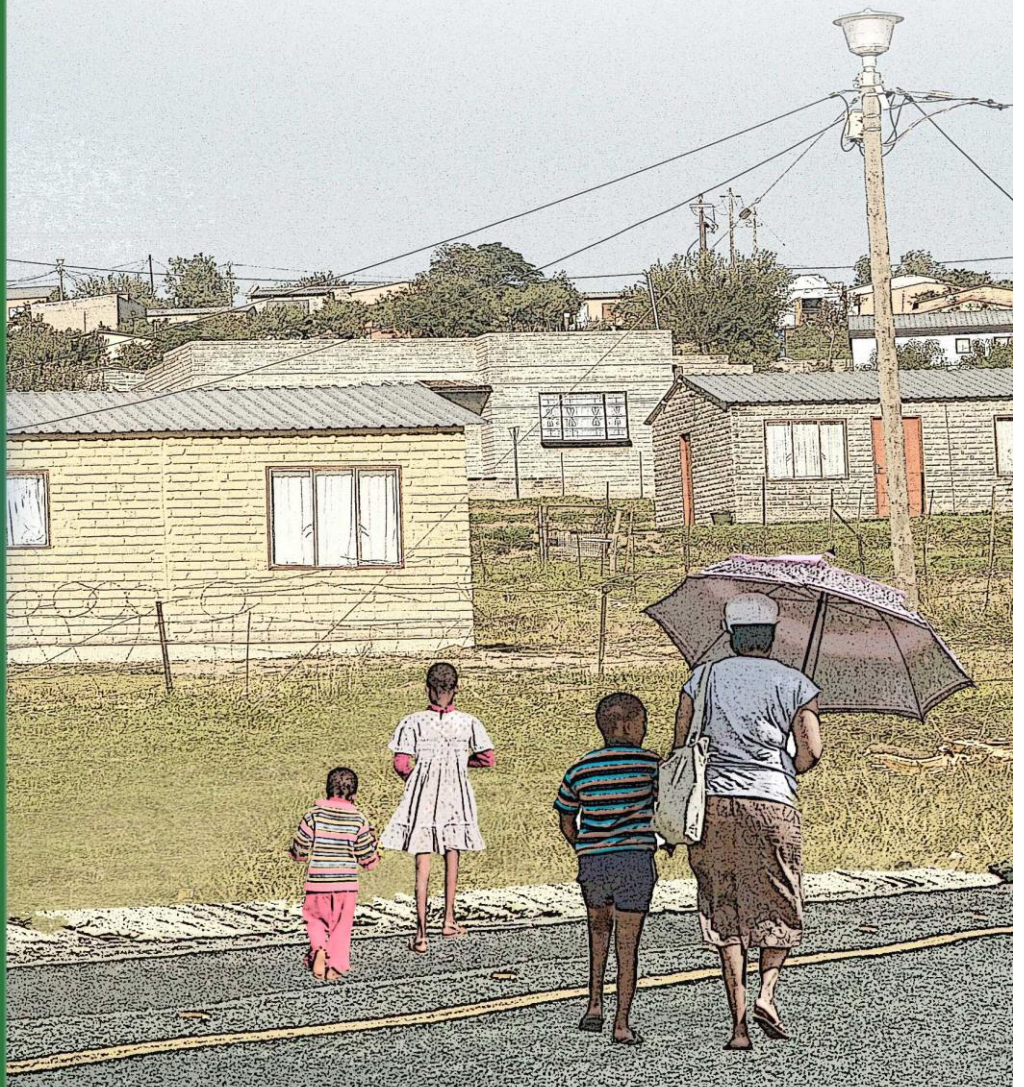


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# Financial Performance



# Statement of Financial Position

## Audited Financial Statements

### 5.1 Statements of Financial Performance

Figure / Table 77: Statement of Financial Performance

#### Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June, 2014

#### Statement of Financial Performance

Figures in Rand	Note(s)	2014	2013 Restated
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Service charges	24	97,801,899	76,524,578
Rental of facilities and equipment	38	433,839	476,571
Interest received on consumers		19,071,015	16,416,211
Other income	27	1,397,572	1,607,433
Interest received - investment		411,307	1,501,123
<b>Total revenue from exchange transactions</b>		<b>119,115,632</b>	<b>96,525,916</b>
<b>Revenue from non-exchange transactions</b>			
<b>Taxation revenue</b>			
Property rates	23	16,766,245	16,194,067
<b>Transfer revenue</b>			
Government grants & subsidies		128,777,665	118,114,362
Public contributions and donations		8,000	2,043,939
Fines		94,074	143,185
<b>Total revenue from non-exchange transactions</b>		<b>145,645,984</b>	<b>136,495,553</b>
<b>Total revenue</b>	22	<b>264,761,616</b>	<b>233,021,469</b>
<b>Expenditure</b>			
Bulk purchases	40	(34,430,699)	(37,217,622)
Contracted services	39	(12,770,134)	(12,469,895)
Debt impairment	32	(95,804,024)	(44,402,410)
Depreciation and amortisation	35	(64,369,581)	(74,476,529)
Finance costs	36	(2,917,794)	(1,363,156)
General Expenses	28	(45,291,830)	(43,963,189)
