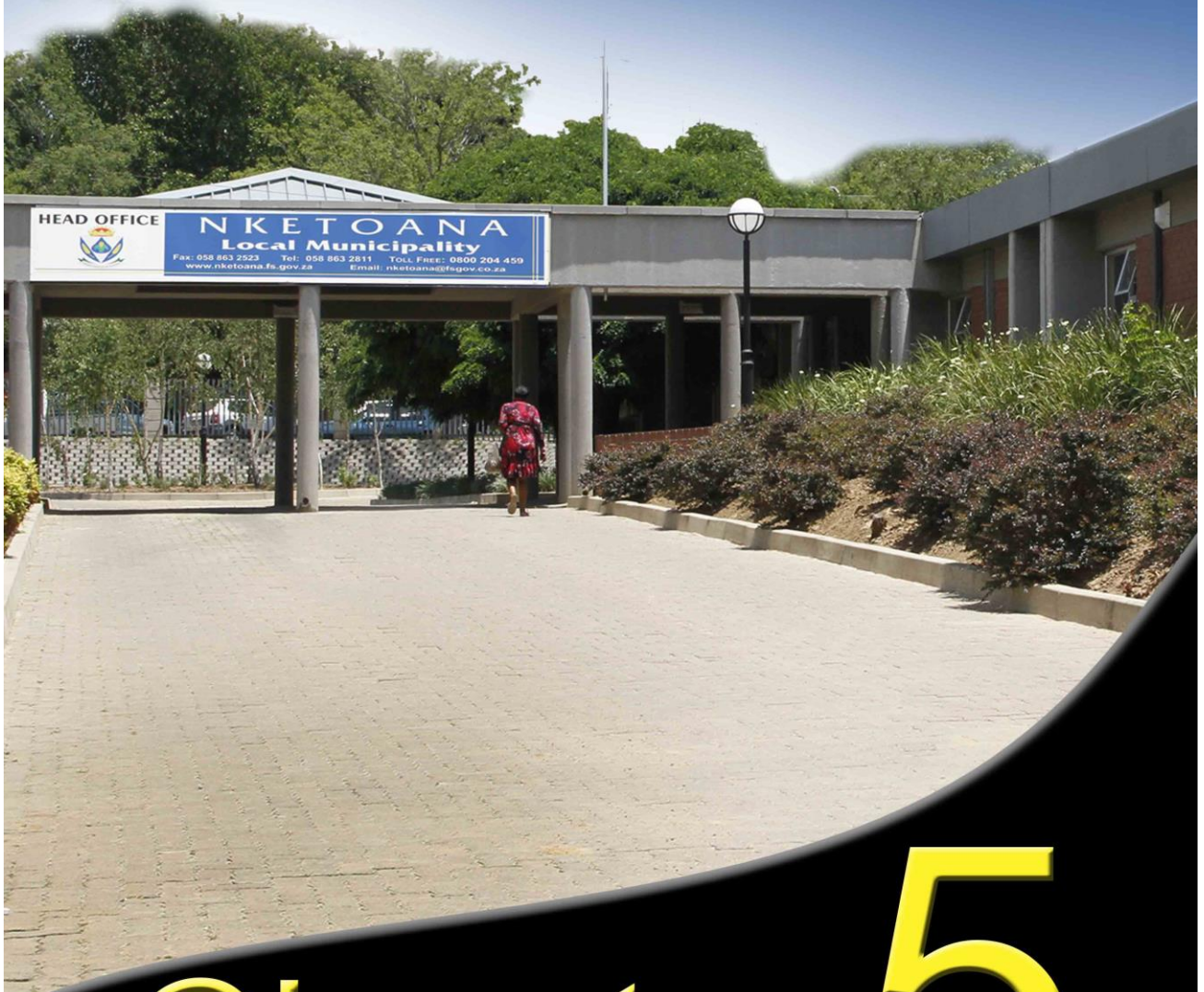


Financial Performance



Chapter 5

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 2016

Statement of Financial Performance

Figures in Rand	Note(s)	2016	2015 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	26	128 350 794	111 255 685
Rental of facilities and equipment	27	331 864	356 580
Interest received (trading)	28	24 391 914	20 201 160
Other income	29	1 475 690	1 073 811
Interest received - investment	30	1 101 572	583 166
Total revenue from exchange transactions		155 651 834	133 470 402
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	31	16 612 976	15 835 059
Transfer revenue			
Government grants & subsidies	32	145 433 408	145 035 655
Public contributions and donations	33	8 942 783	4 299 995
Fines	34	216 310	205 404
Total revenue from non-exchange transactions		171 205 477	165 376 113
Total revenue		326 857 311	298 846 515
Expenditure			
Employee related costs	35	(80 810 390)	(74 798 709)
Remuneration of councillors	36	(6 891 541)	(6 676 993)
Depreciation and amortisation	37	(58 502 541)	(57 015 081)
Finance costs	38	(10 202 243)	(8 338 647)
Lease rentals on operating lease	39	(5 547 174)	(4 686 484)
Debt Impairment	40	(83 419 298)	(108 567 852)
Repairs and maintenance	41	(18 427 332)	(15 404 523)
Bulk purchases	42	(43 817 910)	(38 934 748)
Contracted services	43	(11 399 862)	(10 758 689)
General Expenses	44	(49 138 817)	(37 729 201)
Total expenditure		(368 157 108)	(362 910 927)
Operating deficit		(41 299 797)	(64 064 412)
Gain on disposal of assets and liabilities	45	-	36 425
Fair value adjustments	46	(25 963)	57 861
Actuarial gains/losses	22	61 000	708 000
		35 037	802 286
Deficit for the year		(41 264 760)	(63 262 126)

Figure / Table 5.2: Statement of Financial Position

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Statement of Financial Position as at 30 June 2016

Figures in Rand	Note(s)	2016	2015 Restated*
Assets			
Current Assets			
Inventories	4	608 278	586 686
Receivables from exchange transactions	5	-	-
Receivables from non-exchange transactions	6	2 119 152	1 953 845
VAT receivable	7	1 763 881	1 763 881
Consumer debtors	8	17 708 530	15 822 490
Cash and cash equivalents	9	3 104 182	2 908 446
		25 304 023	23 035 348
Non-Current Assets			
Biological assets that form part of an agricultural activity	10	24 513	50 476
Investment property	11	13 877 904	13 877 904
Property, plant and equipment	12	1 004 970 006	1 004 475 920
Intangible assets	13	65 598	72 705
