 264 % | (663)% |

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56. Statement of comparative and actual information (continued)

| | Original budget | Budget adjustments (i.t.o. s28 and s31 of the MFMA) | Final adjustments budget | Shifting of funds (i.t.o. s31 of the MFMA) | Virement (i.t.o. council approved policy) | Final budget | Actual outcome | Unauthorised expenditure | Variance | Actual outcome as % of final budget | Actual outcome as % of original budget |
|--|-------------------|--|-----------------------------|---|---|-------------------|---------------------|--------------------------|---------------------|-------------------------------------|--|
| Transfers recognised - capital | 34 018 000 | 8 000 000 | 42 018 000 | - | | 42 018 000 | 36 764 183 | | (5 253 817) | 87 % | 108 % |
| Contributions recognised - capital and contributed assets | - | - | - | - | | - | 187 561 | | 187 561 | DIV/0 % | DIV/0 % |
| Surplus (Deficit) after capital transfers and contributions | 45 023 000 | (30 612 000) | 14 411 000 | - | | 14 411 000 | (36 043 204) | | (50 454 204) | (250)% | (80)% |
| Surplus/(Deficit) for the year | 45 023 000 | (30 612 000) | 14 411 000 | - | | 14 411 000 | (36 043 204) | | (50 454 204) | (250)% | (80)% |

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56. Statement of comparative and actual information (continued)

| | Original budget | Budget adjustments (i.t.o. s28 and s31 of the MFMA) | Final adjustments budget | Shifting of funds (i.t.o. s31 of the MFMA) | Virement (i.t.o. council approved policy) | Final budget | Actual outcome | Unauthorised expenditure | Variance | Actual outcome as % of final budget | Actual outcome as % of original budget |
|--|-------------------|--|--------------------------------|--|--|-------------------|----------------|-----------------------------|---------------------|---|--|
| Capital expenditure and funds sources | | | | | | | | | | | |
| Total capital expenditure | 57 408 000 | (5 360 000) | 52 048 000 | - | | 52 048 000 | 52 048 000 | | - | 100 % | 91 % |
| Sources of capital funds | | | | | | | | | | | |
| Transfers recognised - capital | 45 545 000 | (3 527 000) | 42 018 000 | - | | 42 018 000 | - | | (42 018 000) | - % | - % |
| Internally generated funds | 11 863 000 | (1 833 000) | 10 030 000 | - | | 10 030 000 | - | | (10 030 000) | - % | - % |
| Total sources of capital funds | 57 408 000 | (5 360 000) | 52 048 000 | - | | 52 048 000 | - | | (52 048 000) | - % | - % |

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56. Statement of comparative and actual information (continued)

| | Original budget | Budget adjustments (i.t.o. s28 and s31 of the MFMA) | Final adjustments budget | Shifting of funds (i.t.o. s31 of the MFMA) | Virement (i.t.o. council approved policy) | Final budget | Actual outcome | Unauthorised expenditure | Variance | Actual outcome as % of final budget | Actual outcome as % of original budget |
|---|-------------------|--|-----------------------------|--|--|-------------------|---------------------|-----------------------------|---------------------|---|--|
| Cash flows | | | | | | | | | | | |
| Net cash from (used) operating | 54 247 000 | (4 527 000) | 49 720 000 | - | | 49 720 000 | 13 712 242 | | (36 007 758) | 28 % | 25 % |
| Net cash from (used) investing | 4 718 000 | - | 4 718 000 | - | | 4 718 000 | (40 487 576) | | (45 205 576) | (858)% | (858)% |
| Net cash from (used) financing | (597 000) | - | (597 000) | - | | (597 000) | (743 363) | | (146 363) | 125 % | 125 % |
| Net increase/(decrease) in cash and cash equivalents | 58 368 000 | (4 527 000) | 53 841 000 | - | | 53 841 000 | (27 518 697) | | (81 359 697) | (51)% | (47)% |
| Cash and cash equivalents at the beginning of the year | (14 163 000) | - | (14 163 000) | - | | (14 163 000) | 17 128 369 | | 31 291 369 | (121)% | (121)% |
| Cash and cash equivalents at year end | 44 205 000 | (4 527 000) | 39 678 000 | - | | 39 678 000 | (10 390 328) | | 50 068 328 | (26)% | (24)% |

All variance more than 10% are consider as material and reason are provided for these variances.

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

Figures in Rand

56. Statement of comparative and actual information (continued)

- **Service charges**

The reason for less collection was due to the fact that there were lots of water restrictions especially at Lindley and Petrustyn and also council anticipated for new township establishment in Petsana and Mamfubedu which will increase our revenue but that never realised

- **Other own revenue**

The reason for this variance is due to the anticipated projects being made through public contributions.

- **Employee costs**

The municipality had an increase in new appointments, most of these occurred after the adjustment budget and also the leave provision and actaries provision that was only provided for at year end

- **Depreciation**

The reason for under budgeting for this item is that this is a provision and it is not really easy to make an accurate estimate as the depreciation for the year is only run at year end where all assets are taken into consideration, and also it might that there were re-classification assets

- **Debt impairment**

The reason for under budgeting for this item is that the status of the debtor might change during or towards end of the year, which could have resulted into the municipality showing the over expenditure

- **Finance charges**

The reason for the over expenditure is due to Grainfields Chicken loan that was not taken into account in the previous financial year

Other expenses

These includes expenditure of operating, electricity on municipal buildings which is not considered to be part of bulk purchases and also the membership fees and professional had a significantly to budgeted.

Nketoana Local Municipality

Appendix A

June 2013

Schedule of external loans as at 30 June 2013

| Loan Number | Redeemable | Balance at 30 June 2012 | Received during the period | Redeemed written off during the period | Balance at 30 June 2013 | Carrying Value of Property, Plant & Equip Rand | Other Costs in accordance with the MFMA Rand |
|---|-------------------|--------------------------------|-----------------------------------|---|--------------------------------|---|---|
| | | Rand | Rand | Rand | Rand | | |
| Development Bank of South Africa | | | | | | | |
| DBSA @ 10.35% | 101390/1 | 8 214 557 | - | 335 870 | 7 878 687 | - | - |
| DBSA @ 9.09% | 101390/2 | 1 370 209 | - | 61 157 | 1 309 052 | - | - |
| Grainfield Chicken (Pty) Ltd | | 4 116 392 | - | 110 798 | 4 005 594 | - | - |
| | | 13 701 158 | - | 507 825 | 13 193 333 | - | - |
| Total external loans | | 13 701 158 | - | 507 825 | 13 193 333 | - | - |

Nketoana Local Municipality
Nketoana Local Municipality
Appendix B

June 2013

Analysis of property, plant and equipment as at 30 June 2013
Cost/Revaluation **Accumulated depreciation**