Impairment loss		-	(853,948)
Personnel	30	(68,647,854)	(57,745,974)
Remuneration of councillors	31	(5,379,214)	(4,924,503)
Repairs and maintenance		(10,510,487)	(8,821,056)
<b>Total expenditure</b>		<b>(340,121,617)</b>	<b>(286,238,282)</b>
<b>Operating deficit</b>	29	<b>(75,360,001)</b>	<b>(53,216,813)</b>

## 5.2 Grants

Figure / Table 80: Grants

### Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June, 2014

#### Notes to the Annual Financial Statements

Figures in Rand	2014	2013
<b>25. Government grants and subsidies</b>		
<b>Operating grants</b>		
Equitable share	77,680,266	77,696,000
MSIG	890,000	815,996
MFMG	840,676	1,795,753
LG SETA	239,117	185,742
EPWP	772,979	856,688
	<b>80,423,038</b>	<b>81,350,179</b>
<b>Capital grants</b>		
MIG	32,297,000	34,018,000
RBIG	12,109,628	2,746,183
INEG	3,947,999	-
	<b>48,354,627</b>	<b>36,764,183</b>

## 5.3 Assets

Figure / Table 82: Assets

### Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June, 2014

#### Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	647,091,840	647,091,840
Adjustments		
Correction of errors	19,112,901	19,112,901
Prior year adjustments	5,170,479	5,170,479
Balance at 1 July, 2012 as restated*	671,375,220	671,375,220
Changes in net assets		
Deficit for the year	(52,983,790)	(52,983,790)
Total changes	(52,983,790)	(52,983,790)
Balance at 1 July, 2013	618,391,437	618,391,437
Changes in net assets		
Deficit for the year	(75,230,129)	(75,230,129)
Total changes	(75,230,129)	(75,230,129)
Balance at 30 June, 2014	543,161,308	543,161,308
Note 46 prior period error		