Heritage assets	14	529 800	529 800
Other financial assets	15	4 587 776	4 305 805
Long-term deposit	16	2 018 500	2 018 500
		1 026 074 097	1 025 331 110
Total Assets		1 051 378 120	1 048 366 458
Liabilities			
Current Liabilities			
Other financial liabilities	17	1 349 442	1 398 503
Finance lease obligation	18	181 599	-
Payables from exchange transactions	19	163 779 083	113 956 319
VAT payable	20	13 545 356	18 376 667
Consumer deposits	21	1 348 785	1 305 253
Employee benefit obligation	22	422 000	550 000
Unspent conditional grants and receipts	23	92 019	1 091 381
Cash and cash equivalents	9	577 159	1 198 016
		181 295 443	137 876 139
Non-Current Liabilities			
Other financial liabilities	17	7 806 024	8 569 848
Finance lease obligation	18	467 740	-
Employee benefit obligation	22	11 033 000	10 619 000
Provisions	24	8 109 003	7 369 811
		27 415 767	26 558 659
Total Liabilities		208 711 210	164 434 798
Net Assets		842 666 910	883 931 660
Accumulated surplus	25	842 666 910	883 931 660

Figure / Table 5.3: Statement of changes in assets

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	533 187 222	533 187 222
Adjustments		
Correction of errors	414 006 564	414 006 564
Balance at 01 July 2014 as restated*	947 193 786	947 193 786
Changes in net assets		
Deficit for the year	(63 262 126)	(63 262 126)
Total changes	(63 262 126)	(63 262 126)
Opening balance as previously reported	492 774 890	492 774 890
Adjustments		
Correction of errors	391 156 780	391 156 780
Restated* Balance at 01 July 2015 as restated*	883 931 670	883 931 670
Changes in net assets		
Deficit for the year	(41 264 760)	(41 264 760)
Total changes	(41 264 760)	(41 264 760)
Balance at 30 June 2016	842 666 910	842 666 910

5.2 Grants

Figure / Table 5.4: Grants

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand	2016	2015
23. Unspent conditional grants and receipts		
Unspent conditional grants and receipts comprises of:		
Unspent conditional grants and receipts		
Municipal Finance Management Grant	92 019	544 100
Intergrated National Electrification Programme Grant	-	499 281
Expanded Public Works Programme Grant	-	48 000
	92 019	1 091 381
Movement during the year		
Balance at the beginning of the year	1 091 381	3 679 861
Additions during the year	64 824 046	66 406 378
Income recognition during the year	(65 823 408)	(68 994 858)
	92 019	1 091 381

5.3 Assets

Figure / Table 5.5: Assets

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Statement of Financial Position as at 30 June 2016

