



Chapter 5

Financial Performance



Statement of Financial Position

Audited Financial Statements

5.1 Statements of Financial Performance

Figure / Table 5.1: Statement of Financial Performance

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Statement of Financial Performance

Figures in Rand	Note(s)	2015	2014 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	22	108 888 301	98 158 417
Rental of facilities and equipment	23	356 580	433 839
Interest received (trading)	24	20 173 637	19 071 015
Other income	25	1 113 255	1 397 571
Interest received - investment	26	583 166	411 307
Total revenue from exchange transactions		131 114 939	119 472 149
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	27	16 038 993	15 953 565
Transfer revenue			
Government grants & subsidies	28	140 545 813	128 777 666
Public contributions and donations	29	-	8 000
Fines, penalties and forfeits	30	205 404	157 645
Total revenue from non-exchange transactions		156 790 210	144 896 876
Total revenue		287 905 149	264 369 025
Expenditure			
Employee related costs	31	(74 122 616)	(68 647 855)
Remuneration of councillors	32	(6 676 993)	(5 379 215)
Depreciation and amortisation	33	(67 572 300)	(64 210 796)
Finance costs	34	(7 763 948)	(2 917 794)
Lease rentals on operating lease	35	(4 686 484)	(3 141 412)
Debt Impairment	36	(67 102 428)	(95 804 025)
Repairs and maintenance	37	(15 404 522)	(10 510 488)
Bulk purchases	38	(38 934 747)	(34 430 699)
Contracted services	39	(10 049 366)	(12 770 134)
General Expenses	40	(36 098 365)	(42 150 416)
Total expenditure		(328 411 769)	(339 962 834)
Operating deficit		(40 506 620)	(75 593 809)
Gain on disposal of assets and liabilities	41	36 425	654 736
Fair value adjustments	42	57 861	129 872
Loss on non-current assets held for sale or disposal groups		-	(654 736)
		94 286	129 872
Deficit for the year		(40 412 334)	(75 463 937)

Figure / Table 5.2: Statement of Financial Position

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Statement of Financial Position as at 30 June 2015

Figures in Rand	Note(s)	2015	2014 Restated*
Assets			
Current Assets			
Inventories	30.20 4	586 686	776 544
Receivables from exchange transactions	31.20 5	10 932 977	3 164 735
Receivables from non-exchange transactions	33.20 6	14 994 355	12 881 657
Consumer debtors	31.20 7	32 762 615	30 211 174
Cash and cash equivalents	32.20 8	2 997 794	789 302
		62 274 427	47 823 412
Non-Current Assets			
Biological assets that form part of an agricultural activity	22.20 9	50 476	22 700
Investment property	21.20 10	8 116 947	8 263 614
Property, plant and equipment	20.20 11	573 716 176	590 782 004
Intangible assets	23.22 12	25 673	27 833
Other financial assets	25.26-28 13	4 305 805	4 582 445
Long-term deposit	27.27 14	2 018 500	2 018 500
		588 233 577	605 697 096
Total Assets		650 508 004	653 520 508
Liabilities			
Current Liabilities			
Other financial liabilities	41.27-28 15	1 398 503	906 482
Payables from exchange transactions	51.20 16	113 956 308	74 118 085
VAT payable	51.20 17	15 566 312	13 080 172
Consumer deposits	51.20 18	1 305 253	1 251 344
Employee benefit obligation	27.22 19	550 000	335 000
Unspent conditional grants and receipts	43.20 20	1 091 381	3 679 861
Cash and cash equivalents	32.20 8	1 198 016	1 670 608
		135 065 773	95 041 552
Non-Current Liabilities			
Other financial liabilities	41.27-28 15	8 569 848	10 410 778
Employee benefit obligation	27.22 19	10 619 000	11 102 000
Provisions	52.20 21	3 478 494	3 778 956
		22 667 342	25 291 734
Total Liabilities		157 733 115	120 333 286
Net Assets		492 774 889	533 187 222
Accumulated surplus	40.24	492 774 889	533 187 222