## 5.4 Basic Service Delivery

Figure / Table 83: Basic Service Delivery

### Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June, 2014

#### Notes to the Annual Financial Statements

Figures in Rand	2014	2013
<b>21. Consumer deposits</b>		
Electricity	1,227,450	1,205,321
Other deposits	23,894	23,242
	<b>1,251,344</b>	<b>1,228,563</b>
No interest accrued or paid on consumer deposits		
<b>22. Revenue</b>		
Service charges	97,801,899	76,524,578
Rental of facilities and equipment	433,839	476,571
Interest consumer debtors	19,071,015	16,416,211
Other income	1,397,572	1,607,433
Interest received - investment	411,307	1,501,123
Property rates	16,766,245	16,194,067
Government grants & subsidies	128,777,665	118,114,362
Public contributions and donations	8,000	2,043,939
Fines	94,074	143,185
	<b>264,761,616</b>	<b>233,021,469</b>
<b>The amount included in revenue arising from exchanges of goods or services are as follows:</b>		
Service charges	97,801,899	76,524,578
Rental of facilities and equipment	433,839	476,571
Interest consumer debtors	19,071,015	16,416,211
Other income	1,397,572	1,607,433
Interest received - investment	411,307	1,501,123
	<b>119,115,632</b>	<b>96,525,916</b>
<b>The amount included in revenue arising from non-exchange transactions is as follows:</b>		
<b>Taxation revenue</b>		
Property rates	16,766,245	16,194,067
<b>Transfer revenue</b>		
Government grants & subsidies	128,777,665	118,114,362
Public contributions and donations	8,000	2,043,939
Fines	94,074	143,185
	<b>145,645,984</b>	<b>136,495,553</b>

## Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June, 2014

### Notes to the Annual Financial Statements

Figures in Rand	2014	2013
<b>23. Property rates</b>		
<b>Rates received</b>		
Residential	16,766,245	16,194,067
<b>Valuations</b>		
Residential	1,096,175,410	248,176,900
Commercial	214,246,254	60,201,890
State	195,149,540	97,856,000
Municipal	327,988,500	1,595,900
Agriculture	3,311,129,898	483,950,300
	<b>5,144,689,602</b>	<b>891,780,990</b>

Valuations on property rates are performed every 4 years. The last general valuation came into effect on 1 July 2013.

Rebates of R 20, 000 (2013: R 20, 000) are generated to residential property owners.

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

The new general valuation will be implemented on 01 July 2018.

### 24. Service charges

Sale of electricity	35,997,676	29,513,657
Sale of water	36,192,132	24,247,485
Sewerage and sanitation charges	12,364,199	11,279,735
Refuse removal	13,247,892	11,483,701
	<b>97,801,899</b>	<b>76,524,578</b>

## Component A: Capital Budget

**Figure / Table 84: Capital expenditure by Vote, standard classification and source of funding**

### Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June, 2014

#### Appropriation Statement

Figures in Rand

	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	51,297,000	(2,000,000)	49,297,000	-		49,297,000	48,354,627		(942,373)	98 %	94 %
Contributions recognised - capital and contributed assets	-	-	-	-		-	8,000		8,000	DIV/0 %	DIV/0 %
<b>Surplus (Deficit) after capital transfers and contributions</b>	<b>43,957,000</b>	<b>(171,671,000)</b>	<b>(127,714,000)</b>	-		<b>(127,714,000)</b>	<b>(75,230,129)</b>		<b>52,483,871</b>	<b>59 %</b>	<b>(171)%</b>
<b>Surplus/(Deficit) for the year</b>	<b>43,957,000</b>	<b>(171,671,000)</b>	<b>(127,714,000)</b>	-		<b>(127,714,000)</b>	<b>(75,230,129)</b>		<b>52,483,871</b>	<b>59 %</b>	<b>(171)%</b>
<b>Capital expenditure and funds sources</b>											
Total capital expenditure	68,697,000	(13,404,000)	55,293,000	-		55,293,000	-		(55,293,000)	- %	- %
<b>Sources of capital funds</b>											
Transfers recognised - capital	51,297,000	(2,000,000)	49,297,000	-		49,297,000	-		(49,297,000)	- %	- %
Internally generated funds	17,400,000	(5,996,000)	11,404,000	-		11,404,000	-		(11,404,000)	- %	- %
<b>Total sources of capital funds</b>	<b>68,697,000</b>	<b>(7,996,000)</b>	<b>60,701,000</b>	-		<b>60,701,000</b>	-		<b>(60,701,000)</b>	<b>- %</b>	<b>- %</b>