Figures in Rand	Note(s)	2016	2015 Restated*
Assets			
Current Assets			
Inventories	4	608 278	586 686
Receivables from exchange transactions	5	-	-
Receivables from non-exchange transactions	6	2 119 152	1 953 845
VAT receivable	7	1 763 881	1 763 881
Consumer debtors	8	17 708 530	15 822 490
Cash and cash equivalents	9	3 104 182	2 908 446
		25 304 023	23 035 348
Non-Current Assets			
Biological assets that form part of an agricultural activity	10	24 513	50 476
Investment property	11	13 877 904	13 877 904
Property, plant and equipment	12	1 004 970 006	1 004 475 920
Intangible assets	13	65 598	72 705
Heritage assets	14	529 800	529 800
Other financial assets	15	4 587 776	4 305 805
Long-term deposit	16	2 018 500	2 018 500
		1 026 074 097	1 025 331 110
Total Assets		1 051 378 120	1 048 366 458

5.4 Basic Service Delivery

Figure / Table 5.6: Basic Service Delivery

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand	2016	2015
8. Consumer debtors (exchange transactions)		
Gross balances		
Electricity	10 729 772	10 372 710
Water	79 308 078	60 411 229
Sewerage	44 093 387	36 504 198
Refuse	49 345 310	41 088 295
Sundry debtors	133 105 777	109 718 275
Housing rental	340 967	376 781
	316 923 291	258 471 488
Less: Allowance for impairment		
Electricity	(5 758 601)	(4 553 081)
Water	(73 970 239)	(56 171 680)
Sewerage	(42 287 525)	(35 362 578)
Refuse	(47 914 863)	(39 919 782)
Sundry debtors	(128 942 886)	(106 265 358)
Housing rental	(340 647)	(376 519)
	(299 214 761)	(242 648 998)
Net balance		
Electricity	4 971 171	5 819 629
Water	5 337 839	4 239 549
Sewerage	1 805 862	1 141 620
Refuse	1 430 447	1 168 513
Sundry debtors	4 162 891	3 452 917
Housing rental	320	262
	17 708 530	15 822 490
Electricity		
Current (0 -30 days)	3 923 308	5 299 362
31 - 60 days	376 933	258 518
61 - 90 days	281 625	131 101
91 - 120 days	234 431	106 752
121 - 365 days	154 874	23 896
	4 971 171	5 819 629
Water		
Current (0 -30 days)	3 004 638	2 490 670
31 - 60 days	255 394	273 228
61 - 90 days	208 693	182 221
91 - 120 days	168 516	155 290
121 - 365 days	187 166	132 907
> 365 days	1 513 432	1 005 233
	5 337 839	4 239 549
Sewerage		
Current (0 -30 days)	589 345	325 060
31 - 60 days	156 591	160 859
61 - 90 days	130 065	86 937
91 - 120 days	77 940	67 219
121 - 365 days	67 238	58 166
> 365 days	784 683	443 379
	1 805 862	1 141 620

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand	2016	2015
8. Consumer debtors (exchange transactions) (continued)		
Refuse		
Current (0 -30 days)	340 328	320 544
31 - 60 days	131 109	137 804
61 - 90 days	108 934	88 050
91 - 120 days	80 730	70 116
121 - 365 days	71 183	60 443
> 365 days	698 163	491 556
	1 430 447	1 168 513
8. Consumer debtors (exchange transactions) (continued)		
Sundry debtors		
Current (0 -30 days)	1 556 905	985 997
31 - 60 days	446 582	400 269
61 - 90 days	430 416	320 603
91 - 120 days	383 191	370 600
121 - 365 days	398 181	415 916
> 365 days	947 616	959 532
	4 162 891	3 452 917
Housing rental		
> 365 days	320	262

Component A: Capital Budget

Figure / Table 5.7: Capital expenditure by Vote, standard classification and source of funding

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand	2016	2015
49. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
• Property, plant and equipment - infrastructure	71 428 554	52 371 281
Not yet contracted for and authorised by accounting officer		
• Property, plant and equipment - infrastructure	25 899 000	57 873 000
Total capital commitments		
Already contracted for but not provided for	71 428 554	52 371 281
Not yet contracted for and authorised by accounting officer	25 899 000	57 873 000
	97 327 554	110 244 281
Authorised operational expenditure		
Already contracted for but not provided for		
• Expenditure	63 578 434	70 409 857
Not yet contracted for and authorised by accounting officer		
• Expenditure	60 126 818	15 592 491
Total operational commitments		
Already contracted for but not provided for	63 578 434	70 409 857
Not yet contracted for and authorised by accounting officer	60 126 818	15 592 491
	123 705 252	86 002 348
Total commitments		
Total commitments		
Authorised capital expenditure	97 327 554	110 244 281
Authorised operational expenditure	123 705 252	86 002 348
	221 032 806	196 246 629
Operating leases - as lessee (expense)		
Minimum lease payments due		
- within one year	-	1 547 105
Operating leases - as lessor (income)		
Minimum lease payments due		
- within one year	71 826	142 479
- in second to fifth year inclusive	139 994	218 958
- later than five years	128 328	170 135
	340 148	531 572

Certain of the municipality's equipment is held to generate rental income. There are no contingent rents receivable.