Figure / Table 5.3: Statement of changes in assets

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Balance at 01 July 2013	608 651 158	608 651 158
Changes in net assets		
Deficit for the year	(75 463 936)	(75 463 936)
Total changes	(75 463 936)	(75 463 936)
Opening balance as previously reported	533 579 814	533 579 814
Adjustments		
Correction of errors	(392 592)	(392 592)
Restated* Balance at 01 July 2014 as restated*	533 187 222	533 187 222
Changes in net assets		
Deficit for the year	(40 412 333)	(40 412 333)
Total changes	(40 412 333)	(40 412 333)
Balance at 30 June 2015	492 774 889	492 774 889

5.2 Grants

Figure / Table 5.4: Grants

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
20. Unspent conditional grants and receipts		
Unspent conditional grants and receipts comprises of:		
Unspent conditional grants and receipts		
Municipal Finance Management Grant	544 100	709 324
Intergrated National Electrification Programme Grant	499 281	1 052 001
Bulk Water Infrastructure Grant	-	1 548 203
Expanded Public Works Programme Grant	48 000	370 333
	1 091 381	3 679 861
Movement during the year		
Balance at the beginning of the year	3 679 861	5 489 578
Additions during the year	62 625 860	54 394 832
Income recognition during the year	(65 214 340)	(56 204 549)
	1 091 381	3 679 861

See note 28 for reconciliation of grants from National/Provincial Government.

5.3 Assets

Figure / Table 5.4: Assets

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Statement of Financial Position as at 30 June 2015

Figures in Rand	Note(s)	2015	2014 Restated*
Assets			
Current Assets			
Inventories	30.20 4	586 686	776 544
Receivables from exchange transactions	31.20 5	10 932 977	3 164 735
Receivables from non-exchange transactions	33.20 6	14 994 355	12 881 657
Consumer debtors	31.20 7	32 762 615	30 211 174
Cash and cash equivalents	32.20 8	2 997 794	789 302
		62 274 427	47 823 412
Non-Current Assets			
Biological assets that form part of an agricultural activity	22.20 9	50 476	22 700
Investment property	21.20 10	8 116 947	8 263 614
Property, plant and equipment	20.20 11	573 716 176	590 782 004
Intangible assets	23.22 12	25 673	27 833
Other financial assets	25.26-28 13	4 305 805	4 582 445
Long-term deposit	27.27 14	2 018 500	2 018 500
		588 233 577	605 697 096
Total Assets		650 508 004	653 520 508

5.4 Basic Service Delivery

Figure / Table 5.4: Basic Service Delivery

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
4. Inventories		
Consumable stores	152 668	196 288
Water	434 018	580 256
	586 686	776 544
Inventories recognised as an expense during the year	1 115 309	524 396
In the current year consumables amounting to R 365 682 and water amounting to R 749 627 were expensed.		
Inventory pledged as security		
No inventory type is pledged as security.		
5. Receivables from exchange transactions		
Fruitless and wasteful expenditure to be investigated	407 520	407 520
Other debtors	9 447 453	1 679 211
Other receivable - ABSA	1 078 004	1 078 004
	10 932 977	3 164 735
6. Receivables from non-exchange transactions		
Fines	148 625	98 321
Other receivables from non-exchange revenue	10 146	-
Consumer debtors - Rates	14 835 584	12 783 336
	14 994 355	12 881 657
Reconciliation of consumer debtors - rates		
Receivables	19 126 919	16 865 111
Provision for bad debts	(4 291 335)	(4 081 775)
	14 835 584	12 783 336
Rates		
Current (0 -30 days)	1 636 603	8 811 891
31 - 60 days	519 115	260 168
61 - 90 days	478 345	237 453
91 - 120 days	409 490	304 776
121 - 365 days	16 083 366	7 250 823
	19 126 919	16 865 111
7. Consumer debtors (exchange transactions)		
Gross balances		
Electricity	9 557 687	7 840 553
Water	60 414 841	50 941 821
Sewerage	36 577 098	33 536 906
Refuse	41 093 421	37 964 484
Regional services levies	109 788 385	108 409 485
Housing rental	376 781	416 639
	257 808 213	239 109 888