| | Opening Balance Rand | Additions Rand | Disposals Rand | Transfers Rand | Depreciation Rand | Other changes, movements Rand | Closing Balance Rand | Opening Balance Rand | Additions Rand | Depreciation Rand | Transfers Rand | Disposals Rand | Closing Balance Rand | Carrying value Rand |
|---|-------------------------|-------------------|-------------------|--------------------|----------------------|-------------------------------------|----------------------------|----------------------------|-------------------|----------------------|-------------------|-------------------|----------------------------|---------------------------|
| Other assets | | | | | | | | | | | | | | |
| Other | 8 608 871 | 2 622 188 | - | (2 316 825) | - | - | 8 914 234 | - | 1 260 708 | (2 331 401) | - | (17 130) | (1 087 823) | 7 826 411 |
| | 8 608 871 | 2 622 188 | - | (2 316 825) | - | - | 8 914 234 | - | 1 260 708 | (2 331 401) | - | (17 130) | (1 087 823) | 7 826 411 |
| Total property plant and equipment | | | | | | | | | | | | | | |
| Land and buildings | 232 479 728 | 6 556 597 | - | (2 583 593) | (3 055 142) | - | 233 397 590 | - | 1 558 935 | (4 697 870) | (39 530 707) | - | (42 669 642) | 190 727 948 |
| Infrastructure | 427 285 605 | 9 528 749 | - | - | (59 500 053) | 2 785 907 | 380 100 208 | - | 30 202 364 | (56 360 033) | 39 530 707 | (233 436) | 13 139 602 | 393 239 810 |
| Community Assets | 1 472 506 | - | - | - | (196 243) | - | 1 276 263 | - | - | (245 310) | 2 678 062 | - | 2 432 752 | 3 709 015 |
| Other assets | 8 608 871 | 2 622 188 | - | (2 316 825) | - | - | 8 914 234 | - | 1 260 708 | (2 331 401) | - | (17 130) | (1 087 823) | 7 826 411 |
| | 669 846 710 | 18 707 534 | - | (4 900 418) | (62 751 438) | 2 785 907 | 623 688 295 | - | 33 022 007 | (63 634 614) | 2 678 062 | (250 566) | (28 185 111) | 595 503 184 |
| Agricultural/Biological assets | | | | | | | | | | | | | | |
| Agricultural | 67 543 | - | (56 343) | - | - | 300 | 11 500 | - | - | - | - | - | - | 11 500 |
| | 67 543 | - | (56 343) | - | - | 300 | 11 500 | - | - | - | - | - | - | 11 500 |
| Intangible assets | | | | | | | | | | | | | | |
| Computers - software & programming | 119 162 | 755 759 | - | (156 997) | - | (564 765) | 153 159 | - | 152 147 | (148 954) | - | - | 3 193 | 156 352 |
| | 119 162 | 755 759 | - | (156 997) | - | (564 765) | 153 159 | - | 152 147 | (148 954) | - | - | 3 193 | 156 352 |
| Investment properties | | | | | | | | | | | | | | |
| Investment property | 3 195 001 | - | - | (118 333) | - | - | 3 076 668 | - | - | (118 258) | - | - | (118 258) | 2 958 410 |
| | 3 195 001 | - | - | (118 333) | - | - | 3 076 668 | - | - | (118 258) | - | - | (118 258) | 2 958 410 |
| Total | | | | | | | | | | | | | | |
| Land and buildings | 232 479 728 | 6 556 597 | - | (2 583 593) | (3 055 142) | - | 233 397 590 | - | 1 558 935 | (4 697 870) | (39 530 707) | - | (42 669 642) | 190 727 948 |
| Infrastructure | 427 285 605 | 9 528 749 | - | - | (59 500 053) | 2 785 907 | 380 100 208 | - | 30 202 364 | (56 360 033) | 39 530 707 | (233 436) | 13 139 602 | 393 239 810 |
| Community Assets | 1 472 506 | - | - | - | (196 243) | - | 1 276 263 | - | - | (245 310) | 2 678 062 | - | 2 432 752 | 3 709 015 |
| Other assets | 8 608 871 | 2 622 188 | - | (2 316 825) | - | - | 8 914 234 | - | 1 260 708 | (2 331 401) | - | (17 130) | (1 087 823) | 7 826 411 |
| Agricultural/Biological assets | 67 543 | - | (56 343) | - | - | 300 | 11 500 | - | - | - | - | - | - | 11 500 |
| Intangible assets | 119 162 | 755 759 | - | (156 997) | - | (564 765) | 153 159 | - | 152 147 | (148 954) | - | - | 3 193 | 156 352 |
| Investment properties | 3 195 001 | - | - | (118 333) | - | - | 3 076 668 | - | - | (118 258) | - | - | (118 258) | 2 958 410 |
| | 673 228 416 | 19 463 293 | (56 343) | (5 175 748) | (62 751 438) | 2 221 442 | 626 929 622 | - | 33 174 154 | (63 901 826) | 2 678 062 | (250 566) | (28 300 176) | 598 629 446 |

Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2013

| | Current year 2013 Act. Bal. Rand | Current year 2013 Adjusted budget Rand | Variance Rand | Var | Explanation of Significant Variances greater than 10% versus Budget |
|------------------------------------|---|---|--------------------------|------------|---|
| Revenue | | | | | |
| Property rates | 16 194 067 | 16 176 000 | 18 067 | 0,1 | |
| Service charges | 76 524 578 | 84 707 000 | (8 182 422) | (9,7) | |
| Rental of facilities and equipment | 415 297 | 702 000 | (286 703) | (40,8) | budgeted looking at the previous rental income performance |
| Interest received (trading) | 16 416 211 | 16 373 000 | 43 211 | 0,3 | |
| Discount received | - | - | - | - | |
| Recoveries | - | - | - | - | |
| Fines | 115 585 | 101 721 | 13 864 | 13,6 | |
| Other income | 1 607 433 | 14 125 000 | (12 517 567) | (88,6) | The municipality over budgeted, and were expecting more project to be receive as public contributions |
| Government grants | 117 791 362 | 81 223 000 | 36 568 362 | 45,0 | Incomerecognised after meeting the condition and MIGasnd RBIG |
| Interest received - investment | 1 501 123 | 1 351 000 | 150 123 | 11,1 | |
| Public contributions and donations | 2 043 939 | - | 2 043 939 | - | |
| | 232 609 595 | 214 758 721 | 17 850 874 | 8,3 | |
| Expenses | | | | | |
| Personnel | (57 012 659) | (52 629 000) | (4 383 659) | 8,3 | |
| Remuneration of councillors | (4 924 503) | (5 080 000) | 155 497 | (3,1) | |
| Depreciation | (65 992 159) | (63 168 000) | (2 824 159) | 4,5 | |
| Amortisation | - | - | - | - | |
| Impairments | (333 593) | - | (333 593) | - | |
| Finance costs | (2 254 743) | (1 080 000) | (1 174 743) | 108,8 | Finance cost is interest on loan and the discounting of provision of landfill site and post employment benefits |
| Debt impairment | (44 402 411) | (40 000 000) | (4 402 411) | 11,0 | Actual write off of indigent contributed to the variance. What was budgeted for was close the expectation on the debtors book. This show a improvement in the recovery of debt. |
| Repairs and maintenance | (8 761 089) | (9 633 000) | 871 911 | (9,1) | The variance is due to the the Repairs and Maintanace on roads, gravel roads, water networks and electrictry networks |
| Repairs and maintenance - General | (246 552) | - | (246 552) | - | |

Nketoana Local Municipality

Appendix E(1)

June 2013

Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2013

| | Current year 2013 Act. Bal. | Current year 2013 Adjusted budget | Variance | Explanation of Significant Variances greater than 10% versus Budget |
|--|--|--|-----------------|---|
| Bulk purchases | (28 834 798) | (33 045 000) | 4 210 202 | (12,7) This is due to the replacement of meters that was installed in Ntha, we decreased our expenditure and so as our electricity losses |
| Contracted Services | (12 622 882) | (10 627 000) | (1 995 882) | 18,8 Expenditure is include under general expenses. |
| Grants and subsidies paid | - | - | - | - |
| General Expenses | (43 454 964) | (36 736 000) | (6 718 964) | 18,3 This is due to the following expenditures,electricity charges on municipal buildings, professional fees, legal fees, and operating lease of fleet and equipment. |
| Other revenue and costs | (268 840 353) | (251 998 000) | (16 842 353) | 6,7 |
| Gain or loss on disposal of assets and liabilities | 102 341 | - | 102 341 | - |
| Fair value adjustments | 85 220 | - | 85 220 | - |
| | 187 561 | - | 187 561 | - |
| Net surplus/ (deficit) for the year | (36 043 197) | (37 239 279) | 1 196 082 | (3,2) |

