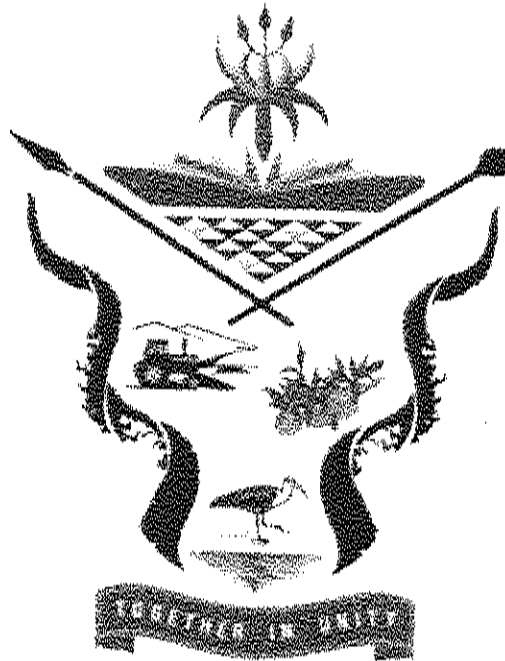


NKUBA

MUNICIPALITY



Annual Financial Statements

For the year ended

30 June 2010

Annual Financial Statements

for

NXUBA MUNICIPALITY

for the year ended 30 June: 2010

Province:

EASTERN CAPE

Contact Information:	
Name of Municipal Manager:	Mr. M Bongco
Name of Chief Financial Officer:	Ms. L Ngeno
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Name of relevant Auditor:	Auditor General
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NXUBA MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2010

General information (continued)

Registered Office:	1 Adelaide Market Square 5760
Physical address:	1 Adelaide Market Square 5760
Postal address:	Private Bag x 350 Adelaide 5760
Telephone number:	046 684 0034
Fax number:	046 684 1931
E-mail address:	Receivables@nxuba.org.za

NXUBA MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2010

Approval of annual financial statements

I am responsible for the preparation of these annual financial statements, which are set out on pages 6 to 46, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality. I certify that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in note 24 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.



Municipal Manager:

Date 08-12-2010

**NXUBA MUNICIPALITY
CHIEF FINANCIAL OFFICER'S REPORT
as at 30 June 2010**

BACKGROUND

- i) Nxuba Municipality is a grade two municipality that is made up of two towns, Adelaide and Bedford.
- ii) The area comprises of a population of +/- 25,000 per 2001 census of which 80% is unemployed and regarded as indigent
- iii) The only area of employment which is agricultural farming has been negatively affected by the drought that caused an increase in unemployment rate.

FINANCIAL ANALYSIS

	08/09	09/10	Variance	Comment
Salaries, Wages	13,878,336	16,395,197	19%	Annual increase
Allowances	949,091	1,064,382	12%	Upper limit
Repairs and maintenance	260,275	309,424	19%	Asset ageing
General expenses	4,903,328	7,708,835	57%	
Property rates	3,584,176	2,579,359	-28%	Reduction of the tariff from 0.0198 to 0.005 and the new valuation roll
Income	30,169,665	48,660,577	61%	Tariff increase and collection rate due to credit control policy implementation.

	Budget	09/10	Variance	Comment
Salaries, Wages	14,969,902	16,395,197	10%	Resignations and retirements
Allowances	1,836,855	1,064,382	-42%	Overestimation of upper limit
Repairs and maintenance	1,272,219	309,424	-76%	Expenditure cut due to financial constraints
General expenses	18,749,351	7,708,835	-59%	Expenditure cut due to financial constraints
Property rates	2,767,152	2,579,359	-6%	by the drought as the main source of employment in the area is agricultural farming.
Income	43,957,327	48,660,577	11%	Tariff increase and collection rate due to credit control policy implementation.

CHALLENGES

- i) Inability of the municipality to collect revenue as expected due to high unemployment rate
- ii) Inability to pay long outstanding creditors due to cash flow problems.
- iii) Electricity losses due to dilapidated infrastructure, tempering and faulty meters.
- iv) Inability to attract and retain competent and capacitated personnel due to size of the municipality.

CONCLUSION

This is to express my word of gratitude towards the support offered through the year by the Mayor, Portfolio Head of Finance, Councilors, Municipal Manager, Head of departments and the entire staff not to mention the BTO staff for the hard work.



Chief Financial Officer

DB - 12-2010

Date

NXUBA MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2010

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NXUBA MUNICIPALITY
STATEMENT OF FINANCIAL POSITION
as at 30 June 2010

	Note	2010	2009
ASSETS			
Current assets		21,576,385	18,838,305
Cash and cash equivalents	1	699,205	166,202
Trade receivables from exchange transactions	2	1,331,093	585,635
Trade receivables from non-exchange transactions	2	1,397,052	842,481
Other receivables	3	41,091	1,145
Inventories	4	14,787,487	14,787,487
Call investments	5	3,320,457	1,771,299
VAT receivable	12	-	684,056
Non-current assets		35,609,343	32,263,752
Investments - securities	6	47,498	39,400
Property, plant and equipment	7	35,182,966	31,860,736
Intangible assets	8	19,277	4,014
Investment property carried at cost	9	359,602	359,602
Total assets		57,185,728	51,102,057
LIABILITIES			
Current liabilities		13,737,694	9,527,941
Trade and other payables	10	8,446,884	3,700,122
Consumer deposits	11	347,083	341,798
VAT payable	12	294,259	-
Leave accrual	13	1,020,379	902,648
Bank overdraft	1	610,328	2,538,061
Current portion of unspent conditional grants and receipts	14	2,980,950	1,991,077
Operating lease liability	15	57,811	54,235
Non-current liabilities		-	-
Total liabilities		13,737,694	9,527,941
Net assets		43,448,034	41,574,116
NET ASSETS			
Accumulated surplus / (deficit)		43,448,035	41,574,116
Total net assets		43,448,035	41,574,116

NXUBA MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE
for the year ending 30 June 2010

	Note	2010	2009
REVENUE			
Revenue from non-exchange transactions		26,575,279	20,541,834
Property rates	16	2,579,359	3,584,176
Fines		5,640	-
Government grants and subsidies	21	23,990,280	16,956,658
Revenue from exchange transactions		22,085,299	9,628,630
Service charges	17	16,134,525	8,201,749
Rental of facilities and equipment	18	114,878	30,529
Interest earned - external investments	19	56,587	87,357
Interest earned - outstanding receivables	20	3,550,546	1,001,017
Licences and permits		1,331,332	-
Other income	22	897,431	307,978
Total revenue		48,660,578	30,169,664
EXPENDITURE			
Employee related costs	23	16,395,197	13,878,336
Remuneration of councillors	24	1,064,382	949,091
Bad debts	25	6,232,510	9,358,440
Repairs and maintenance		309,424	260,275
Bulk purchases	26	10,140,478	7,581,878
Contracted services	27	81,158	243,374
Grants and subsidies paid	28	4,233,107	1,169,407
General expenses	29	8,330,402	4,903,328
Total expenditure		46,786,658	38,344,129
Surplus / (deficit) for the year		1,873,920	(8,174,465)

NXUBA MUNICIPALITY
STATEMENT OF CHANGES IN NET ASSETS
as at 30 June 2010

	Note	Accumulated Surplus/(Deficit)	Total: Net Assets
Opening balance as previously reported as at 30 June 2008		(4,603,544)	(4,603,544)
Change in accounting policy	32	50,465,070	50,465,070
Prior year adjustments - Transfer of water account to ADM district		3,887,055	3,887,055
Restated opening balance 2009		49,748,581	49,748,581
Surplus / (deficit) for the year		(8,174,465)	(8,174,465)
Balance at 30 J2009		41,574,116	41,574,116
Surplus / (deficit) for the year		1,873,920	1,873,920
Balance at 30 J2010		43,448,036	43,448,036