## Component B: Cash Flow Management and Investments

### 5.5 Cash flows

Figure / Table 86: Cash flows

#### Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June, 2014

#### Cash Flow Statement

Figures in Rand	Note(s)	2014	2013
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Sale of goods and services		70,727,477	54,730,223
Grants		126,967,948	117,945,983
Interest income		411,307	1,501,123
		<u>198,106,732</u>	<u>174,177,329</u>
<b>Payments</b>			
Employee costs		(72,650,068)	(59,196,477)
Suppliers		(44,883,044)	(104,848,615)
Finance costs		(2,917,794)	(1,363,156)
		<u>(120,450,906)</u>	<u>(165,408,248)</u>
<b>Net cash flows from operating activities</b>	41	<b><u>77,655,826</u></b>	<b><u>8,769,081</u></b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	10	(70,221,660)	(28,035,640)
Proceeds from sale of property, plant and equipment	10	654,736	(5,453,108)
Purchase of investment property	9	26,944	-
Purchase of other intangible assets	11	12,299	677,793
Proceeds from sale of financial assets		(169,600)	124,258
Proceeds from sale of Non-current assets		-	333,593
Other cash item		-	(300)
		<u>(69,697,281)</u>	<u>(32,353,404)</u>
<b>Net cash flows from investing activities</b>		<b><u>(69,697,281)</u></b>	<b><u>(32,353,404)</u></b>
<b>Cash flows from financing activities</b>			
Repayment of non-current borrowings		(1,062,377)	(1,321,520)
		<u>(1,062,377)</u>	<u>(1,321,520)</u>
<b>Net cash flows from financing activities</b>		<b><u>(1,062,377)</u></b>	<b><u>(1,321,520)</u></b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>6,896,168</b>	<b>(24,905,843)</b>
Cash and cash equivalents at the beginning of the year		(7,777,474)	17,128,369
<b>Cash and cash equivalents at the end of the year</b>	7	<b><u>(881,306)</u></b>	<b><u>(7,777,474)</u></b>

## 5.6 Investments

Figure / Table 87: Investments

### Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June, 2014

#### Notes to the Annual Financial Statements

Figures in Rand	2014	2013
<b>12. Investments</b>		
<b>Designated at fair value</b>		
Money Market	3,826,144	3,639,960
Standard Bank		
<b>At amortised cost</b>		
Unlisted shares	5,000	5,000
Vrystaat Korporasie Beperk		
Other long term investments	491,185	404,105
Old Mutual		
Preference shares	260,116	233,908
Vrystaat Korporasie Beperk		
	<b>756,301</b>	<b>643,013</b>
<b>Total other financial assets</b>	<b>4,582,445</b>	<b>4,282,973</b>
<b>Non-current assets</b>		
Designated at fair value	3,826,144	3,639,960
At amortised cost	756,301	643,013
	<b>4,582,445</b>	<b>4,282,973</b>

#### 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 2 applies inputs other than quoted prices that are observable for the assets either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 applies inputs which are not based on observable market data.

#### Level 1

Money Market	3,826,144	3,639,960
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#### 12. Investments (continued)

#### Financial assets at amortised cost

#### Fair values of financial assets measured or disclosed at fair value

Money Market	3,826,144	3,639,960
Methods used to determine fair value are as follow: Quoted market price.		