12. Property, plant and equipment

	2016			2015		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	17 838 185	-	17 838 185	17 838 185	-	17 838 185
Buildings	223 933 949	(111 575 446)	112 358 503	210 660 859	(106 058 821)	104 602 038
Infrastructure	1 472 840 952	(766 095 135)	706 745 817	1 453 939 129	(715 568 439)	738 370 690
Other property, plant and equipment	16 675 764	(8 237 714)	8 438 050	16 898 707	(6 976 439)	9 922 268
Landfill sites	21 868 937	(1 763 924)	20 105 013	21 868 937	(1 118 196)	20 750 741
Leased assets	649 339	(17 197)	632 142	-	-	-
Work-in-progress	138 852 296	-	138 852 296	112 991 998	-	112 991 998
Total	1 892 659 422	(887 689 416)	1 004 970 006	1 834 197 815	(829 721 895)	1 004 475 920

Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Land	17 838 185	-	-	-	-	17 838 185
Buildings	104 602 038	-	-	13 273 090	(5 516 625)	112 358 503
Infrastructure	738 370 690	-	-	18 901 824	(50 526 697)	706 745 817
Other property, plant and equipment	9 922 268	864 458	(587 073)	-	(1 761 603)	8 438 050
Landfill sites	20 750 741	-	-	-	(645 728)	20 105 013
Leased assets	-	649 339	-	-	(17 197)	632 142
Work-in-progress	112 991 998	58 035 212	-	(32 174 914)	-	138 852 296
	1 004 475 920	59 549 009	(587 073)	-	(58 467 850)	1 004 970 006

Reconciliation of property, plant and equipment - 2015

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Land	17 838 185	-	-	-	-	17 838 185
Buildings	110 009 131	-	-	-	(5 407 093)	104 602 038
Infrastructure	763 355 856	-	-	24 444 420	(49 429 586)	738 370 690
Other property, plant and equipment	10 068 953	1 402 635	-	-	(1 549 320)	9 922 268
Landfill sites	6 599 468	-	-	14 751 509	(600 236)	20 750 741
Work-in-progress	108 012 267	44 175 660	-	(39 195 929)	-	112 991 998
	1 015 883 860	45 578 295	-	-	(56 986 235)	1 004 475 920

Component B: Cash Flow Management and Investments

5.5 Cash flows

Figure / Table 5.8: Cash flows

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Cash Flow Statement

Figures in Rand	Note(s)	2016	2015 Restated*
Cash flows from operating activities			
Receipts			
Taxation		16 673 984	15 835 059
Sale of goods and services		69 183 916	54 705 719
Grants		153 427 832	139 771 682
Interest income		1 101 572	583 166
		240 387 304	210 895 626
Payments			
Employee costs		(87 354 931)	(81 031 940)
Suppliers		(82 578 504)	(72 329 583)
Finance costs		(10 202 243)	(8 338 647)
		(180 135 678)	(161 700 170)
Net cash flows from operating activities	48	60 251 626	49 195 456
Cash flows from investing activities			
Purchase of property, plant and equipment	12	(59 549 009)	(45 578 295)
Proceeds from sale of property, plant and equipment	12	587 073	36 425
Purchase of other intangible assets	13	(27 582)	(19 666)
Movement in financial assets		(281 971)	306 724
Net cash flows from investing activities		(59 271 489)	(45 254 812)
Cash flows from financing activities			
Repayment of other financial liabilities		(812 885)	(1 348 909)
Movement in finance lease liability		649 339	-
Net cash flows from financing activities		(163 546)	(1 348 909)
Net increase/(decrease) in cash and cash equivalents		816 591	2 591 735
Cash and cash equivalents at the beginning of the year		1 710 430	(881 306)
Cash and cash equivalents at the end of the year	9	2 527 021	1 710 429