NXUBA MUNICIPALITY
CASH FLOW STATEMENT
as at 30 June 2010

	Note	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES			
Surplus/(Deficit) for the year		1,873,920	(8,174,465)
Adjustments for :			
Staff leave accrual		117,731	(59,040)
Write off of assets		621,567	-
Operating cash flow before changes in net operating assets		2,613,218	(8,233,505)
Increase/(Decrease) in payables		4,746,762	3,954,009
Increase/ (Decrease) Consumer Deposits		5,286	4,501
Increase/ (Decrease) Vat Payable		294,259	1,046,484
(Increase)/Decrease in other current assets		(39,947)	2,079
(Increase)/Decrease Vat Receivable		684,056	-
(Increase)/Decrease in receivables		(1,300,029)	7,627,203
Increase in Operating lease liability		3,575	54,235
Net cash flow from operating activities	30	7,007,180	4,455,006
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of Property, plant and equipment		(3,943,797)	(5,608,778)
Purchase of Intangible assets		(15,263)	-
Fixed investments		(8,098)	-
Net cash flows from investing activities		(3,967,158)	(5,608,778)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in Bank Overdraft		-	2,202,498
Decrease / Repayment of Bank Overdraft		(1,927,734)	-
Increase in Unspent conditional Grants		969,873	195,674
Net cash flows from financing activities		(957,861)	2,398,172
Net increase / (decrease) in net cash and cash equivalents		2,082,161	1,244,400
Net cash and cash equivalents at beginning of period		166,202	374,667
(Increase)/Decrease in call investment		(1,549,158)	(1,452,865)
Net cash and cash equivalents at end of the year		699,205	166,202

NXUBA MUNICIPALITY

ACCOUNTING POLICIES NOTES

as at 30 June 2010

1.1. BASIS OF PREPARATION

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

These annual financial statements have been prepared in accordance with Directive 5 "Determining the GRAP Reporting Framework", issued by the Accounting Standards Board and in a manner required by the MFMA.

The standards are summarised as follows:

No.	Reference	Topic
1	GRAP Framework	Framework for the preparation and presentation of financial
2	GRAP 1	Presentation of financial statements
3	GRAP 2	Cash flow statements
4	GRAP 3	Accounting policies, changes in accounting estimates and errors
5	GRAP 4	The effects of changes in foreign exchange rates
6	GRAP 5	Borrowing costs
7	GRAP 6	Consolidated and separate financial statements
8	GRAP 7	Investments in associates
9	GRAP 8	Interests in joint ventures
10	GRAP 9	Revenue from exchange transactions
11	GRAP 10	Financial reporting in hyperinflationary economies
12	GRAP 11	Construction contracts
13	GRAP 12	Inventories
14	GRAP 13	Leases
15	GRAP 14	Events after the reporting date
16	GRAP 16	Investment property
17	GRAP 17	Property, plant and equipment
18	GRAP 19	Provisions, contingent liabilities and contingent assets
19	GRAP 100	Non-current assets held for sale and discontinued operations
20	GRAP 101	Agriculture
21	GRAP 102	Intangible assets
22	IFRS 7	Financial instruments: Disclosures
23	IAS 19	Employee benefits
24	IAS 32	Financial instruments: Presentation
25	IAS 39	Financial instruments: Recognition and measurement
26	IPSAS 20	Related party disclosures
27	IPSAS 21	Impairment of non-cash generating assets
28	GAMAP 9.29 - .35 & .39 - .54*	Revenue
29	IGRAP 1**	Applying the probability test on initial recognition of exchange
30	IFRIC 4	Determining whether an Arrangement contains a Lease
31	Directive 1	Repeal of Existing Transitional Provisions in, and Consequential Amendments to, Standards of GRAP
32	Directive 2	Transitional Provisions for the Adoption of Standards of GRAP by Public Entities, Municipal Entities and Constitutional Institutions
33	Directive 3	Transitional Provisions for the Adoption of Standards of GRAP by High Capacity Municipalities
34	Directive 4	Transitional Provisions for the Adoption of Standards of GRAP by Medium and Low Capacity Municipalities
35	Directive 5	Determining the GRAP Reporting Framework
36	ASB guide 1	Guideline on Accounting for Public Private Partnerships

NXUBA MUNICIPALITY

ACCOUNTING POLICIES NOTES

as at 30 June 2010

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

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

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

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant notes to the Financial Statements.

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

GRAP 12 – Inventories;
 GRAP 13 – Leases;
 GRAP 16 – Investment Property;
 GRAP 17 – Property, Plant and Equipment;
 GRAP 19 – Provisions, Contingent Liabilities and Contingent Assets;
 GRAP 100 – Non-current Assets Held for Sale and Discontinued Operations;
 GRAP 102 – Intangible Assets.

1.2. PRESENTATION CURRENCY

Amounts reflected in the financial statements are in South African Rand and at actual values. No financial values are given in an abbreviated display format. No foreign exchange transactions are included in the statements.

1.3. GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on a going concern basis.

1.4. COMPARATIVE INFORMATION

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature and reason for the reclassification is disclosed. Where material accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.5. STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

GRAP 18	Segment Reporting
GRAP 21	Impairment of non-cash-generating assets
GRAP 23	Revenue from Non-Exchange Transactions (Taxes and Transfers)
GRAP 24	Presentation of Budget Information in Financial Statements
GRAP 26	Impairment of cash-generating assets
GRAP 103	Heritage Assets

NXUBA MUNICIPALITY
ACCOUNTING POLICIES NOTES
as at 30 June 2010

1.6. FOREIGN CURRENCY TRANSACTIONS

The Municipality will not incur a foreign currency liability other than that allowed by the MFMA.

1.7. LEASES

1.7.1 Municipality as Lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Transfer of ownership is not required to be recognised as a finance lease. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease.

1.7.2 Municipality as Lessor

Under a finance lease, the municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

1.8. UNSPENT CONDITIONAL GRANTS

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

1.8. PROVISIONS

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resource embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

NXUBA MUNICIPALITY

ACCOUNTING POLICIES NOTES

as at 30 June 2010

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

(a) The municipality has a detailed formal plan for the restructuring identifying at least:

- the business or part of a business concerned;
- the principal locations affected;
- the location, function and approximate number of employees who will be compensated for terminating their services;
- the expenditures that will be undertaken; and
- when the plan will be implemented.

(b) The municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

1.10. EMPLOYEE BENEFITS

(a) Pension obligations

The municipality contributes to the following post retirement funds - Cape Joint Pension fund, Cape Joint Retirement fund, SALA, SAMWU Retirement fund, municipal employee pension fund and councillors pension funds which provides for retirement benefits to its employees.

(b) Accrued Leave Pay

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year end and also on the total remuneration package of the employee.

1.11. PROPERTY, PLANT AND EQUIPMENT

1.11.1 *Initial Recognition*

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the assets 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.

NXUBA MUNICIPALITY

ACCOUNTING POLICIES NOTES

as at 30 June 2010

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

1.11.2 Subsequent Measurement

The municipality is implementing GRAP for the first time and has taken Directive 4 exemption applicable for the first three years of initial adoption of GRAP to Low Capacity Municipalities. The effect of this is that assets are not depreciated or assessed for impairment in the first three years. Progress towards full compliance with the requirement of GRAP 17 will be disclosed in the annual financial statements for the next three years. The municipality is under going process of implementing a full GRAP compliant fixed asset register and it is expected to be finalised by the end of 2010/2011 financial year.