Nketoana Local Municipality

Appendix E

Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003

June 2013

| Name of Grants | Quarterly Receipts | | | Quarterly Expenditure | | | | Grants and Subsidies delayed / withheld | Reason for delay/withholding of funds | Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act |
|-----------------|--------------------|------------|------------|-----------------------|-----------|------------|------------|---|---|--|
| | Jul | Jan | Apr | Jul | Oct | Jan | Apr | | | |
| RBIG | - | 1 570 941 | 1 265 826 | - | - | 1 361 404 | 1 475 363 | - | | Yes |
| MSIG | 800 000 | - | - | 411 796 | 335 135 | 204 183 | - | - | an over expenditure on the grant, will be moved to own funds of the municipality | Yes |
| MFMG | 1 500 000 | - | - | 77 859 | 368 879 | 1 011 076 | 372 981 | - | This shows as an over expenditure on the grant, but there was an opening balance of R511491 | Yes |
| MIG | 16 189 000 | 15 474 000 | 2 355 000 | 3 232 814 | 4 922 491 | 7 589 552 | 18 273 143 | - | | Yes |
| EQUITABLE SHARE | 32 472 000 | 25 902 000 | 19 483 000 | - | - | - | - | 76 000 | The letter from Treasury was received indicating the R76000 that was withheld was in relation to the unspent grant of MFMG for previous financial years | Yes |
| | 50 961 000 | 42 946 941 | 23 103 826 | 3 722 469 | 5 626 505 | 10 166 215 | 20 121 487 | 76 000 | | |

Note: A municipality should provide additional information on how a grant was spent per Vote. This excludes allocations from the Equitable Share.

Nketoana Local Municipality

Appendix G1

Budgeted Financial Performance (revenue and expenditure by standard classification) for the year ended 30 June 2013

| | 2013/2012 | | | | | | | | 2012/2011 | | | | | | |
|--|--------------------|---|--------------------------|--|---|--------------------|--------------------|--------------------------|---------------------|-------------------------------------|--|-----------------------------------|---|-------------------------|--------------------------|
| | Original Budget | Budget Adjustments (i.t.o. s28 and s31 of the MFMA) | Final adjustments budget | Shifting of funds (i.t.o. s31 of the MFMA) | Virement (i.t.o. Council approved policy) | Final Budget | Actual Outcome | Unauthorised expenditure | Variance | Actual Outcome as % of Final Budget | Actual Outcome as % of Original Budget | Reported unauthorised expenditure | Expenditure authorised in terms of section 32 of MFMA | Balance to be recovered | Restated Audited Outcome |
| | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand |
| Revenue - Standard | | | | | | | | | | | | | | | |
| Governance and administration | 110 653 000 | 14 002 000 | 124 655 000 | - | | 124 655 000 | 153 243 369 | | 28 588 369 | 123 % | 138 % | | | | 117 126 534 |
| Executive and council | - | - | - | - | | - | - | | - | DIV/0 % | DIV/0 % | | | | - |
| Budget and treasury office | 96 455 000 | 27 734 000 | 124 189 000 | - | | 124 189 000 | 152 849 254 | | 28 660 254 | 123 % | 158 % | | | | 117 126 534 |
| Corporate services | 14 198 000 | (13 732 000) | 466 000 | - | | 466 000 | 394 115 | | (71 885) | 85 % | 3 % | | | | - |
| Community and public safety | 3 448 000 | (2 912 000) | 536 000 | - | | 536 000 | 2 591 700 | | 2 055 700 | 484 % | 75 % | | | | 15 225 518 |
| Community and social services | 3 448 000 | (3 013 000) | 435 000 | - | | 435 000 | 2 591 700 | | 2 156 700 | 596 % | 75 % | | | | 15 029 668 |
| Sport and recreation | - | - | - | - | | - | - | | - | DIV/0 % | DIV/0 % | | | | - |
| Public safety | - | 101 000 | 101 000 | - | | 101 000 | - | | (101 000) | - % | DIV/0 % | | | | 195 850 |
| Housing | - | - | - | - | | - | - | | - | DIV/0 % | DIV/0 % | | | | - |
| Health | - | - | - | - | | - | - | | - | DIV/0 % | DIV/0 % | | | | - |
| Economic and environmental services | - | - | - | - | | - | 717 | | 717 | DIV/0 % | DIV/0 % | | | | 3 526 673 |
| Planning and development | - | - | - | - | | - | 717 | | 717 | DIV/0 % | DIV/0 % | | | | 555 548 |
| Road transport | - | - | - | - | | - | - | | - | DIV/0 % | DIV/0 % | | | | 2 971 125 |
| Environmental protection | - | - | - | - | | - | - | | - | DIV/0 % | DIV/0 % | | | | - |
| Trading services | 89 532 000 | (231 000) | 89 301 000 | - | | 89 301 000 | 76 773 809 | | (12 527 191) | 86 % | 86 % | | | | 81 410 676 |
| Electricity | 30 548 000 | (2 096 000) | 28 452 000 | - | | 28 452 000 | 30 170 899 | | 1 718 899 | 106 % | 99 % | | | | 28 050 580 |
| Water | 30 278 000 | 821 000 | 31 099 000 | - | | 31 099 000 | 24 268 137 | | (6 830 863) | 78 % | 80 % | | | | 33 601 718 |
| Waste water management | 13 149 000 | 1 306 000 | 14 455 000 | - | | 14 455 000 | 11 292 399 | | (3 162 601) | 78 % | 86 % | | | | 19 758 378 |
| Waste management | 15 557 000 | (262 000) | 15 295 000 | - | | 15 295 000 | 11 042 374 | | (4 252 626) | 72 % | 71 % | | | | - |
| Other | - | 267 000 | 267 000 | - | | 267 000 | - | | (267 000) | - % | DIV/0 % | | | | - |
| Other | - | 267 000 | 267 000 | - | | 267 000 | - | | (267 000) | - % | DIV/0 % | | | | - |
| Total Revenue - Standard | 203 633 000 | 11 126 000 | 214 759 000 | - | | 214 759 000 | 232 609 595 | | 17 850 595 | 108 % | 114 % | | | | 217 289 401 |

Nketoana Local Municipality

Appendix G1

Budgeted Financial Performance (revenue and expenditure by standard classification) for the year ended 30 June 2013