5.6 Investments

Figure / Table 5.9: Investments

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand	2016		2015			
11. Investment property						
	2016		2015			
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	13 877 904	-	13 877 904	13 877 904	-	13 877 904
Reconciliation of investment property - 2016						
		Opening balance	Additions	Disposals	Total	
Investment property		13 877 904	-	-	13 877 904	
Reconciliation of investment property - 2015						
		Opening balance	Additions	Disposals	Total	
Investment property		13 877 904	-	-	13 877 904	
30. Investment revenue						
Interest revenue						
Bank				1 100 347		583 166
Interest received - other				1 225		-
				1 101 572		583 166

5.7 Borrowing

Figure / Table 5.10: Borrowing

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand	2016	2015
17. Other financial liabilities		
At amortised cost		
Bank loan The Development Bank of Southern Africa Limited	7 231 214	6 889 142
Bank loan The Development Bank of Southern Africa Limited	1 222 090	1 153 659
Other loan Grainfield Chickens Proprietary Limited	702 162	1 925 550
	9 155 466	9 968 351
Total other financial liabilities	9 155 466	9 968 351
Development Bank of South Africa		
Loan 1		
The original loan amount was R 9,600,000 repayable over a 20 year period with a redemption date of 31 December 2024.		
Loan 2		
The original loan amount was R 1,600,000 repayable over a 20 year period with a redemption date of 31 December 2024.		
Grainfield Chickens		
Interest charged is linked to the prime interest rate. Monthly municipal fees are deducted as repayments on the loan.		
In 2015/2016 all repayments on the DBSA loans were not made as per loan agreement. The default was not remedied and the terms were not renegotiated before the financial statements were authorized for issue.		
Non-current liabilities		
At amortised cost	7 806 024	8 569 848
Current liabilities		
At amortised cost	1 349 442	1 398 503

Component C: Disclosure of Staff Remuneration

Figure / Table 5.11: Disclosure of staff remuneration

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand	2016	2015
35. Employee related costs		
Basic	51 703 164	48 176 825
Bonus	3 317 436	3 498 891
Medical aid - company contributions	1 973 601	2 097 075
UIF	543 300	477 511
WCA	139 326	146 853
SDL	711 289	755 745
Leave pay and bonus provision	373 817	195 232
SALGA contributions	39 652	33 820
Defined contribution plans	996 000	975 000
Travel, car, accommodation, subsistence and other allowances	2 815 066	2 422 583
Overtime payments	5 260 317	4 476 540
Acting allowances	1 395 940	473 715
Housing benefits and allowances	419 862	406 791
Pension	8 668 340	8 488 640
Standby allowances	1 677 552	1 437 283
Telephone and other allowances	775 728	736 205
	80 810 390	74 798 709

The leave pay and bonus provision amounting to R 373 817 (2015: R 195 232) comprises of the movements in the leave and bonus provisions year on year. Please refer to note 19 for more detail on these provisions.

Remuneration of Executive Directors

Remuneration of Accounting Officer

Annual remuneration	851 970	776 065
Car allowance	192 000	-
Bonus	89 000	-
Other allowances	130 651	280 200
Contributions to UIF, medical and pension funds	255 487	33 300
	1 519 108	1 089 565

Remuneration of Acting Chief Financial Officer

Annual remuneration	299 374	279 789
Acting allowance	283 265	89 340
Car allowance	130 662	-
Bonus	24 948	-
Other allowances	19 378	-
Contributions to UIF, medical and pension funds	160 942	101 204
	918 569	470 333

Remuneration of Executive Director - Corporate Services

Annual remuneration	858 545	730 826
Acting allowance	15 600	-
Car allowance	36 000	-
Bonus	52 500	-
Other allowances	122 312	66 229
Contributions to UIF, medical and pension funds	-	4 256
	1 084 957	801 311

Remuneration of Executive Director - Technical Services

Annual remuneration	682 669	593 550
Car allowance	133 333	-
Bonus	49 462	-
Other allowances	122 663	268 905
Contributions to UIF, medical and pension funds	3 569	-

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand	2016	2015
35. Employee related costs (continued)	991 696	862 455
Remuneration of Executive Director - Community Services		
Annual remuneration	830 770	687 626
Car allowance	79 000	-
Bonus	48 000	-
Other allowances	33 400	104 430
Contributions to UIF, medical and pension funds	35 296	1 785
	1 026 466	793 841
36. Remuneration of councillors		
Salaries	5 046 528	4 934 816
Mayor	579 501	497 886
Bonuses	33 689	31 485
Car and other allowances	1 231 823	1 212 806
	6 891 541	6 676 993
In-kind benefits		
The Mayor and Speaker are full-time employees of the Municipality. 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	778 880	697 698
Executive Committee	1 413 860	1 362 972
Councillors	3 037 721	3 079 506
Speaker	630 608	578 333
	5 861 069	5 718 509