1.11.3 De-recognition

Items of property, plant and equipment are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.12. INTANGIBLE ASSETS

1.12.1 Initial Recognition

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licenses and development costs. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the municipality has the resources to complete the project; and
- it is probable that the municipality will receive future economic benefits or service potential.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

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

1.12.2 Subsequent Measurement

The municipality is implementing GRAP for the first time and has taken Directive 4 exemption applicable for the first three years of initial adoption of GRAP to Low Capacity Municipalities. The effect of this is that assets are not depreciated or assessed for impairment in the first three years. Progress towards full compliance with the requirement of GRAP 17 will be disclosed in the annual financial statements for the next three years. The municipality is under going process of implementing a full GRAP compliant fixed asset register and it is expected to be finalised by the end of 2010/2011 financial year.

NXUBA MUNICIPALITY
ACCOUNTING POLICIES NOTES
as at 30 June 2010

1.13. INVESTMENT PROPERTY

1.13.1 Initial Recognition

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

The cost of self-constructed investment property is the cost at date of completion.

1.13.2 Subsequent Measurement

The municipality is implementing GRAP for the first time and has taken Directive 4 exemption applicable for the first three years of initial adoption of GRAP to Low Capacity Municipalities. The effect of this is that assets are not depreciated or assessed for impairment in the first three years. Progress towards full compliance with the requirement of GRAP 17 will be disclosed in the annual financial statements for the next three years. The municipality is under going process of implementing a full GRAP compliant fixed asset register and it is expected to be finalised by the end of 2010/2011 financial year.

1.13.3 De-recognition

Investment property is derecognised when it is disposed or when there are no further economic benefits expected from the use of the investment property. The gain or loss arising on the disposal or retirement of an item of investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.14. NON-CURRENT ASSETS HELD FOR SALE

1.14.1 Initial Recognition

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

1.14.2 Subsequent Measurement

Non-current assets held for sale (or disposal group) are measured at the lower of carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

NXUBA MUNICIPALITY ACCOUNTING POLICIES NOTES as at 30 June 2010

1.15. CONSTRUCTION CONTRACTS

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 either the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs or surveys of work done or completion of a physical proportion of the contract work.

Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent that contract costs incurred are recoverable. Contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

1.16. INVENTORIES

1.16.1 *Initial Recognition*

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus non-recoverable taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

1.16.2 *Subsequent Measurement*

The municipality has taken the advantage of directive 4 therefore the municipality is not yet required to do subsequent measurement on inventories. The municipality is under going process of implementing a full GRAP compliant inventories and it is expected to be finalised by the end of 2010/2011 financial year.

1.17. FINANCIAL INSTRUMENTS

Financial instruments recognised on the statement of financial position include trade and other receivables, cash and cash equivalents, annuity loans and trade and other payables.

1.17.1 *Initial Recognition*

Financial instruments are initially recognised at fair value.

1.17.2 *Subsequent Measurement*

Financial Assets are categorised according to their nature as either financial assets at fair value through profit or loss, held-to-maturity, loans and receivables, or available for sale. Financial Liabilities are categorised as either at fair value through profit or loss or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation and, in the absence of an approved GRAP Standard on Financial Instruments, is in accordance with IAS 39.

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as at 30 June 2010

1.17.2. Investments

Investments, which include listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks, are categorised as either held-to-maturity where the criteria for that categorisation are met, or as loans and receivables, and are measured at amortised cost. Where investments have been impaired, the carrying value is adjusted by the impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the instrument. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

1.17.2. Trade and Other Receivables

For amounts due from debtors carried at amortised cost, the municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Objective evidence of impairment includes significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 90 days overdue). If the municipality determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Financial Performance. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the municipality. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the income statement.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate, if material. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

1.17.2. Trade Payables and Borrowings

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost using an effective interest rate, which is the initial carrying amount, less repayments, plus interest. Trade payables are stated at cost which approximates the fair value of the consideration to be paid in the future for goods and services rendered.

1.17.2. Cash and Cash Equivalents

Cash includes cash on hand (including petty cash) and cash with banks. Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, highly liquid deposits and net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

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1.17.3 De-recognition of Financial Instruments

1.17.3. Financial Assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired, or
- the municipality has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement, and either (a) the municipality has transferred substantially all the risks and rewards of the asset, or (b) the municipality has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the municipality has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, a new asset is recognised to the extent of the municipality's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the municipality could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the municipality's continuing involvement is the amount of the transferred asset that the municipality may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

1.17.3 Financial Liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Financial Performance.

1.17.4 Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

1.17.5 Impairment of Financial Assets

The Municipality assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

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ACCOUNTING POLICIES NOTES
as at 30 June 2010

1.18. REVENUE

1.18.1 Revenue from Non-Exchange Transactions

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis as an exchange transaction.

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received and at year-end provision is made for the income from outstanding fines based on historical payment information.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality. Where public contributions have been received but the municipality has not met the related conditions, it is recognised as an unspent public contribution (liability).

Revenue from third parties i.e. insurance payments for assets impaired, are recognised when it can be measured reliably and is not being offset against the related expenses of repairs or renewals of the impaired assets.

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.

1.18.2 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.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale. This is the most prudent approach that management has elected since this is low capacity municipality and has no capacity/systems in place to determine usage of electricity by each individual customer.

Service charges relating to refuse removal are recognised on an annual basis in advance or 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.

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as at 30 June 2010

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 using the effective interest rate method.

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 - 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 are 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.

1.18.3 Grants, Transfers and Donations (Non-Exchange Revenue)

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

1.19. RELATED PARTIES

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. It includes full-time councillors, being the Executive Mayor, Deputy Mayor, Speaker and members of the Mayoral Committee. Key management personnel is defined as the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

All related parties transactions are conducted and recorded at arm's length and disclosed in the notes to the financial statements.

1.20. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in a form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

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ACCOUNTING POLICIES NOTES
as at 30 June 2010

1.21. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act, and (Act. No. 20 of 1996) or is in contravention of the Municipality's Supply Chain Management Policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.22. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.23. CONTINGENT LIABILITIES

All known contingent liabilities are reflected in the financial statements.

1.24. AMENDED DISCLOSURE POLICY

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the financial statements. The principal amendments to matters disclosed in the current financial statements include fundamental errors, and the treatment of assets financed by external grants.

1.25. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In the process of applying the Municipality's accounting policy, management has made the following significant accounting judgements, estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements:

Impairment of trade receivables

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

NXUBA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

	Note	2010	2009
1 CASH AND CASH EQUIVALENTS			
Cash and cash equivalents consist of the following:			
Cash on hand		668	668
Cash at bank		698,537	165,534
		699,205	166,202
The Municipality has the following bank accounts: -			
<u>Current Account (Primary Bank Account)</u>			
ABSA Bank Limited - Adelaide Branch: Account Number 23 6000 0012			
FNB-Bank Limited - Bedford Branch: Account Number 51640011783			
Cash book balance at beginning of year		33,355	64,274
Cash book balance at end of year		628,890	33,355
Bank statement balance at beginning of year		33,355	64,274
Bank statement balance at end of year		628,890	33,355
<u>Current Account (Other Account)</u>			
Absa Bank Limited - Adelaide Branch: Account Number 9198592469			
Cash book balance at beginning of year		130,373	307,919
Cash book balance at end of year		65,358	130,373
Bank statement balance at beginning of year		130,373	307,919
Bank statement balance at end of year		65,358	130,373
<u>Savings Account</u>			
Absa Bank Limited - Adelaide Branch: Account Number 9074036460			
Cash book balance at beginning of year		1,806	1,806
Cash book balance at end of year		4,289	1,806
Bank statement balance at beginning of year		1,806	1,806
Bank statement balance at end of year		4,289	1,806
<u>Cash on hand</u>			
		668	668
Total cash and cash equivalents		699,205	166,202
Total bank overdraft		610,328	2,538,061