| | 2013/2012 | | | | | | | | 2012/2011 | | | | | | |
|--|--------------------|---|--------------------------|--|---|---|---------------------|--------------------------|---------------------|-------------------------------------|--|-----------------------------------|---|-------------------------|--------------------------|
| | Original Budget | Budget Adjustments (i.t.o. s28 and s31 of the MFMA) | Final adjustments budget | Shifting of funds (i.t.o. s31 of the MFMA) | Virement (i.t.o. Council approved policy) | Final Budget (i.t.o. s28 and s31 of the MFMA) | Actual Outcome | Unauthorised expenditure | Variance | Actual Outcome as % of Final Budget | Actual Outcome as % of Original Budget | Reported unauthorised expenditure | Expenditure authorised in terms of section 32 of MFMA | Balance to be recovered | Restated Audited Outcome |
| | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand |
| Expenditure - Standard | | | | | | | | | | | | | | | |
| Governance and administration | 74 127 000 | 59 187 000 | 133 314 000 | - | - | 133 314 000 | 86 127 104 | (47 186 896) | (47 186 896) | 65 % | 116 % | 1 077 651 | - | (1 077 651) | 46 465 850 |
| Executive and council | 15 407 000 | 901 000 | 16 308 000 | - | - | 16 308 000 | 18 125 578 | 1 817 578 | 1 817 578 | 111 % | 118 % | 433 028 | - | (433 028) | 16 281 708 |
| Budget and treasury office | 35 474 000 | 68 453 000 | 103 927 000 | - | - | 103 927 000 | 47 190 509 | (56 736 491) | (56 736 491) | 45 % | 133 % | 342 675 | - | (342 675) | 30 184 142 |
| Corporate services | 23 246 000 | (10 167 000) | 13 079 000 | - | - | 13 079 000 | 20 811 017 | 7 732 017 | 7 732 017 | 159 % | 90 % | 301 948 | - | (301 948) | - |
| Community and public safety | 6 810 000 | 5 641 000 | 12 451 000 | - | - | 12 451 000 | 18 317 319 | 5 866 319 | 5 866 319 | 147 % | 269 % | 192 527 | - | (192 527) | 33 939 565 |
| Community and social services | 3 372 000 | 6 350 000 | 9 722 000 | - | - | 9 722 000 | 13 417 830 | 3 695 830 | 3 695 830 | 138 % | 398 % | 124 791 | - | (124 791) | 30 959 400 |
| Sport and recreation | - | - | - | - | - | - | 1 695 332 | 1 695 332 | 1 695 332 | DIV/0 % | DIV/0 % | 38 132 | - | (38 132) | 267 634 |
| Public safety | 3 438 000 | (709 000) | 2 729 000 | - | - | 2 729 000 | 3 204 157 | 475 157 | 475 157 | 117 % | 93 % | 29 604 | - | (29 604) | 2 712 531 |
| Housing | - | - | - | - | - | - | - | - | - | DIV/0 % | DIV/0 % | - | - | - | - |
| Health | - | - | - | - | - | - | - | - | - | DIV/0 % | DIV/0 % | - | - | - | - |
| Economic and environmental services | 41 867 000 | (30 511 000) | 11 356 000 | - | - | 11 356 000 | 56 830 274 | 45 474 274 | 45 474 274 | 500 % | 136 % | 151 541 | - | (151 541) | 47 843 979 |
| Planning and development | 12 567 000 | (7 137 000) | 5 430 000 | - | - | 5 430 000 | 4 868 173 | (561 827) | (561 827) | 90 % | 39 % | 105 325 | - | (105 325) | 5 680 |
| Road transport | 29 300 000 | (23 374 000) | 5 926 000 | - | - | 5 926 000 | 51 962 101 | 46 036 101 | 46 036 101 | 877 % | 177 % | 46 216 | - | (46 216) | 47 838 299 |
| Environmental protection | - | - | - | - | - | - | - | - | - | DIV/0 % | DIV/0 % | - | - | - | - |
| Trading services | 69 825 000 | 15 419 000 | 85 244 000 | - | - | 85 244 000 | 107 378 102 | 20 888 961 | 22 134 102 | 126 % | 154 % | 339 906 | - | (339 906) | 93 516 638 |
| Electricity | 29 898 000 | 13 504 000 | 43 402 000 | - | - | 43 402 000 | 44 086 146 | (560 995) | 684 146 | 102 % | 147 % | 75 274 | - | (75 274) | 30 528 617 |
| Water | 17 321 000 | 2 196 000 | 19 517 000 | - | - | 19 517 000 | 27 674 566 | 8 157 566 | 8 157 566 | 142 % | 160 % | 89 468 | - | (89 468) | 21 658 808 |
| Waste water management | 14 435 000 | (2 611 000) | 11 824 000 | - | - | 11 824 000 | 22 691 682 | 10 867 682 | 10 867 682 | 192 % | 157 % | 123 131 | - | (123 131) | 23 479 158 |
| Waste management | 8 171 000 | 2 330 000 | 10 501 000 | - | - | 10 501 000 | 12 925 708 | 2 424 708 | 2 424 708 | 123 % | 158 % | 52 033 | - | (52 033) | 17 850 055 |
| Other | - | - | - | - | - | - | - | - | - | DIV/0 % | DIV/0 % | - | - | - | - |
| Other | - | - | - | - | - | - | - | - | - | DIV/0 % | DIV/0 % | - | - | - | - |
| Total Expenditure - Standard | 192 629 000 | 49 736 000 | 242 365 000 | - | - | 242 365 000 | 268 652 799 | 25 042 658 | 26 287 799 | 111 % | 139 % | 1 761 625 | - | (1 761 625) | 221 766 032 |
| Surplus/(Deficit) for the year | 11 004 000 | (38 610 000) | (27 606 000) | - | - | (27 606 000) | (36 043 204) | | (8 437 204) | 131 % | (328)% | | | | (4 476 631) |

Nketoana Local Municipality
Appendix G2
Budgeted Financial Performance (revenue and expenditure by municipal vote)
for the year ended 30 June 2013