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
7. Consumer debtors (exchange transactions) (continued)		
Less: Allowance for impairment		
Electricity	(1 687 012)	(2 010 687)
Water	(53 780 713)	(45 051 025)
Sewerage	(33 980 259)	(30 750 903)
Refuse	(39 188 653)	(35 939 518)
Sundry debtors	(96 033 149)	(94 731 062)
Housing rental	(375 811)	(415 517)
	(225 045 597)	(208 898 712)
Net balance		
Electricity	7 870 675	5 829 865
Water	6 634 128	5 890 796
Sewerage	2 596 839	2 786 003
Refuse	1 904 767	2 024 965
Sundry debtors	13 755 236	13 678 423
Housing rental	970	1 122
	32 762 615	30 211 174
Electricity		
Current (0 -30 days)	4 353 148	2 815 233
31 - 60 days	232 035	188 150
61 - 90 days	126 000	206 439
91 - 120 days	101 085	100 595
121 - 365 days	3 058 407	2 519 448
	7 870 675	5 829 865
Water		
Current (0 -30 days)	1 563 072	2 207 973
31 - 60 days	273 228	313 605
61 - 90 days	182 221	251 031
91 - 120 days	155 290	144 674
121 - 365 days	4 460 317	2 973 513
	6 634 128	5 890 796
Sewerage		
Current (0 -30 days)	436 853	498 545
31 - 60 days	160 859	175 380
61 - 90 days	86 937	158 589
91 - 120 days	67 219	67 180
121 - 365 days	1 844 971	1 886 309
	2 596 839	2 786 003
Refuse		
Current (0 -30 days)	489 114	430 960
31 - 60 days	137 804	193 758
61 - 90 days	88 051	176 177
91 - 120 days	70 116	61 528
121 - 365 days	1 119 682	1 162 542
	1 904 767	2 024 965

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
7. Consumer debtors (exchange transactions) (continued)		
Sundry debtors		
Current (0 -30 days)	10 549 420	1 212 039
31 - 60 days	426 752	359 958
61 - 90 days	325 704	362 945
91 - 120 days	376 267	291 557
121 - 365 days	2 077 093	11 451 924
	13 755 236	13 678 423
Housing rental		
121 - 365 days	-	1 122
> 365 days	970	-
	970	1 122

Component A: Capital Budget

Figure / Table 5.5: Capital expenditure by Vote, standard classification and source of funding

Nketoana Local Municipality
Nketoana Local Municipality
Appendix B

Analysis of property, plant and equipment as at 30 June 2015
Cost/Revaluation **Accumulated depreciation**

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Land and buildings														
Land (Separate for AFS purposes)	101 392 409	-	-	-	-	-	101 392 409	-	-	-	-	-	-	101 392 409
Landfill Sites (Separate for AFS purposes)	9 556 865	4 924	(646 421)	9 002 750	-	-	17 918 118	-	-	-	(1 203 693)	-	(1 203 693)	16 714 425
Buildings (Separate for AFS purposes)	40 962 250	-	-	-	-	-	40 962 250	(6 828 647)	-	-	(1 365 468)	-	(8 194 115)	32 788 135
	151 911 524	4 924	(646 421)	9 002 750	-	-	160 272 777	(6 828 647)	-	-	(2 569 161)	-	(9 397 808)	150 874 969
Infrastructure														
Roads, Pavements & Bridges	865 587 163	-	-	13 759 735	-	-	679 346 898	(446 809 902)	-	-	(45 323 586)	-	(492 133 488)	187 213 410
Transmission & Reticulation	31 407 358	-	-	4 649 123	-	-	36 056 479	(12 497 164)	-	-	(1 816 025)	-	(14 313 189)	21 743 290
Water purification	109 643 170	-	-	25 767 231	-	-	135 410 401	(48 739 875)	-	-	(7 096 498)	-	(55 836 373)	79 574 028
Sewerage purification	143 133 601	-	-	-	-	-	143 133 601	(89 549 666)	-	-	(7 179 422)	-	(96 729 088)	46 404 513
Work-in-progress	74 037 932	49 275 299	-	(53 178 839)	-	-	70 134 392	-	-	-	-	-	-	70 134 392
	1 023 809 222	49 275 299	-	(9 002 750)	-	-	1 064 081 771	(597 596 607)	-	-	(61 415 531)	-	(659 012 138)	405 069 633
Community Assets														
Other	16 972 994	-	-	-	-	-	16 972 994	(4 429 601)	-	-	(999 919)	-	(5 429 520)	11 543 474
	16 972 994	-	-	-	-	-	16 972 994	(4 429 601)	-	-	(999 919)	-	(5 429 520)	11 543 474