NXUBA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

	Note	2010	2009
TRADE RECEIVABLES FROM EXCHANGE AND NON-EXCHANGE TRANSACTIONS	Gross Balances	Provision for Doubtful Debts	Net Balance
Trade receivables			
as at 30 June 2010			
Service debtors from exchange transactions			
Electricity	3,398,147	(3,122,379)	275,768
Refuse	13,004,211	(11,948,886)	1,055,325
Total	16,402,358	(15,071,265)	1,331,093
Service debtors from non-exchange transactions			
Rates	10,117,923	(9,296,627)	821,095
Other admin, sundry and old housing	7,097,214	(6,821,267)	575,967
Total	17,215,137	(15,818,084)	1,397,052
as at 30 June 2009			
Service debtors from exchange transactions			
Electricity	1,979,982	(1,884,220)	95,761
Refuse	10,128,719	(9,636,846)	489,874
Total	12,108,701	(11,523,066)	585,635
Service debtors from non-exchange transactions			
Rates	12,543,519	(11,936,854)	606,665
Other admin, sundry and old housing	4,875,773	(4,639,957)	235,816
Total	17,419,292	(16,576,811)	842,481
Rates: Ageing			
Current (0 - 30 days)		133,644	
31 - 60 Days		86,588	
61 - 90 Days		104,195	
91 - 120 Days		9,793,497	
Total		10,117,922	
Electricity : Ageing			
Current (0 - 30 days)		403,043	
31 - 60 Days		288,512	
61 - 90 Days		377,191	
91 - 120 Days		2,319,400	
Total		3,398,146	
Other admin & Sundry Ageing			
Current (0 - 30 days)		63,754	
31 - 60 Days		41,736	
61 - 90 Days		56,381	
91 - 120 Days		2,365,366	
Total		2,527,249	
Old Housing Ageing			
91 - 120 Days		4,569,965	
Total		4,569,965	
Total Other admin & Sundry and Old Housing Ageing		7,097,214	

NXUBA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

	Note	2010	2009
Basic Refuse: Ageing			
Current (0 – 30 days)		300,396	
31 - 60 Days		200,609	
61 - 90 Days		217,087	
91 - 120 Days		12,286,119	
Total		13,004,211	-

Summary of Debtors by Customer Classification

	Consumers	Industrial / Commercial	National and Provincial
as at 30 June 2010			
Current (0 – 30 days)	417,468	454,573	125,545
31 - 60 Days	387,190	203,080	30,985
61 - 90 Days	421,536	295,480	25,133
91 - 120 Days	28,312,476	1,210,432	1,733,596
Sub-total	<u>29,538,669</u>	<u>2,163,565</u>	<u>1,915,261</u>
Less: Provision for doubtful debts	(28,781,261)	(2,108,088)	-
Total debtors by customer classification	757,408	55,477	1,915,261
as at 30 June 2009			
Current (0 – 30 days)	-	-	-
31 - 60 Days	-	-	-
61 - 90 Days	-	-	-
91 - 120 Days	-	-	-
121 - 365 Days	-	-	-
+ 365 Days	-	-	-
Sub-total	<u>-</u>	<u>-</u>	<u>-</u>
Less: Provision for doubtful debts	-	-	-
Total debtors by customer classification	-	-	-

Due to the challenges faced by the municipality during system conversion there is no comparative ageing for 08/09 financial year.

2.1 Reconciliation of the doubtful debt provision for exchange and non-exchange transactions

Balance at beginning of the year	28,099,877	18,741,437
Contributions to provision	5,429,499	9,358,440
Reversal of provision	(2,640,027)	-
Balance at end of year	30,889,349	28,099,877

Trade and other receivables past due but not impaired

Trade and other receivables which are less than 3 months past due are not considered to be impaired. At 30 June 2010, R2,686,314 (2009: R-) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

1 month past due	1,304,063	-
2 months past due	627,448	-
3 months past due	754,862	-

NXUBA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

	Note	2010	2009
<u>Trade and other receivables impaired</u>			
As of 30 June 2010, trade and other receivables of R 30,889,349 (2009: R28,099,877) were impaired and provided for.			
The ageing of these receivables is as follows:			
3 to 6 months		864,634	-
Over 6 months		30,024,716	-
The fair value of trade and other receivables approximates their carrying amounts.			
		<u>30,889,349</u>	<u>-</u>
3 OTHER RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS			
Other receivables		41,091	1,145
Total		<u>41,091</u>	<u>1,145</u>
4 INVENTORIES			
Other goods held for resale -- at cost		14,787,487	14,787,487
Opening balance of inventories		<u>14,787,487</u>	<u>14,787,487</u>
Other goods held for resale - at cost		14,787,487	14,787,487
Closing balance of inventories		<u>14,787,487</u>	<u>14,787,487</u>
Inventories consists of Reconstruction and Development Programme (RDP) houses that are held for sale to the communities.			
5 CALL INVESTMENTS			
Current portion of unspent conditional grants and receipts		3,201,432	1,756,332
Current portion of unspent unconditional grants and receipts		119,025	14,967
Total call investments		<u>3,320,457</u>	<u>1,771,299</u>
These investments are in respect of unspent conditional and unconditional grants from call accounts balances.			
6 INVESTMENTS - SECURITIES			
<u>Financial Instruments</u>			
Capital		44,096	31,357
Interest - current		3,403	8,043
Total investments - securities		<u>47,498</u>	<u>39,400</u>
These investments are held as securities for bonds over properties purchased by municipal staff.			

KXUBA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

7 PROPERTY, PLANT AND EQUIPMENT

7.1 Reconciliation of Carrying Value

	Land	Buildings	Infrastructure	Community	Heritage	Motor Vehicles	Other Assets	Total
as at 1 July 2009	1,586,496	3,278,886	18,511,310	4,812,483	3,325	1,667,962	2,000,274	31,860,736
Cost/Revaluation	1,586,496	3,278,886	18,511,310	4,812,483	3,325	1,667,962	2,000,274	31,860,736
Accumulated depreciation and impairment losses	-	-	-	-	-	-	-	-
Acquisitions	-	-	3,876,297	-	-	-	65,500	3,943,797
Unverified assets written off	-	-	-	-	-	-	(621,567)	(621,567)
as at 30 June 2010	1,586,496	3,278,886	22,389,607	4,812,483	3,325	1,667,962	1,444,207	35,182,968
Cost/Revaluation	1,586,496	3,278,886	22,389,607	4,812,483	3,325	1,667,962	1,444,207	35,182,968
Accumulated depreciation and impairment losses	-	-	-	-	-	-	-	-

The municipality is implementing GRAP for the first time and has taken Directive 4 exemption applicable for the first three years of initial adoption of GRAP to Low Capacity Municipalities. The effect of this is that assets are not depreciated or assessed for impairment in the first three years. Progress towards full compliance with the requirement of GRAP 17 will be disclosed in the annual financial statements for the next three years. The municipality is under going process of implementing a full GRAP compliant fixed asset register and it is expected to be finalised by the end of 2010/2011 financial year.