| | 2013/2012 | | | | | | | | 2012/2011 | | | | | | |
|---|--------------------|---|--------------------------------|---|--|---------------------|---------------------|-----------------------------|--------------|--|---|---|---|----------------------------|--------------------------------|
| | Original Budget | Budget Adjustments (i.t.o. s28 and s31 of the MFMA) | Final adjustments budget | Shifting of funds (i.t.o. s31 of the MFMA) | Virement (i.t.o. Council approved policy) | Final Budget | Actual Outcome | Unauthorised expenditure | Variance | Actual Outcome as % of Final Budget | Actual Outcome as % of Original Budget | Reported unauthorised expenditure | Expenditure authorised in terms of section 32 of MFMA | Balance to be recovered | Restated Audited Outcome |
| | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand |
| Revenue by Vote | | | | | | | | | | | | | | | |
| Executive and Council - Vote1 | - | - | - | - | - | - | - | - | DIV/0 % | DIV/0 % | - | - | - | - | - |
| Finance and Admin - Vote2 | 110 653 000 | 14 002 000 | 124 655 000 | - | - | 124 655 000 | 153 430 930 | 28 775 930 | 123 % | 139 % | - | - | - | 117 126 534 | 19 758 378 |
| Waste Management - Vote3 | 15 557 000 | (262 000) | 15 295 000 | - | - | 15 295 000 | 11 486 420 | (3 808 580) | 75 % | 74 % | - | - | - | - | - |
| Community Social and Services - Vote4 | 3 448 000 | (3 080 000) | 368 000 | - | - | 368 000 | 2 591 700 | 2 223 700 | 704 % | 75 % | - | - | - | 15 225 518 | 15 225 518 |
| Economic and Environment - Vote5 | - | 435 000 | 435 000 | - | - | 435 000 | 717 | (434 283) | - % | DIV/0 % | - | - | - | 3 526 673 | 3 526 673 |
| Water - Vote6 | 30 278 000 | 821 000 | 31 099 000 | - | - | 31 099 000 | 23 824 091 | (7 274 909) | 77 % | 79 % | - | - | - | 33 601 718 | 33 601 718 |
| Electricity - Vote7 | 30 548 000 | (2 096 000) | 28 452 000 | - | - | 28 452 000 | 30 170 899 | 1 718 899 | 106 % | 99 % | - | - | - | 28 050 580 | 28 050 580 |
| Sewerage - Vote8 | 13 149 000 | 1 306 000 | 14 455 000 | - | - | 14 455 000 | 11 292 399 | (3 162 601) | 78 % | 86 % | - | - | - | - | - |
| Example 9 - Vote9 | - | - | - | - | - | - | - | - | DIV/0 % | DIV/0 % | - | - | - | - | - |
| Example 10 - Vote10 | - | - | - | - | - | - | - | - | DIV/0 % | DIV/0 % | - | - | - | - | - |
| Example 11 - Vote11 | - | - | - | - | - | - | - | - | DIV/0 % | DIV/0 % | - | - | - | - | - |
| Example 12 - Vote12 | - | - | - | - | - | - | - | - | DIV/0 % | DIV/0 % | - | - | - | - | - |
| Example 13 - Vote13 | - | - | - | - | - | - | - | - | DIV/0 % | DIV/0 % | - | - | - | - | - |
| Example 14 - Vote14 | - | - | - | - | - | - | - | - | DIV/0 % | DIV/0 % | - | - | - | - | - |
| Example 15 - Vote15 | - | - | - | - | - | - | - | - | DIV/0 % | DIV/0 % | - | - | - | - | - |
| Total Revenue by Vote | 203 633 000 | 11 126 000 | 214 759 000 | - | - | 214 759 000 | 232 797 156 | 18 038 156 | 108 % | 114 % | - | - | - | 217 289 401 | 217 289 401 |
| Expenditure by Vote to be appropriated | | | | | | | | | | | | | | | |
| Executive and Council - Vote1 | 15 407 000 | 902 000 | 16 309 000 | - | - | 16 309 000 | 18 125 578 | 1 816 578 | 111 % | 118 % | 433 028 | - | (433 028) | 16 281 708 | 16 281 708 |
| Finance and Admin - Vote2 | 58 720 000 | 58 286 000 | 117 006 000 | - | - | 117 006 000 | 68 001 526 | (49 004 474) | 58 % | 116 % | 644 623 | - | (644 623) | 30 184 142 | 30 184 142 |
| Waste Management - Vote3 | 8 171 000 | 2 330 000 | 10 501 000 | - | - | 10 501 000 | 12 925 708 | 2 424 708 | 123 % | 158 % | 52 033 | - | (52 033) | 17 850 055 | 17 850 055 |
| Community social services -Vote 4 | 6 160 000 | 1 423 000 | 7 583 000 | - | - | 7 583 000 | 18 317 319 | 10 734 319 | 242 % | 297 % | 192 527 | - | (192 527) | 33 939 565 | 33 939 565 |
| Economic and Environment - Vote5 | 42 517 000 | (26 293 000) | 16 224 000 | - | - | 16 224 000 | 58 262 976 | 42 038 976 | 359 % | 137 % | 151 541 | - | (151 541) | 47 843 979 | 47 843 979 |
| Water - Vote6 | 17 321 000 | 2 196 000 | 19 517 000 | - | - | 19 517 000 | 27 674 566 | 8 157 566 | 142 % | 160 % | 89 468 | - | (89 468) | 21 658 808 | 21 658 808 |
| Electricity - Vote7 | 29 898 000 | 13 504 000 | 43 402 000 | - | - | 43 402 000 | 42 841 005 | (560 995) | 99 % | 143 % | 75 273 | - | (75 273) | 30 528 617 | 30 528 617 |
| Sewerage - Vote8 | 14 435 000 | (2 611 000) | 11 824 000 | - | - | 11 824 000 | 22 691 682 | 10 867 682 | 192 % | 157 % | 123 131 | - | (123 131) | 23 479 158 | 23 479 158 |
| Example 9 - Vote9 | - | - | - | - | - | - | - | - | DIV/0 % | DIV/0 % | - | - | - | - | - |
| Example 10 - Vote10 | - | - | - | - | - | - | - | - | DIV/0 % | DIV/0 % | - | - | - | - | - |
| Example 11 - Vote11 | - | - | - | - | - | - | - | - | DIV/0 % | DIV/0 % | - | - | - | - | - |
| Example 12 - Vote12 | - | - | - | - | - | - | - | - | DIV/0 % | DIV/0 % | - | - | - | - | - |
| Example 13 - Vote13 | - | - | - | - | - | - | - | - | DIV/0 % | DIV/0 % | - | - | - | - | - |
| Example 14 - Vote14 | - | - | - | - | - | - | - | - | DIV/0 % | DIV/0 % | - | - | - | - | - |
| Example 15 - Vote15 | - | - | - | - | - | - | - | - | DIV/0 % | DIV/0 % | - | - | - | - | - |
| Total Expenditure by Vote | 192 629 000 | 49 737 000 | 242 366 000 | - | - | 242 366 000 | 268 840 360 | 26 474 360 | 111 % | 140 % | 1 761 624 | - | (1 761 624) | 221 766 032 | 221 766 032 |
| Surplus/(Deficit) for the year | 11 004 000 | (38 611 000) | (27 607 000) | - | - | (27 607 000) | (36 043 204) | (8 436 204) | 131 % | (328)% | - | - | - | (4 476 631) | (4 476 631) |

Nketoana Local Municipality
Appendix G3
Budgeted Financial Performance (revenue and expenditure)
for the year ended 30 June 2013

| | 2013/2012 | | | | | 2012/2011 | | | | | Reported unauthorised expenditure | Expenditure authorised in terms of section 32 of MFMA | Balance to be recovered | Restated Audited Outcome | |
|--|--------------------|---|--------------------------|--|---|--------------------|--------------------|--------------------------|-------------------|-------------------------------------|-----------------------------------|---|-------------------------|--------------------------|--|
| | Original Budget | Budget Adjustments (i.t.o. s28 and s31 of the MFMA) | Final adjustments budget | Shifting of funds (i.t.o. s31 of the MFMA) | Virement (i.t.o. Council approved policy) | Final Budget | Actual Outcome | Unauthorised expenditure | Variance | Actual Outcome as % of Final Budget | | | | | Actual Outcome as % of Original Budget |
| | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | | | | | Rand |
| Revenue By Source | | | | | | | | | | | | | | | |
| Property rates | 13 636 000 | 2 540 000 | 16 176 000 | - | | 16 176 000 | 16 194 067 | | 18 067 | 100 % | 119 % | | | | 11 008 056 |
| . | - | - | - | - | | - | - | | - | DIV/0 % | DIV/0 % | | | | - |
| Service charges - electricity revenue | 30 548 000 | (6 690 000) | 23 858 000 | - | | 23 858 000 | 29 513 657 | | 5 655 657 | 124 % | 97 % | | | | 25 656 300 |
| Service charges - water revenue | 30 278 000 | 821 000 | 31 099 000 | - | | 31 099 000 | 24 247 485 | | (6 851 515) | 78 % | 80 % | | | | 26 188 237 |
| Service charges - sanitation revenue | 13 149 000 | 1 306 000 | 14 455 000 | - | | 14 455 000 | 11 279 735 | | (3 175 265) | 78 % | 86 % | | | | 11 143 881 |
| Service charges - refuse revenue | 15 557 000 | (262 000) | 15 295 000 | - | | 15 295 000 | 11 483 701 | | (3 811 299) | 75 % | 74 % | | | | 11 605 093 |
| Revolries on bad debts | - | - | - | - | | - | - | | - | DIV/0 % | DIV/0 % | | | | 8 353 558 |
| Rental of facilities and equipment | 557 000 | 145 000 | 702 000 | - | | 702 000 | 415 297 | | (286 703) | 59 % | 75 % | | | | 323 901 |
| Interest earned - external investments | 1 946 000 | (595 000) | 1 351 000 | - | | 1 351 000 | 1 501 123 | | 150 123 | 111 % | 77 % | | | | 962 951 |
| Interest earned - outstanding debtors | 13 211 000 | 3 162 000 | 16 373 000 | - | | 16 373 000 | 16 416 211 | | 43 211 | 100 % | 124 % | | | | 15 529 229 |
| Dividends received | - | - | - | - | | - | - | | - | DIV/0 % | DIV/0 % | | | | 7 654 |
| Fines | 215 000 | (114 000) | 101 000 | - | | 101 000 | 115 585 | | 14 585 | 114 % | 54 % | | | | 195 850 |
| Public contributions | - | - | - | - | | - | 2 043 939 | | 2 043 939 | DIV/0 % | DIV/0 % | | | | 10 441 162 |
| Agency services | - | - | - | - | | - | - | | - | DIV/0 % | DIV/0 % | | | | - |
| Transfers recognised - operational | 81 223 000 | - | 81 223 000 | - | | 81 223 000 | 117 791 362 | | 36 568 362 | 145 % | 145 % | | | | 93 689 626 |
| Other revenue | 3 313 000 | 10 812 000 | 14 125 000 | - | | 14 125 000 | 1 607 433 | | (12 517 567) | 11 % | 49 % | | | | 2 034 288 |
| Gains on disposal of PPE | - | - | - | - | | - | - | | - | DIV/0 % | DIV/0 % | | | | - |
| Total Revenue (excluding capital transfers and contributions) | 203 633 000 | 11 125 000 | 214 758 000 | - | | 214 758 000 | 232 609 595 | | 17 851 595 | 108 % | 114 % | | | | 217 139 786 |