#### Nominal value of financial assets at cost

Unlisted	265,116	238,908
Investment in a private company initially recognised at cost. Council are unable to determine the reasonability of the fair value.		
Life Insurance	491,185	404,105
Old Mutual with fixed maturity date and not held for trading by council		
	<b>756,301</b>	<b>643,013</b>

#### Financial assets pledged as collateral

#### Collateral

Carrying value of financial assets pledged as collateral for liabilities.	3,826,144	3,639,960
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## 5.7 Borrowing

Figure / Table 88: Borrowing

### Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June, 2014

#### Notes to the Annual Financial Statements

Figures in Rand	2014	2013
<b>16. Unspent conditional grants and receipts (continued)</b>		
See note 25 for reconciliation of grants from National/Provincial Government.		
<b>17. Other financial liabilities</b>		
<b>At amortised cost</b>		
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.	7,409,479	7,516,909
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.	1,226,951	2,181,898
Grainfield Chickens (Pty) Ltd Interest are charged to the loan at prime rate. The capital repayment of this loan are linked to the electricity charged to Grainfield Chickens plus a 10% margin.	2,680,830	2,680,830
	<b>11,317,260</b>	<b>12,379,637</b>
<b>Total other financial liabilities</b>	<b>11,317,260</b>	<b>12,379,637</b>

## Component C: Disclosure of Staff Remuneration

Figure / Table 89: Disclosure of staff remuneration

### Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June, 2014

#### Notes to the Annual Financial Statements

Figures in Rand	2014	2013
<b>30. Personnel (continued)</b>		
<b>Remuneration of Municipal Manager</b>		
Annual Remuneration	730,964	785,047
Car Allowance	201,801	140,000
Acting allowance	-	34,326
Bonus	63,667	-
Telephone Allowance	16,000	-
Housing Allowance	48,000	-
Subsistence allowance	4,530	-
Back pay	35,117	-
Contributions to UIF, Medical and Pension Funds	112,659	41,158
	<b>1,212,738</b>	<b>1,000,531</b>

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

#### Remuneration of Acting Chief Financial Officer

Annual Remuneration	261,998	565,169
Acting allowance	111,315	27,829
Bonus	27,073	-
Telephone Allowance	4,512	-
Subsistence allowance	6,608	-
Travelling allowance	123,401	77,000
Contributions to UIF, Medical and Pension Funds	92,270	1,373
	<b>627,177</b>	<b>671,371</b>

#### Remuneration of Chief Financial Officer

Remuneration	386,231	-
Annual bonus	14,556	-
Telephone Allowance	12,000	-
Housing allowance	48,000	-
Travelling allowance	94,901	-
Subsistence allowance	1,800	-
Contributions to UIF, Medical and Pension Funds	6,086	-
	<b>563,574</b>	<b>-</b>

Mr BB Sithole was appointed as Chief Financial Officer from the 1st of November 2013.

## Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June, 2014

### Notes to the Annual Financial Statements

Figures in Rand	2014	2013
<b>Remuneration of Director: Corporate Services</b>		
Annual Remuneration	714,950	683,200
Annual bonus	42,000	42,000
Telephone allowance	14,400	14,400
Housing allowance	12,000	12,000
Travel allowance	36,248	32,400
Subsistence	948	-
Backpay	22,344	-
Contributions to UIF, Medical and Pension Funds	10,104	-
	<b>852,994</b>	<b>784,000</b>
<b>Remuneration of Director: Technical Services</b>		
Annual Remuneration	605,134	508,000
Car Allowance	194,313	180,000
Bonuses	44,000	48,000
Housing Allowance	24,000	24,000
Telephone	24,000	24,000
	<b>891,447</b>	<b>784,000</b>
<b>Remuneration of Director: Community Services</b>		
Annual Remuneration	711,259	656,800
Car Allowance	76,887	72,000
Bonuses	24,000	24,000
Housing Allowance	24,000	24,000
Telephone Allowance	10,400	7,200
	<b>846,546</b>	<b>784,000</b>

**Figure / Table 89: Disclosure of council remuneration**

## Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June, 2014

### Notes to the Annual Financial Statements

Figures in Rand	2014	2013
<b>31. Remuneration of councillors</b>		
Mayor	709,735	673,035
Executive Committee	1,289,934	1,165,694
Councillors	2,806,332	2,523,877
Speaker	573,214	561,897
	<b>5,379,215</b>	<b>4,924,503</b>