NXUBA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2009

7.2 Reconciliation of Carrying Value

	Land	Buildings	Infrastructure	Community	Heritage	Motor Vehicles	Other Assets	Total
as at 1 July 2008	1,586,496	3,278,886	13,438,887	4,812,483	3,323	1,240,581	1,891,302	26,251,958
Cost/Revaluation	1,586,496	3,278,886	13,438,887	4,812,483	3,323	1,240,581	1,891,302	26,251,958
Accumulated depreciation and impairment losses	-	-	-	-	-	-	-	-
Acquisitions	-	-	5,072,423	-	2	427,381	106,972	5,608,778
as at 30 June 2009	1,586,496	3,278,886	18,511,310	4,812,483	3,325	1,667,962	2,000,274	31,860,736
Cost/Revaluation	1,586,496	3,278,886	18,511,310	4,812,483	3,325	1,667,962	2,000,274	31,860,736
Accumulated depreciation and impairment losses	-	-	-	-	-	-	-	-

The municipality is implementing GRAP for the first time and has taken Directive 4 exemption applicable for the first three years of initial adoption of GRAP to Low Capacity Municipalities. The effect of this is that assets are not depreciated or assessed for impairment in the first three years. Progress towards full compliance with the requirement of GRAP 17 will be disclosed in the annual financial statements for the next three years. The municipality is under going process of implementing a full GRAP compliant fixed asset register and it is expected to be finalised by the end of 2010/2011 financial year.

NXUBA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

	Note	2010	2009
8 INTANGIBLE ASSETS			
8.1 Reconciliation of carrying value			
		Computer Software	Total
as at 1 July 2009			
Cost		4,014	4,014
Accumulated amortisation and impairment losses		4,014	4,014
		-	-
Acquisitions		15,263	15,263
as at 30 June 2010			
Cost		19,277	19,277
Accumulated amortisation and impairment losses		19,277	19,277
		-	-
8.2 Reconciliation of carrying value			
		Computer Software	Total
as at 1 July 2008			
Cost		1	1
		1	1
Acquisitions		4,013	4,013
as at 30 June 2009			
Cost		4,014	4,014
Accumulated amortisation and impairment losses		4,014	4,014
		-	-
9 INVESTMENT PROPERTY CARRIED AT COST			
9.1 Reconciliation of carrying value			
		Investment property	Total
as at 1 July 2009			
Cost		359,602	359,602
Accumulated depreciation and impairment losses		359,602	359,602
		-	-
as at 30 June 2010			
Cost		359,602	359,602
Accumulated depreciation and impairment losses		359,602	359,602
		-	-
9.2 Reconciliation of carrying value			
		Investment property	Total
as at 1 July 2008			
Cost		359,602	359,602
Accumulated depreciation and impairment losses		359,602	359,602
		-	-
as at 30 June 2009			
Cost		359,602	359,602
Accumulated depreciation and impairment losses		359,602	359,602
		-	-

NXUBA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

Note 2010 2009

9.3 Details of property:

Investment property

Investment Property is in respect of various residential properties and a multiple use property which are Erf No. 1, 81, 84, 85, 86, 215, 264, 390, 1160, 1162 and 1164. The properties are all valued at cost in the financial statements, their fair values as per the General Valuation report 1 July 2009 - 30 June 2013 are as follows:

Detail of Property	Address	Extent	Fair Value
Erf No.1	MULTIPLE USE PROPERTY: MEENT, ADELAIDE	20740000 SQM	4,600,000
Erf No.81	RESIDENTIAL PROPERTY VACANT LAND: DURBAN STREET, BEDFORD	2141 SQM	94,000
Erf No.84	RESIDENTIAL PROPERTY VACANT LAND: BAIRD STREET, BEDFORD	929 SQM	40,000
Erf No.85	RESIDENTIAL PROPERTY VACANT LAND: BAIRD STREET, BEDFORD	929 SQM	40,000
Erf No.86	RESIDENTIAL PROPERTY VACANT: LANDDONKIN STREET, BEDFORD	1859 SQM	80,000
Erf No.215	RESIDENTIAL PROPERTY VACANT LAND: BAIRD STREET, BEDFORD	4283 SQM	150,000
Erf No.264	RESIDENTIAL PROPERTY: CALEDON STREET, BEDFORD	11 1428 SQM	76,000
Erf No.390	RESIDENTIAL PROPERTY: STOCKHOLM STREET, BEDFORD	4005 SQM	770,000
Erf No.1160	RESIDENTIAL PROPERTY: HOPE STREET, BEDFORD	13 566 SQM	94,000
Erf No.1162	RESIDENTIAL PROPERTY: C/O HOPE & BOURKE STREET, BEDFORD	562 SQM	110,000
Erf No.1164	RESIDENTIAL PROPERTY: ADDERLEY STREET, BEDFORD	44 924 SQM	110,000
			<u>6,164,000</u>

NXUBA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

	Note	2010	2009
TRADE AND OTHER PAYABLES FROM EXCHANGE			
10 TRANSACTIONS			
Trade creditors		8,446,713	3,700,122
Other creditors		171	-
Total creditors		<u>8,446,884</u>	<u>3,700,122</u>
The fair value of trade and other payables approximates their carrying amounts.			
11 CONSUMER DEPOSITS			
Electricity		347,083	341,798
Total consumer deposits		<u>347,083</u>	<u>341,798</u>
there is no interest attached to this and is to be refunded to consumers.			
12 VAT PAYABLE			
VAT payable		-	684,056
VAT is payable on the receipts basis. VAT is paid over to SARS only once payment is received from debtors.			
12 VAT RECEIVABLE			
VAT receivable		294,259	-
VAT is payable on the receipts basis. VAT is paid over to SARS only once payment is received from debtors.			
13 LEAVE ACCRUAL			
Leave accrual		1,020,379	902,648
The movement in current provisions are reconciled as follows: -			
Balance at the beginning of the year		902,648	961,088
Contributions to provision		82,990	(56,145)
Expenditure incurred		34,741	(3,895)
Balance at the end of the year		<u>1,020,379</u>	<u>902,648</u>

NXUBA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

	Note	2010	2009
14 UNSPENT CONDITIONAL GRANTS AND RECEIPTS			
Municipal Infrastructure Grants		2,601,089	1,808,582
Bucket Eradication		-	2,874
Cemetery - Adelaide		1,053	1,053
Cemetery - Bedford		1,749	1,749
Finance Management Grant		99,995	-
Ndlovini Fund		1,562	1,562
Nxuba Electricity Account (NER)		5,846	5,846
Municipal Support		227,033	-
Nxuba Housing - 172 Zinc House		22,623	22,623
Nxuba Housing - 200 Units Goo		-	(48)
Nxuba Housing - 428 Mud House		-	(3,631)
Nxuba Housing - 481 Units		-	95,202
Nxuba Housing - 624 Units		-	65,165
Total Unspent Conditional Grants and Receipts		2,960,950	1,991,077
Current portion of unspent conditional grants and receipts		2,960,950	1,991,077
15 STRAIGHT-LINE OF OPERATING LEASE			
Straight-line of operating lease liability		57,811	54,235
Operating lease represent rentals payable by the municipality for certain of photocopying machines leased by the municipality from Nashua and Minolta.			
16 PROPERTY RATES			
<u>Actual</u>			
Residential		2,579,359	3,584,176
Total property rates		2,579,359	3,584,176
Property rates - penalties imposed and collection charges		-	-
Total		2,579,359	3,584,176
<u>Valuations</u>			
Residential		1,376,508	
Commercial		1,792,576	
State		337,202	
Municipal		33,396	
Total Property Valuations		3,539,682	

Valuations on land and buildings are performed every four years. The last valuation came into effect on 1 July 2008. Interim valuations are processed on a quarterly basis to take into account changes in individual property values due to alterations.