Nketoana Local Municipality
Appendix G3
Budgeted Financial Performance (revenue and expenditure)
for the year ended 30 June 2013

| | 2013/2012 | | | | | | | | 2012/2011 | | | | | | |
|--|--------------------|---|--------------------------|--|---|---------------------|---------------------|--------------------------|---------------------|-------------------------------------|--|-----------------------------------|---|-------------------------|--------------------------|
| | Original Budget | Budget Adjustments (i.t.o. s28 and s31 of the MFMA) | Final adjustments budget | Shifting of funds (i.t.o. s31 of the MFMA) | Virement (i.t.o. Council approved policy) | Final Budget | Actual Outcome | Unauthorised expenditure | Variance | Actual Outcome as % of Final Budget | Actual Outcome as % of Original Budget | Reported unauthorised expenditure | Expenditure authorised in terms of section 32 of MFMA | Balance to be recovered | Restated Audited Outcome |
| | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand |
| Expenditure By Type | | | | | | | | | | | | | | | |
| Employee related costs | 52 629 000 | - | 52 629 000 | - | - | 52 629 000 | 57 012 665 | 3 761 155 | 4 383 665 | 108 % | 108 % | 1 376 640 | - | (1 376 640) | 46 120 645 |
| Remuneration of councillors | 5 080 000 | - | 5 080 000 | - | - | 5 080 000 | 4 924 503 | 467 013 | (155 497) | 97 % | 97 % | 68 985 | - | (68 985) | 4 826 985 |
| Debt impairment | 10 000 000 | 30 000 000 | 40 000 000 | - | - | 40 000 000 | 44 402 410 | 4 736 003 | 4 402 410 | 111 % | 444 % | 10 555 574 | - | (10 555 574) | 43 155 573 |
| Depreciation & asset impairment | 61 168 000 | 2 000 000 | 63 168 000 | - | - | 63 168 000 | 66 325 752 | 1 739 551 | 3 157 752 | 105 % | 108 % | 1 006 846 | - | (1 006 846) | 63 963 155 |
| Finance charges | 1 080 000 | - | 1 080 000 | - | - | 1 080 000 | 2 254 743 | 910 427 | 1 174 743 | 209 % | 209 % | 528 917 | - | (528 917) | 1 418 917 |
| Bulk purchases | 23 037 000 | 10 008 000 | 33 045 000 | - | - | 33 045 000 | 28 834 798 | (4 210 202) | (4 210 202) | 87 % | 125 % | (6 784 796) | - | 6 784 796 | 17 391 204 |
| Other materials | 9 633 000 | - | 9 633 000 | - | - | 9 633 000 | 12 622 881 | (833 991) | 2 989 881 | 131 % | 131 % | 1 380 882 | - | (1 380 882) | 10 510 882 |
| Contracted services | 9 227 000 | 1 400 000 | 10 627 000 | - | - | 10 627 000 | 9 007 640 | (5 491 522) | (1 619 360) | 85 % | 98 % | - | - | - | - |
| Transfers and grants | - | - | - | - | - | - | - | - | - | DIV/0 % | DIV/0 % | - | - | - | - |
| Other expenditure | 20 774 000 | 6 329 000 | 27 103 000 | - | - | 27 103 000 | 43 454 968 | 24 093 613 | 16 351 968 | 160 % | 209 % | 13 296 974 | - | (13 296 974) | 34 348 715 |
| Loss on disposal of PPE | - | - | - | - | - | - | - | - | - | DIV/0 % | DIV/0 % | - | - | - | - |
| Total Expenditure | 192 628 000 | 49 737 000 | 242 365 000 | - | - | 242 365 000 | 268 840 360 | 25 172 047 | 26 475 360 | 111 % | 140 % | 21 430 022 | - | (21 430 022) | 221 736 076 |
| Surplus/(Deficit) | 11 005 000 | (38 612 000) | (27 607 000) | - | - | (27 607 000) | (36 230 765) | (25 172 047) | (8 623 765) | 131 % | (329)% | (21 430 022) | - | 21 430 022 | (4 596 290) |
| Transfers recognised - capital | 34 018 000 | 8 000 000 | 42 018 000 | - | - | 42 018 000 | - | - | (42 018 000) | - % | - % | - | - | - | - |
| Contributions recognised - capital | - | - | - | - | - | - | - | - | - | DIV/0 % | DIV/0 % | - | - | - | - |
| Contributed assets | - | - | - | - | - | - | - | - | - | DIV/0 % | DIV/0 % | - | - | - | - |
| Surplus/(Deficit) after capital transfers & contributions | 45 023 000 | (30 612 000) | 14 411 000 | - | - | 14 411 000 | (36 230 765) | - | (50 641 765) | (251)% | (80)% | - | - | - | (4 596 290) |
| Gains on disposal of assets and liabilities | - | - | - | - | - | - | 102 341 | - | 102 341 | DIV/0 % | DIV/0 % | - | - | - | (29 956) |
| . | 45 023 000 | (30 612 000) | 14 411 000 | - | - | 14 411 000 | (36 128 424) | - | (50 539 424) | (251)% | (80)% | - | - | - | (4 626 246) |
| Fair value adjustment | - | - | - | - | - | - | 85 220 | - | 85 220 | DIV/0 % | DIV/0 % | - | - | - | 149 615 |
| Surplus/(Deficit) attributable to municipality | 45 023 000 | (30 612 000) | 14 411 000 | - | - | 14 411 000 | (36 043 204) | - | (50 454 204) | (250)% | (80)% | - | - | - | (4 476 631) |
| Share of surplus/ (deficit) of associate | - | - | - | - | - | - | - | - | - | DIV/0 % | DIV/0 % | - | - | - | - |
| Surplus/(Deficit) for the year | 45 023 000 | (30 612 000) | 14 411 000 | - | - | 14 411 000 | (36 043 204) | - | (50 454 204) | (250)% | (80)% | - | - | - | (4 476 631) |

Nketoana Local Municipality

Appendix G4

Budgeted Capital Expenditure by vote, standard classification and funding for the year ended 30 June 2013