Component B: Cash Flow Management and Investments

5.5 Cash flows

Figure / Table 5.6: Cash flows

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Cash Flow Statement

Figures in Rand	Note(s)	2015	2014 Restated*
Cash flows from operating activities			
Receipts			
Taxation		13 777 185	15 953 565
Sale of goods and services		55 371 470	44 968 465
Grants		136 050 040	126 967 948
Interest income		583 166	411 307
		205 781 861	188 301 285
Payments			
Employee costs		(81 067 609)	(72 650 070)
Suppliers		(62 905 816)	(44 883 044)
Finance costs		(7 763 948)	(2 917 794)
		(151 737 373)	(120 450 908)
Net cash flows from operating activities	44	54 044 488	67 850 377
Cash flows from investing activities			
Purchase of property, plant and equipment	11	(50 337 979)	(60 376 968)
Proceeds from sale of property, plant and equipment	11	36 425	654 736
Purchase of other intangible assets	12	(19 666)	-
Proceeds from sale of financial assets		306 724	(169 600)
Net cash flows from investing activities		(50 014 496)	(59 891 832)
Cash flows from financing activities			
Repayment of other financial liabilities		(1 348 909)	(1 062 377)
Net cash flows from financing activities		(1 348 909)	(1 062 377)
Net increase/(decrease) in cash and cash equivalents		2 681 083	6 896 168
Cash and cash equivalents at the beginning of the year		(881 306)	(7 777 474)
Cash and cash equivalents at the end of the year	8	1 799 777	(881 306)

5.6 Investments

Figure / Table 5.7: Investments

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
44. Cash generated from operations		
Deficit	(40 412 333)	(75 463 936)
Adjustments for:		
Depreciation and amortisation	67 572 300	64 210 796
Loss on sale of assets and liabilities	(36 425)	(654 736)
Gain on discontinued operations	-	654 736
Fair value adjustments	(57 861)	(129 872)
Debt impairment	67 102 428	95 804 025
Movements in retirement benefit assets and liabilities	(268 000)	1 377 000
Movements in provisions	(300 463)	(225 624)
Other non-cash items	-	(9 805 449)
Changes in working capital:		
Inventories	189 858	(184 561)
Receivables from exchange transactions	(7 768 243)	3 162 986
Consumer debtors	(69 653 868)	(67 067 696)
Other receivables from non-exchange transactions	(2 112 697)	(570 655)
Payables from exchange transactions	39 838 222	59 926 909
VAT	2 486 141	(1 396 610)
Unspent conditional grants and receipts	(2 588 480)	(1 809 717)
Consumer deposits	53 909	22 781
	54 044 488	67 850 377