NXUBA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

	Note	2010	2009
<p>A general rate of R0.005 (2009) was applied to property valuations to determine assessment rates. Rebates of 15,000 were granted to residential and state property owners. Rates are levied on an annual basis on property owners.</p>			
17 SERVICE CHARGES			
Sale of electricity		12,744,100	7,319,532
Refuse removal		3,390,425	882,217
Total Service Charges		<u>16,134,525</u>	<u>8,201,749</u>
18 RENTAL OF FACILITIES AND EQUIPMENT			
Rental of facilities		114,878	30,529
Total rentals		<u>114,878</u>	<u>30,529</u>
19 INTEREST EARNED - EXTERNAL INVESTMENTS			
Bank		56,587	87,357
Total interest		<u>56,587</u>	<u>87,357</u>
20 INTEREST EARNED - OUTSTANDING RECEIVABLES			
Assessment rates		3,311,784	926,274
Electricity		239,762	74,743
Total interest		<u>3,550,546</u>	<u>1,001,017</u>
21 GOVERNMENT GRANTS AND SUBSIDIES			
Equitable share		13,192,453	9,975,935
MIG Grant		4,909,083	3,928,254
Other Government Grants and Subsidies		5,888,744	3,052,669
Total Government Grant and Subsidies		<u>23,990,280</u>	<u>16,956,858</u>
21.1 Equitable Share			
<p>In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members and operation of the municipality. All registered indigents receive a monthly subsidy of R84 (2009: R70), which is funded from the grant.</p>			
21.2 MIG Grant			
Balance unspent at beginning of year		1,808,582	1,426
Current year receipts		5,701,590	6,735,410
Conditions met - transferred to revenue		(4,909,083)	(3,928,254)
Conditions still to be met - remain liabilities		<u>2,601,089</u>	<u>1,808,582</u>

NXUBA MUNICIPALITY
 NOTES TO THE FINANCIAL STATEMENTS
 for the year ended 30 June 2010

	Note	2010	2009
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This grant is for infrastructure such as roads in Adelaide and Bedford. Revenue is recognized when expenditure for these infrastructure have been incurred and they are supported by relevant documentation.

21.3 Other Government Grants and Subsidies

Balance unspent at beginning of year		182,495	317,009
Current year receipts		4,548,298	3,052,669
Conditions met - transferred to revenue		<u>(4,370,932)</u>	<u>(3,187,183)</u>
Conditions still to be met - remain liabilities		<u>359,861</u>	<u>182,495</u>

These grants consist of finance management grant, municipal system improvement grant and primary health. All these grants have their own conditions per service agreement that need to be met before the grant can be recognized as revenue.

21.4 Changes in levels of government grants

Based on the allocations set out in the Division of Revenue Act, (Act 12 of 2009), significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

**OTHER INCOME, PUBLIC CONTRIBUTIONS AND
 22 DONATIONS**

22.1 Other income		897,431	307,978
Total Other Income		<u>897,431</u>	<u>307,978</u>
22.2 Public contributions and donations		897,431	307,978
Total public contributions and donations		<u>897,431</u>	<u>307,978</u>

Amount received from public contribution and donations for the year are not conditional income that need to be met before recognizing the income as revenue.

NXUBA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

	Note	2010	2009
23 EMPLOYEE RELATED COSTS			
Employee related costs - Salaries and Wages		12,451,208	10,458,651
Employee related costs - Contributions for UIF, pensions and medical aids		2,163,959	1,888,138
Travel, motor car, accommodation, subsistence and other allowances		918,263	697,090
Housing benefits and allowances		35,914	37,086
Overtime payments		45,194	175,593
Performance and other bonuses		780,658	621,779
Total Employee Related Costs		<u>16,395,197</u>	<u>13,878,336</u>
There were no advances to employees.			
Remuneration of the Municipal Manager			
Annual Remuneration		334,460	290,838
Travel, motor car, accommodation, subsistence and other allowances		222,955	211,674
Total		<u>557,415</u>	<u>502,512</u>
Remuneration of the Chief Finance Officer			
Annual Remuneration		194,647	169,564
Travel, motor car, accommodation, subsistence and other allowances		244,829	232,241
Total		<u>439,276</u>	<u>401,795</u>
Remuneration of Individual Directors			
		Corporate Services	Community Services
2010			
Annual Remuneration		161,669	176,412
Travel, motor car, accommodation, subsistence and other allowances		176,481	193,248
Total		<u>338,150</u>	<u>369,660</u>
		Corporate Services	Community Services
2009			
Annual Remuneration		189,309	206,772
Travel, motor car, accommodation, subsistence and other allowances		181,707	201,703
Total		<u>371,016</u>	<u>408,475</u>
24 REMUNERATION OF COUNCILLORS			
Speaker/Mayor		431,604	387,250
Councillors' allowances		632,778	561,841
Total Councillors' Remuneration		<u>1,064,382</u>	<u>949,091</u>
25 BAD DEBTS			
Provision for doubtful debts		2,789,473	9,356,440
Trade receivables write off		3,443,037	-
Total bad debts		<u>6,232,510</u>	<u>9,356,440</u>

NXUBA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

	Note	2010	2009
26 BULK PURCHASES			
Electricity		9,942,646	7,507,356
Penalty		140,335	-
Interest		57,497	74,622
Total bulk purchases		<u>10,140,478</u>	<u>7,581,978</u>
27 CONTRACTED SERVICES			
Contracted services for:			
Security services		81,158	243,374
Total security services		<u>81,158</u>	<u>243,374</u>
28 GRANTS AND SUBSIDIES PAID			
Grant/subsidy to suppliers		4,233,107	1,169,407
Total grant/subsidy to suppliers		<u>4,233,107</u>	<u>1,169,407</u>
29 GENERAL EXPENSES			
Included in general expenses are the following:-			
Accommodation		74,095	51,416
Advertising		143,338	97,012
Agency payments		474,550	-
Assessment rates		287,785	-
Audit fees		1,433,411	99,396
Bank charges		96,299	593,326
Bedford garden festival		144,070	183,798
Consulting fees		166,289	150,701
Departmental consumption		-	7,881
Election fund		-	77,387
Entertainment		26,285	46,732
Fuel and oil		229,832	298,690
HIV / AIDS programme		28,079	7,184
IDP review		24,452	106,904
Insurance		1,121,912	598,279
IT support		56,756	129,888
Landfill sites		90,230	132,741
Legal expenses		66,041	6,673
License fees - vehicles and computers		99,819	552,469
Membership fees		826	8,038
Motheo payment		214,000	-
Other		59,142	275,856
Rental of office equipment		723,763	108,259
Postage		135,563	166,980
Printing and stationary		267,319	233,337
Refuse bags		-	66,902
Service charges - service of amperes		186,495	-
Skills development levies		116,490	-
Software IT		63,417	3,376
Stocks and material		479,240	120,010

NXUBA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

	Note	2010	2009
Street lighting		-	81,404
Subscription & publication		877	3,499
Telephone cost		530,840	247,883
Telkom		316,131	247,883
Vodacom		122,643	-
Prepaid airtime		92,166	-
Tourism promotion and expenses		4,936	160,164
Training		30,099	87,657
Travel and subsistence		185,262	209,377
Unverified assets written off		621,567	-
Workshops		128,722	10,218
Total general expenses		8,330,402	4,903,328