| | 2013/2012 | | | | | | | | | 2012/2011 | | | | | |
|--|-------------------|---|--------------------------|--|---|-------------------|-------------------|--------------------------|--------------------|-------------------------------------|--|-----------------------------------|---|-------------------------|--------------------------|
| | Original Budget | Budget Adjustments (i.t.o. s28 and s31 of the MFMA) | Final adjustments budget | Shifting of funds (i.t.o. s31 of the MFMA) | Virement (i.t.o. Council approved policy) | Final Budget | Actual Outcome | Unauthorised expenditure | Variance | Actual Outcome as % of Final Budget | Actual Outcome as % of Original Budget | Reported unauthorised expenditure | Expenditure authorised in terms of section 32 of MFMA | Balance to be recovered | Restated Audited Outcome |
| | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand |
| Capital expenditure - Vote | | | | | | | | | | | | | | | |
| Multi-year expenditure | | | | | | | | | | | | | | | |
| Executive and Council | - | - | - | - | - | - | - | - | - | DIV/0 % | DIV/0 % | - | - | - | - |
| Finance and Admin | - | - | - | - | - | - | - | - | - | DIV/0 % | DIV/0 % | - | - | - | - |
| Community social services | - | - | - | - | - | - | - | - | - | DIV/0 % | DIV/0 % | - | - | - | - |
| Waste Management | - | - | - | - | - | - | - | - | - | DIV/0 % | DIV/0 % | - | - | - | - |
| Economic and Environment services | - | - | - | - | - | - | - | - | - | DIV/0 % | DIV/0 % | - | - | - | - |
| Water | - | - | - | - | - | - | - | - | - | DIV/0 % | DIV/0 % | - | - | - | - |
| Electricity | - | - | - | - | - | - | - | - | - | DIV/0 % | DIV/0 % | - | - | - | - |
| Waste Water Management | - | - | - | - | - | - | - | - | - | DIV/0 % | DIV/0 % | - | - | - | - |
| Example 9 - Vote9 | - | - | - | - | - | - | - | - | - | DIV/0 % | DIV/0 % | - | - | - | - |
| Example 10 - Vote10 | - | - | - | - | - | - | - | - | - | DIV/0 % | DIV/0 % | - | - | - | - |
| Example 11 - Vote11 | - | - | - | - | - | - | - | - | - | DIV/0 % | DIV/0 % | - | - | - | - |
| Example 12 - Vote12 | - | - | - | - | - | - | - | - | - | DIV/0 % | DIV/0 % | - | - | - | - |
| Example 13 - Vote13 | - | - | - | - | - | - | - | - | - | DIV/0 % | DIV/0 % | - | - | - | - |
| Example 14 - Vote14 | - | - | - | - | - | - | - | - | - | DIV/0 % | DIV/0 % | - | - | - | - |
| Example 15 - Vote15 | - | - | - | - | - | - | - | - | - | DIV/0 % | DIV/0 % | - | - | - | - |
| Capital multi-year expenditure sub-total | - | - | - | - | - | - | - | - | - | DIV/0 % | DIV/0 % | - | - | - | - |
| Single-year expenditure | | | | | | | | | | | | | | | |
| Executive and Council - Vote1 | - | - | - | - | - | - | - | - | - | DIV/0 % | DIV/0 % | - | - | - | 151 514 |
| Finance and Admin - Vote2 | 900 000 | (250 000) | 650 000 | - | - | 650 000 | 782 465 | - | 132 465 | 120 % | 87 % | - | - | - | 1 481 064 |
| Community social services - Vote3 | - | 3 783 000 | 3 783 000 | - | - | 3 783 000 | 1 855 896 | - | (1 927 104) | 49 % | DIV/0 % | - | - | - | 193 597 |
| Waste Management - Vote4 | 6 037 000 | 1 769 000 | 7 806 000 | - | - | 7 806 000 | 1 846 254 | - | (5 959 746) | 24 % | 31 % | - | - | - | 7 987 397 |
| Economic and Environment Services - Vote5 | 6 680 000 | 2 604 000 | 9 284 000 | - | - | 9 284 000 | 16 435 107 | - | 7 151 107 | 177 % | 246 % | - | - | - | 4 316 623 |
| Water - Vote6 | 28 047 000 | (5 621 000) | 22 426 000 | - | - | 22 426 000 | 9 533 037 | - | (12 892 963) | 43 % | 34 % | - | - | - | 9 404 924 |
| Electricity - Vote7 | 3 550 000 | 1 350 000 | 4 900 000 | - | - | 4 900 000 | 8 874 542 | - | 3 974 542 | 181 % | 250 % | - | - | - | 2 361 955 |
| Waste Water Management - Vote8 | 12 194 000 | (8 994 000) | 3 200 000 | - | - | 3 200 000 | 2 730 438 | - | (469 562) | 85 % | 22 % | - | - | - | 8 528 739 |
| Example 9 - Vote9 | - | - | - | - | - | - | - | - | - | DIV/0 % | DIV/0 % | - | - | - | - |
| Example 10 - Vote10 | - | - | - | - | - | - | - | - | - | DIV/0 % | DIV/0 % | - | - | - | - |
| Example 11 - Vote11 | - | - | - | - | - | - | - | - | - | DIV/0 % | DIV/0 % | - | - | - | - |
| Example 12 - Vote12 | - | - | - | - | - | - | - | - | - | DIV/0 % | DIV/0 % | - | - | - | - |
| Example 13 - Vote13 | - | - | - | - | - | - | - | - | - | DIV/0 % | DIV/0 % | - | - | - | - |
| Example 14 - Vote14 | - | - | - | - | - | - | - | - | - | DIV/0 % | DIV/0 % | - | - | - | - |
| Example 15 - Vote15 | - | - | - | - | - | - | - | - | - | DIV/0 % | DIV/0 % | - | - | - | - |
| Capital single-year expenditure sub-total | 57 408 000 | (5 359 000) | 52 049 000 | - | - | 52 049 000 | 42 057 739 | - | (9 991 261) | 81 % | 73 % | - | - | - | - |
| Total Capital Expenditure - Vote | 57 408 000 | (5 359 000) | 52 049 000 | - | - | 52 049 000 | 42 057 739 | - | (9 991 261) | 81 % | 73 % | - | - | - | - |

Nketoana Local Municipality

Appendix G4

Budgeted Capital Expenditure by vote, standard classification and funding
for the year ended 30 June 2013