5.7 Borrowing

Figure / Table 5.8: Borrowing

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
15. Other financial liabilities		
At amortised cost		
Bank loan	6 889 142	7 409 479
The Development Bank of Southern Africa Limited		
Bank loan	1 153 659	1 226 951
The Development Bank of Southern Africa Limited		
Other loan	1 925 549	2 680 830
Grainfield Chickens Proprietary Limited		
	9 968 350	11 317 260
Total other financial liabilities	9 968 350	11 317 260
Non-current liabilities		
At amortised cost	8 569 848	10 410 778
Current liabilities		
At amortised cost	1 398 503	906 482

Component C: Disclosure of Staff Remuneration

Figure / Table 5.9: Disclosure of staff remuneration

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
31. Employee related costs		
Basic	48 212 499	44 048 615
Bonus	3 498 890	3 263 459
Medical aid - company contributions	2 097 075	2 208 898
UIF	477 512	441 921
WCA	146 852	175 696
SDL	755 743	575 910
Leave pay and bonus provision	195 232	1 287 901
SALGA contributions	33 819	30 211
Defined contribution plans	267 000	1 274 995
Travel, car, accommodation, subsistence and other allowances	2 422 581	2 237 871
Overtime payments	4 476 539	3 203 466
Acting allowances	473 715	369 130
Housing benefits and allowances	406 791	250 740
Pension	8 488 641	7 544 944
Standby allowances	1 437 284	1 019 682
Telephone and other allowances	732 442	714 417
	74 122 615	68 647 856

The leave pay and bonus provision amounting to R 195 232 (2014: R 1 287 901) comprises of the movements in the leave and bonus provisions year on year. Please refer to note 16 for more detail on these provisions.

Remuneration of Executive Directors

Remuneration of Municipal Manager

Annual remuneration	776 065	766 081
Car allowance	-	201 801
Bonus	-	63 667
Other allowances	280 200	68 530
Contributions to UIF, medical and pension funds	33 300	112 659
	1 089 565	1 212 738

Remuneration of Acting Chief Financial Officer

Annual remuneration	279 789	261 998
Acting allowance	89 340	111 315
Bonus	-	27 073
Other allowances	-	134 521
Contributions to UIF, medical and pension funds	101 204	92 270
	470 333	627 177

Remuneration of Chief Financial Officer

Annual remuneration	579 347	386 231
Bonus	-	14 556
Other allowances	109 950	156 701
Contributions to UIF, medical and pension funds	14 578	6 086
	703 875	563 574

Remuneration of Director - Corporate Services

Annual remuneration	730 826	714 950
Bonus	-	42 000
Other allowances	66 229	63 596
Backpay	-	22 344
Contributions to UIF, medical and pension funds	4 256	10 104
	801 311	852 994

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
31. Employee related costs (continued)		
Remuneration of Director - Technical Services		
Annual remuneration	593 550	605 134
Car allowance	-	194 313
Bonus	-	44 000
Other allowances	268 905	48 000
	862 455	891 447
Remuneration of Director - Community Services		
Annual remuneration	687 626	711 259
Car allowance	-	76 887
Bonus	-	24 000
Other allowances	104 430	34 400
Contributions to UIF, medical and pension funds	1 785	-
	793 841	846 546
32. Remuneration of councillors		
Salaries	4 934 816	3 882 265
UIF and other contributions	497 886	343 263
Bonuses	31 485	20 380
Car and other allowances	1 212 806	1 133 306
	6 676 993	5 379 214
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 and Speaker have the use of Council owned vehicles for official duties.		
The Mayor and Speaker have the use of Council owned laptops and tablets.		
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.		
Mayor	697 698	709 735
Executive Committee	1 362 972	1 289 934
Councillors	3 079 506	2 806 332
Speaker	578 333	573 214
	5 718 509	5 379 215
33. Depreciation and amortisation		
Property, plant and equipment	67 403 808	64 051 907
Investment property	146 667	146 590
Intangible assets	21 826	12 298
	67 572 301	64 210 795
34. Finance costs		
Non-current borrowings	850 152	1 032 569
Trade and other payables	6 572 762	1 885 225
Other interest paid	341 034	-
	7 763 948	2 917 794