30 CASH GENERATED BY OPERATIONS

Surplus/(deficit) for the year	1,873,920	(8,174,465)
Adjustment for:-		
Staff leave accrual	117,731	(59,040)
Write off of assets	621,567	-
Operating surplus before working capital changes:	2,613,218	(8,233,505)
Increase/(Decrease) in payables	4,746,762	3,354,008
Increase/ (Decrease) Consumer Deposits	5,286	4,501
Increase/ (Decrease) Vat Payable	294,250	1,046,484
(Increase)/Decrease in other current assets	-30,947	2,079
(Increase)/Decrease Vat Receivable	884,056	-
(Increase)/Decrease in receivables	-1,300,029	7,627,203
(Increase)/Decrease in inventories	-	-
Other: Accumulated profit Adjustment	3,575	54,235
Net cash flows from operating activities	7,007,180	4,455,006

31 CASH AND CASH EQUIVALENTS

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

Bank balances and cash	699,205	166,202
Net cash and cash equivalents (excluding bank overdrafts)	699,205	166,202

NXUBA MUNICIPALITY
 NOTES TO THE FINANCIAL STATEMENTS
 for the year ended 30 June 2010

	Note	2010	2009
32 CHANGE IN ACCOUNTING POLICY			
<p>The following adjustments were made to amounts previously reported in the annual financial statements of the municipality arising from the implementation of new accounting policies and changes to existing policies:</p>			
32.1 Statutory Funds			
Balance previously reported: -			3,650,085
Loans redeemed and other capital receipts			<u>50,242,660</u>
Total			<u>53,892,745</u>
Implementation of GRAP			
Transferred to Accumulated Surplus/(Deficit) (see 33.14 below)			3,650,085
Transferred to Accumulated Surplus/(Deficit) (see 33.14 below)			<u>49,041,689</u>
Total			<u>52,691,774</u>
32.2 Unspent conditional grants and receipts			
Balance previously reported			183,921
Implementation of GRAP			<u>1,991,077</u>
Total			<u>1,991,077</u>
32.3 Cash and cash equivalents			
Balance previously reported			668
Implementation of GRAP			<u>166,202</u>
Total			<u>166,202</u>
32.4 Trade and other receivables			
Balance previously reported			7,699,680
Implementation of GRAP			<u>1,429,261</u>
Total			<u>1,429,261</u>
32.5 Inventory			
Balance previously reported			-
Implementation of GRAP			<u>14,787,487</u>
Total			<u>14,787,487</u>
32.6 Current Investments			
Balance previously reported			39,400
Implementation of GRAP			<u>1,771,299</u>
Total			<u>1,771,299</u>

NKUBA MUNICIPALITY
 NOTES TO THE FINANCIAL STATEMENTS
 for the year ended 30 June 2010

	Note	2010	2009
32.7 Non-current investment			
Balance previously reported			39,400
Implementation of GRAP			39,321
Total			<u><u>39,321</u></u>
32.8 Property, plant and equipment			
Balance previously reported			-
Implementation of GRAP			32,720,284
Expenditure previously recorded as assets debited to Accumulated Surplus/(Deficit) (see 33.14 below)			(2,261,704)
Total			<u><u>30,458,580</u></u>
32.9 Intangible assets			
Balance previously reported			24,435
Implementation of GRAP			19,277
Total			<u><u>19,277</u></u>
32.10 Investment property			
Balance previously reported			-
Implementation of GRAP			324,602
Property previously not recorded credited to Accumulated Surplus/(Deficit) (see 33.14 below)			35,000
Total			<u><u>359,602</u></u>
32.11 Leave accrual			
Balance previously reported			1,111,313
Implementation of GRAP			902,648
Total			<u><u>902,648</u></u>
32.12 Bank overdraft			
Balance previously reported			2,372,527
Implementation of GRAP			2,538,061
Total			<u><u>2,538,061</u></u>
32.13 Operating lease liability			
Balance previously reported			-
Implementation of GRAP			54,235
Total			<u><u>54,235</u></u>

NXUBA MUNICIPALITY
 NOTES TO THE FINANCIAL STATEMENTS
 for the year ended 30 June 2010

	Note	2010	2009
32.14 Accumulated Surplus/(Deficit)			
Implementation of GRAP			
Transferred from statutory funds (see 33.1 above)			3,650,085
Transferred from loans redeemed and other capital receipts (see 33.1 above)			49,041,689
Non assets transfer from Property, Plant and Equipment (see 33.8 above)			(2,261,704)
Fair value of Investment Property previously not recorded (see 33.10 above)			35,000
Total			<u><u>50,465,070</u></u>
 33 CORRECTION OF ERROR			
During the year ended 30 June 2009, bulk electricity purchased were erroneously expensed as grants and subsidies paid :-			
The comparative amount has been restated as follows:			
Corrections of the purchase of bulk electricity expensed as grants and subsidies paid			5,178,462
Net effect on surplus/(deficit) for the year			<u>5,178,462</u>
No net effect on Statement of Financial Position			-
Net effect on Accumulated surplus opening balance			-
During the year ended 30 June 2009, provision for doubtful debt was erroneously understated :-			
The comparative amount has been restated as follows:			
Corrections of understatement of provision for doubtful debt			(6,270,419)
Net effect on surplus/(deficit) for the year			<u>(6,270,419)</u>
Assets			-
Liabilities			(6,270,419)
Net effect on Statement of Financial Position			<u>(6,270,419)</u>
Net effect on Accumulated surplus opening balance			<u>(6,270,419)</u>
During the year ended 30 June 2009, leave pay accrual was erroneously overstated :-			
The comparative amount has been restated as follows:			
Corrections of overstatement of leave pay accrual			208,665
Net effect on surplus/(deficit) for the year			<u>208,665</u>

NXUBA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

	Note	2010	2009
Assets			
Liabilities			
Net effect on Statement of Financial Position			(208,665)
			<u>(208,665)</u>
Net effect on Accumulated surplus opening balance			<u>(208,665)</u>
Total Errors identified			(6,479,084)
UNAUTHORISED, IRREGULAR, FRUITLESS AND			
34 WASTEFUL EXPENDITURE DISALLOWED			
34.1 Irregular expenditure			
To the best of our knowledge, there is no material losses through criminal conduct or irregular expenditure incurred during the year ended 30 June 2010 (2009 -- Nil).			
Unauthorized expenditure			
Reconciliation of unauthorized expenditure			
Opening balance		-	-
Unauthorized expenditure current year		38,543	-
Approved by Council or condoned		-	-
Transfer to receivables for recovery		-	-
Unauthorized expenditure awaiting authorization		<u>38,543</u>	<u>-</u>
This is in respect of overspending of telephone cost by the mayor.			
34.2 Fruitless and wasteful expenditure			
Reconciliation of fruitless and wasteful expenditure			
Opening balance -		-	-
Fruitless and wasteful expenditure current year		366	-
Condoned or written off by Council		-	-
Fruitless and wasteful expenditure awaiting condonement		<u>366</u>	<u>-</u>
This is in respect of penalties relating to license of the council vehicles that were not renewed on time.			
ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL			
35 FINANCE MANAGEMENT ACT			
Contributions to organised local government - [MFMA			
35.1 125 (1)(b)]			
Amount paid - current		11,438	11,047
Balance unpaid (included in payables)		<u>11,438</u>	<u>11,047</u>
35.2 Audit fees - [MFMA 125 (1)(b)]			
Opening balance		806,613	-
Current year audit fee		1,433,410	905,920
Amount paid - current year		<u>(43,157)</u>	<u>(59,307)</u>
Balance unpaid (included in payables)		<u>2,196,867</u>	<u>806,613</u>

NXUSA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

	Note	2010	2009
35.3 VAT - [MFMA 125 (1)(b)]			
<p>VAT input receivables and VAT output payables are shown in note 12. All VAT returns have been submitted by the due date throughout the year.</p>			
35.4 PAYE and UIF - [MFMA 125 (1)(b)]			
Opening balance		-	-
Current year payroll deductions		1,231,235	1,088,214
Amount paid - current year		<u>(1,231,235)</u>	<u>(1,088,214)</u>
Balance unpaid (included in payables)		<u> </u>	<u> </u>

The balance represents PAYE and UIF deducted from the June 2010 payroll. These amounts were paid during June 2010.