| | 2013/2012 | | | | | | | | | 2012/2011 | | | | | |
|---|-------------------|---|--------------------------|--|---|-------------------|-------------------|--------------------------|---------------------|-------------------------------------|--|-----------------------------------|---|-------------------------|--------------------------|
| | Original Budget | Budget Adjustments (i.t.o. s28 and s31 of the MFMA) | Final adjustments budget | Shifting of funds (i.t.o. s31 of the MFMA) | Virement (i.t.o. Council approved policy) | Final Budget | Actual Outcome | Unauthorised expenditure | Variance | Actual Outcome as % of Final Budget | Actual Outcome as % of Original Budget | Reported unauthorised expenditure | Expenditure authorised in terms of section 32 of MFMA | Balance to be recovered | Restated Audited Outcome |
| | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand |
| Capital Expenditure - Standard | | | | | | | | | | | | | | | |
| Governance and administration | 900 000 | (250 000) | 650 000 | - | - | 650 000 | 782 465 | - | 132 465 | 120 % | 87 % | - | - | - | 1 632 578 |
| Executive and council | - | - | - | - | - | - | - | - | - | DIV/0 % | DIV/0 % | - | - | - | 151 514 |
| Budget and treasury office | 650 000 | - | 650 000 | - | - | 650 000 | 477 829 | - | (172 171) | 74 % | 74 % | - | - | - | 1 048 963 |
| Corporate services | 250 000 | (250 000) | - | - | - | - | 304 636 | - | 304 636 | DIV/0 % | 122 % | - | - | - | 432 101 |
| Community and public safety | - | 3 783 000 | 3 783 000 | - | - | 3 783 000 | 1 855 896 | - | (1 927 104) | 49 % | DIV/0 % | - | - | - | 193 597 |
| Community and social services | - | - | - | - | - | - | 217 350 | - | 217 350 | DIV/0 % | DIV/0 % | - | - | - | 193 597 |
| Sport and recreation | - | 3 783 000 | 3 783 000 | - | - | 3 783 000 | 1 638 546 | - | (2 144 454) | 43 % | DIV/0 % | - | - | - | - |
| Public safety | - | - | - | - | - | - | - | - | - | DIV/0 % | DIV/0 % | - | - | - | - |
| Housing | - | - | - | - | - | - | - | - | - | DIV/0 % | DIV/0 % | - | - | - | - |
| Health | - | - | - | - | - | - | - | - | - | DIV/0 % | DIV/0 % | - | - | - | - |
| Economic and environmental services | 6 680 000 | 2 603 000 | 9 283 000 | - | - | 9 283 000 | 16 435 107 | - | 7 152 107 | 177 % | 246 % | - | - | - | 4 316 623 |
| Planning and development | - | - | - | - | - | - | 86 020 | - | 86 020 | DIV/0 % | DIV/0 % | - | - | - | - |
| Road transport | 6 680 000 | 2 603 000 | 9 283 000 | - | - | 9 283 000 | 16 349 087 | - | 7 066 087 | 176 % | 245 % | - | - | - | 4 316 623 |
| Environmental protection | - | - | - | - | - | - | - | - | - | DIV/0 % | DIV/0 % | - | - | - | - |
| Trading services | 49 828 000 | (11 496 000) | 38 332 000 | - | - | 38 332 000 | 22 984 271 | - | (15 347 729) | 60 % | 46 % | - | - | - | 28 283 015 |
| Electricity | 3 550 000 | 1 350 000 | 4 900 000 | - | - | 4 900 000 | 8 874 542 | - | 3 974 542 | 181 % | 250 % | - | - | - | 2 361 955 |
| Water | 28 047 000 | (5 621 000) | 22 426 000 | - | - | 22 426 000 | 9 533 037 | - | (12 892 963) | 43 % | 34 % | - | - | - | 9 404 924 |
| Waste water management | 12 194 000 | (8 994 000) | 3 200 000 | - | - | 3 200 000 | 2 730 438 | - | (469 562) | 85 % | 22 % | - | - | - | 8 528 739 |
| Waste management | 6 037 000 | 1 769 000 | 7 806 000 | - | - | 7 806 000 | 1 846 254 | - | (5 959 746) | 24 % | 31 % | - | - | - | 7 987 397 |
| Other | - | - | - | - | - | - | - | - | - | DIV/0 % | DIV/0 % | - | - | - | - |
| Other | - | - | - | - | - | - | - | - | - | DIV/0 % | DIV/0 % | - | - | - | - |
| Total Capital Expenditure - Standard | 57 408 000 | (5 360 000) | 52 048 000 | - | - | 52 048 000 | 42 057 739 | - | (9 990 261) | 81 % | 73 % | - | - | - | 34 425 813 |
| Funded by: | | | | | | | | | | | | | | | |
| National Government | 45 545 000 | (3 527 000) | 42 018 000 | - | | 42 018 000 | 36 764 183 | | (5 253 817) | 87 % | 81 % | | | | 22 743 323 |
| Provincial Government | - | - | - | - | | - | - | | - | DIV/0 % | DIV/0 % | | | | - |
| District Municipality | - | - | - | - | | - | - | | - | DIV/0 % | DIV/0 % | | | | - |
| Other transfers and grants | - | - | - | - | | - | - | | - | DIV/0 % | DIV/0 % | | | | - |
| Transfers recognised - capital | 45 545 000 | (3 527 000) | 42 018 000 | - | | 42 018 000 | 36 764 183 | | (5 253 817) | 87 % | 81 % | | | | 22 743 323 |
| Public contributions & donations | - | - | - | - | | - | - | | - | DIV/0 % | DIV/0 % | | | | - |
| Borrowing | - | - | - | - | | - | - | | - | DIV/0 % | DIV/0 % | | | | - |
| Internally generated funds | 11 863 000 | (1 833 000) | 10 030 000 | - | | 10 030 000 | 5 293 556 | | (4 736 444) | 53 % | 45 % | | | | 11 682 490 |
| Total Capital Funding | 57 408 000 | (5 360 000) | 52 048 000 | - | | 52 048 000 | 42 057 739 | | (9 990 261) | 81 % | 73 % | | | | 34 425 813 |

Nketoana Local Municipality
Appendix G5
Budgeted Cash Flows
for the year ended 30 June 2013

2013/2012

2012

| | Original Budget | Budget Adjustments (i.t.o. s28 and s31 of the MFMA) Rand | Final adjustments budget Rand | Final Budget Rand | Actual Outcome Rand | Variance Rand | Actual Outcome as % of Final Budget Rand | Actual Outcome as % of Original Budget Rand | Restated Audited Outcome Rand |
|---|-------------------|--|-------------------------------|-------------------|---------------------|---------------------|--|---|-------------------------------|
| Cash flow from operating activities | | | | | | | | | |
| Receipts | | | | | | | | | |
| Ratepayers and other | 103 940 000 | - | 103 940 000 | 103 940 000 | 55 712 321 | (48 227 679) | 54 % | 54 % | 47 060 684 |
| Government - operating | 81 233 000 | - | 81 233 000 | 81 233 000 | 81 288 442 | 55 442 | 100 % | 100 % | 70 946 303 |
| Government - capital | 46 545 000 | (4 527 000) | 42 018 000 | 42 018 000 | 36 764 183 | (5 253 817) | 87 % | 79 % | 22 743 323 |
| Interest | 15 157 000 | - | 15 157 000 | 15 157 000 | 1 501 123 | (13 655 877) | 10 % | 10 % | 962 951 |
| Dividends | - | - | - | - | - | - | DIV/0 % | DIV/0 % | - |
| Payments | | | | | | | | | |
| Suppliers and employees | (191 548 000) | - | (191 548 000) | (191 548 000) | (160 608 329) | 30 939 671 | 84 % | 84 % | (109 576 006) |
| Finance charges | (1 080 000) | - | (1 080 000) | (1 080 000) | (945 498) | 134 502 | 88 % | 88 % | (986 333) |
| Transfers and Grants | - | - | - | - | - | - | DIV/0 % | DIV/0 % | - |
| Net cash flow from/used operating activities | 54 247 000 | (4 527 000) | 49 720 000 | 49 720 000 | 13 712 242 | (36 007 758) | 28 % | 25 % | 31 150 922 |
| Cash flow from investing activities | | | | | | | | | |
| Receipts | | | | | | | | | |
| Proceeds on disposal of PPE | - | - | - | - | 352 907 | 352 907 | DIV/0 % | DIV/0 % | 27 500 |
| Decrease (Increase) in non-current debtors | 5 048 000 | - | 5 048 000 | 5 048 000 | - | (5 048 000) | - % | - % | - |
| Decrease (increase) other non-current receivables | (178 000) | - | (178 000) | (178 000) | - | 178 000 | - % | - % | - |
| Decrease (increase) in non-current investments | (152 000) | - | (152 000) | (152 000) | (23 545) | 128 455 | 15 % | 15 % | (27 365) |
| Payments | | | | | | | | | |
| Capital assets | - | - | - | - | (40 816 938) | (40 816 938) | DIV/0 % | DIV/0 % | (23 985 761) |
| Net cash flow from/used investing activities | 4 718 000 | - | 4 718 000 | 4 718 000 | (40 487 576) | (45 205 576) | (858)% | (858)% | (23 985 626) |
| Cash flow from financing activities | | | | | | | | | |
| Receipts | | | | | | | | | |
| Short term loans | - | - | - | - | - | - | DIV/0 % | DIV/0 % | - |
| Borrowing long term/refinancing | - | - | - | - | - | - | DIV/0 % | DIV/0 % | - |
| Increase (decrease) in consumer deposits | (253 000) | - | (253 000) | (253 000) | - | 253 000 | - % | - % | - |
| Payments | | | | | | | | | |
| Repayment of borrowing | (344 000) | - | (344 000) | (344 000) | (743 363) | (399 363) | 216 % | 216 % | (194 527) |
| Net cash flow from/used financing activities | (597 000) | - | (597 000) | (597 000) | (743 363) | (146 363) | 125 % | 125 % | (194 527) |
| Net increase/(decrease) in cash held | 58 368 000 | (4 527 000) | 53 841 000 | 53 841 000 | (27 518 697) | (81 359 697) | (51)% | (47)% | 6 970 769 |
| Cash/cash equivalents at the year begin: | | | | | | | | | 10 157 600 |
| Cash/cash equivalents at the year end: | 58 368 000 | (4 527 000) | 53 841 000 | 53 841 000 | (27 518 697) | (81 359 697) | (51)% | (47)% | |