35.5 Pension and Medical Aid Deductions - [MFMA 125 (1)(b)]

Opening balance		-	-
Current year payroll deductions and Council Contributions		1,595,054	1,059,222
Amount paid - current year		<u>(1,595,054)</u>	<u>(1,059,222)</u>
Balance unpaid (included in payables)		<u> </u>	<u> </u>

The balance represents pension and medical aid contributions deducted from employees in the June 2010 payroll as well as Council's contributions to pension and medical aid funds. These amounts were paid during June 2010.

35.6 Councilor's arrear consumer accounts - [MFMA 125 (1)(b)]

	Total	Outstanding less than 90 days	Outstanding more than 90 days
<p>The following Councilors had arrear accounts outstanding for more than 90 days as at: -</p>			
as at 30 June 2010			
M Mana	3,178	408	2,770
T Ngetu	437	178	260
Z Maseti	1,894	195	1,699
ME Makenyane	411	411	-
CA Auld	23,003	3,265	19,738
EM Mqamisa	690	139	550
LN Mdlungu	572	123	449
W Mahleza	590	122	468
Total Councilor Arrear Consumer Accounts	<u>38,775</u>	<u>4,841</u>	<u>25,934</u>

NXUBA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

	Note	2010	2009
as at 30 June 2009			
M Mana	1,492	-	1,492
Z Maseti	1,073	-	1,073
Ni Ngetu	659	-	659
CA Auld	13,172	-	13,172
EM Mngamisa	2,575	-	2,575
LN Mdlungu	178	-	178
W Mahleza	452	-	452
Total Councilor Arrear Consumer Accounts	19,601	-	19,601

Municipality had experienced challenges in reconciling 3rd party payments received due to lack of supporting documents and implementation of venue system which occurred in 2008/09 financial year. This has resulted in some outstanding balances from previous years which had not be rectified as at 30 June 2010.

Non-Compliance with Chapter 11 of the Municipal Finance Management Act

No non compliance with the MFMA was incurred during the year.

36 CAPITAL COMMITMENTS

36.1 Commitments in respect of capital expenditure

- Approved and contracted for Infrastructure	<u>1,419,682</u>	<u>7,503,326</u>
	<u>1,419,682</u>	<u>7,503,326</u>
Total	<u>1,419,682</u>	<u>7,503,326</u>

This expenditure will be financed from:

- Government Grants	<u>1,419,682</u>	<u>7,503,326</u>
	<u>1,419,682</u>	<u>7,503,326</u>

36.2 Operating leases

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

Operating leases - lessee

Within one year	306,281	280,831
In the second to fifth year inclusive	470,988	777,268
Total	<u>777,269</u>	<u>1,058,100</u>

Municipality do not sublease any of it lease equipments

Operating Leases consists of the following:
Operating lease payments represent rentals payable by the municipality for certain of photocopying machines leased by the municipality from Nashua and Minolta.

NXUBA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

Note	2010	2009
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37 CONTINGENT LIABILITY

The municipality has a contingent liability relating to land fill site with asset number P0203 at Bedford which was acquired on 14 November 1982 amounted to R339,994. The municipality has an obligation to restore this land and due to uncertain future challenges which are not under the control of the municipality, provision was not be made at year end.

38 CONTINGENT ASSET

The Municipality did not have contingent assets at the year ended 30 June 2010.

39 RELATED PARTIES

The municipality did not have related part transactions during the 2009/2010 financial period.

40 EVENTS AFTER THE REPORTING DATE

There were no significant events identified after balance sheet.

41 KEY SOURCES OF ESTIMATION UNCERTAINTY AND JUDGEMENTS

The following areas involve a significant degree of estimation uncertainty:

Useful lives and residual values of property, plant, and equipment.

Recoverable amounts of property, plant and equipment.

Provision for rehabilitation of landfill sites (discount rate used, number of years, amount of cash flows).

Present value of defined benefit obligation.

Fair value of plan assets.

Provision for doubtful debts.

Impairment of assets.

Provision for long-term service award.

The following areas involved judgments, apart from those involving estimations disclosed above, that management has made in the process of applying the municipality's accounting policies and that have the most significant effect on the amounts recognized in the financial statements:

Impairment of assets

Provisions

NXUBA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

	Note	2010	2009
42 RISK MANAGEMENT			
42.1 Maximum credit risk exposure			
<p>Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party</p>			
<p>Trade receivables comprise a widespread customer base. Management evaluates credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit 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 the board. The utilization 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.</p>			
<p>Financial assets exposed to credit risk at year end were as follows:</p>			
FNB-Bank Limited - Bedford Branch: Account Number 51640011783		628,890	33,355
Absa Bank Limited - Adelaide Branch: Account Number 9198592489		65,358	130,373
Absa Bank Limited - Adelaide Branch: Account Number 9074038460		4,289	1,806
Financial guarantees		47,498	39,400
Trade and other receivables		33,617,495	29,529,138
<p>These balances represent the maximum exposure to credit risk.</p>			
43 RESTATEMENT OF COMPARATIVE INFORMATION			
<p>Provision for leave has been reclassified as accruals. The effect of the restatement is summarized below:</p>			
Statement of Financial Position:			
Accruals - leave		1,020,379	903,467
Total accrued leave		<u>1,020,379</u>	<u>903,467</u>

NXUBA MUNICIPALITY
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	Note	2010	2009
44 GRAP 100 - Non-current assets and discontinued operations			
<p>The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in March 2010. The municipality did not recognize non-current assets held for sale and discontinued operations relating to Inventories, Investment Properties, Property, Plant and Equipment and Intangible Assets which are not recognized in terms of the transitional provisions relating to those standards.</p>			
45 GRAP 16 - Investment Properties			
<p>The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in March 2009. The municipality did recognize all the Investment Properties.</p> <p>The municipality is currently in a process of valuing all Investment Properties in terms of GRAP 16 and it is expected that this process will be completed for inclusion in the 2011 financial statements.</p>			
46 GRAP 102 - Intangible Assets			
<p>The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in March 2009. The municipality did not recognize or measure all the Intangible Assets in accordance with the standard, including the following:</p> <p>Computer Software; Intangible assets financed by way of grants; Intangible assets transferred as a result of the transfer of functions; and Servitudes.</p> <p>The municipality is currently in a process of identifying all intangible Assets and have it valued in terms of GRAP 102 and it is expected that this process will be completed for inclusion in the 2011 financial statements. It is possible that certain intangible assets are currently being recognized as Property, Plant and Equipment.</p> <p>Since the previous reporting date the following Intangible Assets were measured in accordance with GRAP 102 and restated retrospectively:</p>			
Computer software;		19,277	4,014
Total not previously recognized now restated retrospectively		19,277	4,014

NXUBA MUNICIPALITY
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	Note	2010	2009
47 GRAP 12 - Inventories			
<p>The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in March 2009. The municipality did recognize the following inventories:</p>			
Other goods held for resale		14,787,487	14,787,487

48 Process to comply fully with the implementation of General Recognized Accounting Practices (GRAP)

The municipality adopted a phased-in approach in order to comply fully with the implementation of GRAP. The municipality is classified by the National Treasury as a Low capacity municipality and must comply with GRAP by 30 June 2010. The municipality, however, took advantage of the transitional provisions in Directive 4 from the Accounting Standards Board and aims to comply fully with GRAP by 30 June 2012.

